

### **ITAT allows deduction of CSR expenses incurred by Toyota**

In *M/S. Toyota Boshoku Automotive India Pvt. Ltd. v. The Deputy Commissioner of Income Tax [ITA No.1704/Bang/2018 AY 2012-2013 dated September 24, 2021]*, M/S. Toyota Boshoku Automotive India Pvt. Ltd. ("**the Appellant**") filed an appeal against the Order dated March 19, 2018 by the Commissioner of Income Tax (Appeals) ("**CIT (A)**") relating to the Assessment Year (**AY**) 2012-2013.

The Appellant, during AY 2012-2013, paid a huge amount towards provision of toilet facilities in Government Schools where the children of employees of the Appellant were studying. While filing the returns for that year, the Appellant claimed the same amount as Corporate Social Responsibility ("**CSR**") expenses and submitted that by incurring the expenses, its productivity improves and the loyalty of its employees are also ensured.

The Assessing Officer ("**AO**") took the view that the expenditure had no nexus with the business of the Appellant and the AO accordingly disallowed the claim of the Appellant for deduction.

In the case, the Appellant contended that the expenditure was incurred for the purpose of business and should be allowed as a deduction.

However, the CIT (A) held that the expenses were in the nature of CSR and were therefore not allowable for deduction in view of Explanation 2 to Section 37 (1) of the Income Tax Act, 1962 ("**the IT Act**").

After taking perusal of all the facts and evidences, the Income Tax Appellate Tribunal ("**ITAT**"), Bangalore held that Explanation 2 of Section 37 (1) of the IT Act was effective from April 01, 2015 and therefore, won't have retrospective applicability. Hence, allowed the appeal of the Appellant and the deduction sought was allowed.

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