

COMMISSIONER OF INCOME TAX Vs ASPINWALL and CO. LTD.

Court: High Court Of Kerala

Date of Decision: Oct. 24, 1997

Acts Referred: Income Tax Act, 1961 " Section 30, 31, 32, 33, 34

Citation: (1998) 149 CTR 601

Hon'ble Judges: Mrs. K.K. Usha, J; K.K. Usha, J; G. Sivarajan, J

Bench: Full Bench

Advocate: P.K.R. Menon and N.R.K. Nair, for the Revenue; C.N. Ramachandran Nair, for the Assessee, for the Appellant;

Judgement

Mrs. K.K. Usha, J.

This reference, at the instance of the revenue, arises out of an order of the Tribunal, Cochin Bench in ITA 166 (Coch)/1989. Relevant assessment

year is 1985-86. Following are the questions raised for the opinion of this court :

Whether, on the facts and in the circumstances of the case, the Tribunal is right in law and fact;

(i) in allowing the foreign travel expenditure of the wife of the executive of the company?

(ii) in presuming business interest in the foreign trip of the wife of the executive in view of the approval of the company and is not such an approval

automatic and disapproval against common place and commonsense and the Tribunal is justified in the least in relying on the so-called "approval?"

2. Relevant facts are as follows :

Assessee-company is engaged in the business of curing of coffee, steamer agency, clearing and forwarding agency, etc. For the assessment year

1985-86, assessee claimed an expenditure of Rs. 2,08,465 on foreign travel which included Rs. 33,796 incurred on the tour of the wife of the

Chief executive. The assessing officer disallowed Rs. 33,796 holding that the expenditure was incurred for non-business purposes. Commissioner

(Appeals) confirmed the above view. But, on second appeal, Tribunal limited the disallowance to 50 per cent of Rs. 33,796.

3. It is contended by the learned standing counsel for the revenue that the Tribunal has erred in not following the dictum laid down by the Madras

High Court in Commissioner of Income Tax Vs. T.S. Hajee Moosa and Company, and Gujarat High Court in Bombay Mineral Supply Co. P.

Ltd. Vs. Commissioner of Income Tax, . The expenditure incurred was in the nature of personal expenses and, therefore, it will not qualify for

deduction u/s 37(1) of the Income Tax Act, 1961. The above section provides that any expenditure (not being expenditure of the nature described

in sections 30 - 36 and section 80VV and not being in the nature of capital expenditure or personal expenses of the (assessee), laid out or

expended wholly and exclusively for the purposes of the business or profession shall, be allowed in computing the income chargeable under the

head ""Profits and gains of business or profession"". According to the revenue, the expenditure incurred for the travel of the wife of the senior

executive will not come within the purview of section 37(1).

4. We heard the learned counsel for the respondent also.

5. Tribunal took the view that the wife of the chief executive accompanied in a business travel and that there was no material to show that her travel

was for any purpose other than business. Tribunal has taken note of the modern trend in which senior executives are accompanied by their wives

on visits for business purposes. But since the visit may have some social aspects also, it took the view that the entire amount cannot be allowed. It

was under these circumstances, Tribunal disallowed 50 per cent of the amount claimed under this head.

6. The facts in the two decisions relied on by the revenue are different. In Commissioner of Income Tax Vs. T.S. Hajee Moosa and Company, ,

the claim of the assessee-firm was for deduction of the expenditure incurred by it on the wife of the senior partner accompanying him on a foreign

tour. The definite case of the assessee therein was that the wife of the senior partner had to accompany him for the purpose of attending on him as

he was diabetic. Madras High Court took the view that the expenditure incurred for the travel of the wife of the senior partner under the above

circumstances, was in the nature of personal expenses. Even if it is assumed that the expenditure related to business purpose, it had a dual or twin

purpose and served not only purposes of business but also a personal or private purpose and therefore it was not an expenditure incurred

exclusively to serve the business. In the decision of the Gujarat High Court in Bombay Mineral Supply Co. P. Ltd. Vs. Commissioner of Income

Tax, also, the case of the assessee was that since director of the company, who had to undertake foreign tour, was keeping indifferent health, his

wife had to accompany him. Therefore, the reason for the travel of the wife was to look after her husband-the director. But, in the present case,

the factual finding of the Tribunal is to the effect that travel was undertaken by the wife of the senior executive only for the purpose of business. It is

also relevant to note that this is a case where the assessee had incurred expenses for the travel of its employee and the wife of the employee, and

not the wife of its own partner or director. It was under these circumstances, the Tribunal took the view that when the assessee permitted such

travel, in the absence of contrary evidence, it has to be taken that the wife of the chief executive had to undertake the travel for business purpose.

On the basis of the above factual finding entered by the Tribunal, we do not find any merit in the contention raised by the revenue that the Tribunal

had committed an error in not following the dictum laid down by the Madras and Gujarat High Courts in the decisions referred above.

We, therefore, answer question No. (i) in the affirmative, in favour of the assessee and against the revenue. We decline to answer question (ii), in

view of our answer to question (i).