

Relief to Toyota: ITAT allows Income Tax Deduction of CSR Expenses towards provision of Toilet facilities in Govt. Schools

**M/s. Toyota Boshoku Automotive India Private Limited vs.
The Deputy Commissioner of Income Tax, LTU-Bangalore
ITA No.1704/Bang/2018
Date of Judgement/Order : 24.09.2021**

Fact of the Case

1. In the present case M/s. Toyota Boshoku Automotive India Private Limited is the assessee
2. The company, during the relevant assessment year, paid a sum of Rs.6.10,541/- towards provision of toilet facilities in government schools where the children of employees of the assessee were studying. While filing the income tax returns for the year, the assessee claimed the amount as CSR expenses and submitted that by incurring the expenses, its productivity improves and the loyalty of its employees are also ensured.
3. The AO took the view that the expenditure had no nexus with the business of the assessee and he accordingly disallowed the claim of the assessee for deduction.
4. It was contended on behalf of the assessee that the expenditure was incurred for the purpose of business of the assessee and should be allowed as a deduction. However, the authorities, including the CIT(A) held that the expenses were in the nature of corporate social responsibility and were therefore not allowable in view of explanation 2 to section 37(1) of the Act.

Decision of the Case

1. The Tribunal bench comprising ITAT Vice President N V Vasudevan and Accountant Member B R Bhaskaran observed that Explanation 2 to section 37(1) of the Act was inserted by the Finance Act, 2014 w.e.f. 01.04.2015 and therefore not applicable to Assessment Year 2012-13.
2. "The CIT(A) was therefore not right in concluding that the expenditure in question was in the nature of corporate social responsibility and hence not allowable as a deduction. We are of the view that going by the nature of expenses incurred by the assessee, the deduction claimed should be allowed.