
(1991) 03 MAD CK 0039
In the Madras High Court
Case No : T.C. (R) No. 1235 of 1981

New Ambadi Estates Pvt. Ltd.

APPELLANT

Vs

State of Tamil Nadu

RESPONDENT

Date of Decision : 25-03-1991

Acts Referred:

Citation : (1993) 200 ITR 64

Hon'ble Judges : A.S. Anand, C.J.;Raju, J

Bench : Division Bench

Advocate : R. Ganghadharan, for the Appellant; R. Lokaprtiya, for the Respondent

Judgement

Dr. A.S. Anand, C.J.—The petitioner-assessee is a private limited company owning various plantations. The main crop in the plantations is

rubber, for the assessment year 1979-80, the petitioner filed a return under the Tamil Nadu Agricultural Income Tax Act, 1955 (Tamil Nadu Act

V of 1955) (hereinafter referred to as "the Act"). It claimed certain deductions while computing the total taxable income. The assessing authority,

while computing the net taxable income for the said year, disallowed some items of expenses. The order of the assessing authority disallowing

some items of expenses was questioned before the appellate authority who allowed the appeal in part, but maintained the disallowance in respect

of certain items of expenses. The petitioner preferred a further appeal to the Agricultural Income Tax Appellate Tribunal and the Tribunal allowed

certain more items of expenses in full while some claims were allowed in part. We are relieved of the need to deal with the items which were

disallowed or partly allowed by the assessing authority, the appellate authority and the Tribunal, as the present revision case before us is confined

to the disallowance sustained by the Appellate Tribunal in respect of the following expenses :-

(i) Disallowance of mess expenses of Rs. 4,311.

(ii) Disallowance of advertisement charges of Rs. 9,292.

2. We have heard learned counsel for the parties. In so far as the mess expenses are concerned, the petitioner had claimed deduction to the extent

of Rs. 12,311. These expenses were stated to have been incurred for the mess bills of the executives and the visiting members of the staff who

occasionally came to the estate. The Tribunal has been allowing mess expenses in the case of the assessee for the earlier years. In principle, the

Tribunal accepted the claim of the assessee to deduction in respect of the mess expenses. The Tribunal, however, found that the expenditure

claimed by the assessee on that account was very high as compared to the earlier years, Accordingly, the Tribunal allowed deduction only to the

extent of Rs. 8,000 and the disallowance was restricted to Rs. 4,311. In vain, we have searched through the order of the Tribunal for any formula

which has been adopted to determine the extent of reasonableness in respect of this expenditure. The Tribunal accepted in principle that mess

expenses incurred for the executives and the visiting members of the staff were permissible deductions. Having so held, it was necessary for the

Tribunal to have given reasons as to why it was not allowing the expenses as claimed. There is nothing on record to show that the Tribunal at any

point of time disputed the correctness of the account and when that is the position and the Tribunal had accepted it as a principle to allow the

deduction for mess expenses, it does not stand to reason as to why the entire expenses should not have been allowed and the deduction should

have been confined only to Rs. 3,000. The position would have been entirely different if certain items in the expenditure included under "mess

expenses" were either disallowed or some reason was given to doubt the correctness of the mess expenses submitted through the accounts. That is

not the position in this case. We find from a comparative statement furnished by learned counsel for the petitioner before us that in the year 1977-

78, the entire mess expenses claimed which had been disallowed by the Agricultural Income Tax Officer were allowed by the Tribunal in to and

similar was the position in 1978-79 also. In the year 1980-81, the total amount

of the mess expenses claimed to the extent of Rs. 12,695 was allowed by the Agricultural Income Tax Officer himself. We do not understand the logic or the justification for restricting the mess expenses to only Rs. 8,000 out of an expenditure of Rs. 12,311 as claimed by the assessee. The disallowance to the extent of Rs. 4,311 on account of mess expenses cannot be sustained and we, accordingly, set that aside and direct that the entire amount claimed as mess expenses of Rs. 12,311 shall be treated as a deduction from the taxable Income.

3. Coming now to the question of advertisement charges. The petitioner claimed deduction of a sum of Rs. 9,292 on that account. All the statutory authorities disallowed the deduction. Section 5 of the Act provides for the computation of agricultural income. It is laid down that the agricultural income of a person shall be computed after making the deductions as enumerated in the various clauses of the section itself. According to learned counsel for the petitioner-assessee, the deduction on account of advertisement charges is covered by clause (e). Clause (e) of section 5 of the Act reads as follows :

(e) any expenditure incurred in the previous year (not being in the nature of capital expenditure or personal expenses of the assessee) laid out or expended wholly and exclusively for the purpose of the land.

4. A bare reading of the clause shows that the deduction would be permissible of any expenditure incurred in the previous year laid out or expended "wholly and exclusively for the purpose of the land." How could advertisement charges be treated to be an expenditure incurred wholly and exclusively for the purpose of the land". The Tribunal noticed the claim of the petitioner-assessee on account of the advertisement charges and found that the expenditure incurred on that account was mainly incurred as "donations to various organisation". It was found on the basis of the materials on record by the Tribunal that such a donation was not connected with the agricultural income of the assessee. Nothing has been brought to our notice from which the findings recorded by the Tribunal may be considered to be vitiated. Let alone that the expenses towards advertisement charges were not connected with the agricultural income of the petitioner-assessee as found by the Tribunal, in our opinion, the advertisement charges, as claimed by the assessee in the instant case, on the

basis of the materials on record, cannot be said to be expenditure incurred ""wholly and exclusively for the land"" either. The analogy drawn from the Income Tax Act in respect of permissible deduction is wholly irrelevant for the purpose of considering the permissible deduction u/s 5(e) of the Tamil Nadu Agricultural Income Tax Act, 1955. The order of the Tribunal disallowing the advertisement charges amounting to Rs. 9,929, therefore, does not call for any interference at our hands.

5. In view of the aforesaid discussion, this tax revision case partly succeeds and is allowed to the extent of disallowance by the Tribunal of the mess expenses, and fail with regard to the grievance projected on the disallowance of the advertisement charges. There will be no order as to costs in this revision case.