

Sponsorship fees for Lifetime Achievement Awards not treated as Business Expenditure

In **NCC Limited, Hyderabad v. Asst. Commissioner of Income Tax, Circle-16(1), Hyderabad [ITA No. 595/Hyd/2020 and ITA No. 596/Hyd/2020 dated September 27, 2021]**, the current appeal has been filed against *Orders dated September 21, 2020 and September 04, 2020 in Appeal No. Nos.10823 & 10710 /19-20 / DCIT, Cir-16(1) / CIT(A)-4 / Hyd / 20-21* passed by Commissioner of Income Tax (Appeals) ("**CIT(A)**") wherein CIT(A) upheld the disallowance of sponsorship fees as business expenditure under Section 37 of the Income Tax Act, 1961 ("**the IT Act**") by the Assessing Officer ("**AO**").

NCC Limited ("**the Appellant**") had made an entry under "*Sponsorship Fees*" the details of which were called for. The Appellant submitted that they had partnered with M/s The New Indian Express Group for promotion of "*Devi Uttar Pradesh Awards*" which were conferred upon 10 women displaying innovation and dynamism in their line of work as part of their business development.

The Appellant contended that such contribution is made for empowerment of women however, the CIT(A) in its order observed that although the expenditure was for a noble cause, it has no nexus contribution made and the income generated for the business of the Appellant company under Section 37 of the IT Act which provides for expenditure under the head "*Profits and gains of business and profession*".

The Hon'ble Income Tax Appellate Tribunal, Hyderabad ("**ITAT**") relied on the case **M/s. Hyundai Motors India Ltd. Vs. DCIT [ITA No.2157/MAS/2011]** after considering the case of **Sassoon J. David & Co. (P) Ltd., Bombay vs C.I.T., Bombay [1979 AIR 1441, 1979 SCR (3) 878]** passed by the Hon'ble Supreme Court wherein it was noted that any expenditure claim raised under Section 37 of the IT Act ought to be wholly and exclusively incurred for the purpose of the concerned business only.

Further, noted that there lies no merit in the grievance of the Appellant on the current issue because the Appellant has failed to pin point a distinct direct nexus between its day to day business activity relating to the impugned alleged sponsorship fee paid to the eligible women for their life time achievements.

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