

In OCL India on Expenses on guarantee Obligation service by dealer assessee; Expense on Quality of Raw Material; expense for better grinding of cement

It was found that in respect of refractories supplied by the assessee, repair expenses were incurred to meet guarantee obligation. Thus, the expenditure was in relation to the stock-in-trade sold by the assessee to meet guaranteed performance. No benefit of enduring nature was obtained by the assessee

. It is not the case of the AO that the expenditure was incurred for acquiring any new mine. The assessee had already taken on lease certain mines and the expenditure was incurred for finding out the quality of raw-material, used in the process of manufacture. Since the expenditure was incurred in relation to the raw material, it will only go to enhance the cost of raw-material. The expenditure did not create any new asset or benefit of enduring nature.

From the facts narrated in the order of the learned CIT(A), it is clear that the assessee utilized the technical services of the personnel of M/s Loesche Gmbh for finer grinding and homogenization of the cement. It was necessary as better quality products had come into the market. The assessee did not acquire any technical know-how regarding better grinding. It was also pointed out by the learned CIT(A) that improvements in the product are required from time to time in a case where there is neither any acquisition of technical know-how nor increase in the quantity of production, the expenditure would be revenue expenditure, as it left the capital field untouched. We do not find any error in this order...