

No tax relief for Infy's payment to police: HC

Can an establishment seek a deduction under the Income-Tax Act with regard to a donation/ contribution made to police for regulating traffic? No way, says the Karnataka High Court.

The division bench comprising late Justice V G Sabhahit and Justice Ravi Malimath in a recent judgment held that IT giant Infosys cannot claim deduction of income under Section 37 of the Income-Tax Act with regard to its payment to the Bangalore city police for regulating traffic near its premises on Hosur Road. "It is the duty of police to regulate traffic and the amount paid towards the same by the company cannot qualify as deduction under the Income-Tax Act. For anything to be qualified for business expenditure in terms of the Act, it has to wholly for the purpose of the business of the company," the bench observed while setting aside the finding of the Income-Tax Appellate Tribunal (ITAT) on this issue.

The ITAT in its March 31, 2005 verdict held that the Rs 6.93 lakh payment made by Infosys in 1996-97 to traffic police to regulate traffic on Hosur was a "business expenditure " and therefore it's entitled for tax deduction.

Originally ,the assessing officer of the I-T department held the payment cannot be considered for deduction and is taxable. However, Infosys challenged this in the ITAT and the tribunal reversed it. The I-T department had filed an appeal before the high court.

(Times of India)