

ITAT confirms disallowance of Advertisement Expenses relating to Construction of Swimming Pool

The Himalaya Drug Company Vs DCIT (ITAT Bangalore)

IT(TP)A No. 3071/Bang/2018

Date- 07/12/2020

Fact of the Case

- In the present case Himalaya Drug Company is the assessee and it contributed a sum of Rs. Rs.99.66 lakhs to a School named M/s Mallya Aditi International school, for the purpose of construction of a swimming pool in that school.
- The assessee claimed the payment as advertisement expenditure. In support of the said claim, it was submitted that the “name of the assessee company” is displayed near the swimming pool and hence the same would promote the brand of the assessee company.
- Accordingly, it was submitted that the assessee’s brand would get promoted in this process. It was claimed that the above said contribution is in the nature of advertisement expenditure only.
- The A.O noticed that children and grandchildren of Mr.Meeraj Alim Manal who is proprietor of Himalaya Drug Company studied in that school. So the contribution for swimming pool of that school is not for advertisement purpose. But it is the nature of personal expenditure
- Accordingly, the AO disallowed the above said claim of Rs.99.66 lakhs. The DRP upheld the view so taken by the AO.

Decision of the Case

- The coram headed by President N.V. Vasudevan noticed that the main objective of making a contribution to the school was on account of personal consideration & gesture of the ultimate owner of the assessee firm and no commercial consideration relating to the assessee herein was attached thereto.
- Therefore, the ITAT held that the AO was justified in treating the expenditure as not related to the business activity carried on by the assessee. Accordingly, confirmed the disallowance made by the AO.