

## **Payment made to retired employees to fulfill statutory obligation allowable u/s 37(1)**

**Summary – The High Court of Madras in a recent case of V.O. Chidambaranar Port Trust., (the Assessee) held that Payment made to retired employees to fulfill statutory obligation is allowable u/s 37(1)**

### **Facts**

- During relevant year, the assessee claimed deductions under section 37(1) towards actual pension payments made to employees.
- The Assessing Officer opined that the deduction claimed in respect of actual payment could not be allowed.
- The Commissioner (Appeals) did not agree with said finding and held that the assessee had actually made monthly pension payments to its retired employees to fulfil the statutory obligation and therefore, the same could not be denied deduction. Accordingly, the disallowance made by Assessing Officer was deleted.
- The Tribunal confirmed order passed by the Commissioner (Appeals).
- On revenue's appeal:

### **Held**

- The ITAT held that the nature of deduction claimed by the assessee in respect of the payments made in terms of the retirement Regulations, 1979 have been strictly made to the retired employees' account after deduction of tax at source wherever applicable and they would fall within the general deductions under section 37.
- Further, these deductions have already been allowed to assessee in earlier years and the same cannot be denied for the subsequent years, especially when, the nature of payment is in the same fashion in terms of a statutory regulation.
- Thus, for the above reasons, the revenue has not made out any ground to interfere with the order passed by the Tribunal.
- In the result, the appeal filed by the revenue falls and is dismissed.