

**No Disallowance merely when Assessee has not earned any Business Income but Office,
Infrastructure is Ready for Future Business**

Dhanyata Enterprises Private Limited vs. The DCIT, New Delhi

ITA.No.404/Del./2020

Date of Judgement/Order : 24.09.2021

Fact of the Case

1. The assessee, Dhanyata Enterprises Private Limited has not carried out any business activity during the year and no business income has been declared, the A.O. asked the assessee to explain as to why the expenses were debited in the P & L A/c should not be disallowed. It was explained by the assessee that all the expenses incurred by the assessee are for business purposes.
2. However, the A.O. was not satisfied with the explanation given by the assessee. He observed that apart from claiming salary expenses of Rs.6 lakhs under the Head "Employee Benefits", the assessee has also incurred various expenses.
3. The assessee submitted that it has not stopped its business activity and because of less number of students, it was not viable for the assessee to run the business so the assessee did not prefer to incur huge expenditure and thereby huge loss.

Decision of the Case

1. The Coram of Accountant Member, R.K. Panda in the light of the decision of Delhi High Court in the case of Commissioner of Income Tax vs., Integrated Technologies Ltd. ruled that merely because the assessee has not earned any business income during the year, but, has every intention to revive the same, therefore, the various expenses debited to the P & L A/c cannot be disallowed especially when the assessee is maintaining its Office and kept its infrastructure ready for future business.
2. In this view of the matter The ITAT while setting aside the order of the CIT(A) directed the AO to allow the expenses claimed at Rs.9,94,872/-.