(1997) 12 MAD CK 0057

In the Madras High Court

Case No : Tax Case No. 340 of 1993 (Revision No. 164 of 1993)

State of Tamil Nadu APPELLANT

Vs

Puthuthottam Estates Ltd. RESPONDENT

Date of Decision : 12-12-1997

Acts Referred:
Tamil Nadu Agricultural Income Tax Act, 1955 — Section 5

Citation : (2002) 256 ITR 769

Hon'ble Judges : M.S. Janarthanam, J;K.P. Sivasubramaniam, J

Bench : Division Bench

Advocate : K. Elango, for the Appellant; R. Gangadharan, for the Respondent

Judgement

M.S. Janarthanam, J.—This revision, at the instance of the Revenue, is directed against the order dated December 24, 1992, of the Tamil

Nadu Agricultural Income Tax Appellate Tribunal, Madras-104 (for short ""the Tribunal""), and made in A.T.A. No. 44 of 1992 relatable to the

assessment year 1991-92.

2. The assessee-company-Tvl. The Puthuthottam Estates Ltd., at No. 10, Damu Nagar, Puliakulam, Coimbatore-641 045, it appears, claimed

legal expenses to the tune of Rs. 15,000 by way of deduction u/s 5(e) of the Tamil Nadu Agricultural Income Tax Act, 1955 (Tamil Nadu Act No.

V of 1955, for short ""the Act""), in the process of computation of the income for the said assessment year 1991-92. The said legal expenses, it

appears, were incurred in protecting the interests of the estate.

3. There were certain loans to be discharged by the estate. Towards the discharge of the loan so incurred by the estate, it was decided by the

assessee to sell a parcel of the estate and thereby discharge the said loan. A resolution to that effect was passed.

4. Some of the shareholders, it appears, objected to the resolution. It so happened that despite objections emerging from them, a resolution had

been approved for the sale of a portion of the estate towards the discharge of the loan so incurred.

5. However, some of the shareholders raised a dispute in the High Court. Naturally, the assessee-company entered appearance to defend their

cause therein. In connection with the said dispute, it appears, legal expenses for defending the said action, inclusive of the lawyer''s fees had been

incurred to the tune of Rs. 15,000.

6. Such sort of a claim of the assessee-company was rejected not only by the Agricultural Income Tax Officer, Pollachi (Assessing Officer), but

also, on appeal, by the Assistant Commissioner of Agricultural Income Tax, Uthaga-mandalam (for short ""the ACAIT"").

7. Consequently, the assessee-company agitated the matter further by filing the appeal before the Tribunal, as aforesaid.

8. The Tribunal, however, accepted the claim of the assessee towards the legal expenses and granted relief therefor.

9. Aggrieved by the order of the Tribunal, the Revenue resorted to the present action-Tax Case (Revision) No. 340 of 1993.

10. From the submissions of Mr. K. Elango, learned Government Advocate (Taxes) representing the Revenue, and Mr. R. Gangadharan, learned

counsel appearing for the assessee, the point that emerges for consideration is as to,

Whether the order of the Tribunal as above, on the facts and in the circumstances of the case, is sustainable in law ?

11. The point : There is no pale of controversy that the assessee-company incurred the expenditure in a sum of Rs. 15,000, by way of legal

expenses. The only question that arises for consideration is whether the expenses so incurred can qualify for deduction u/s 5(e) of the Act, in the

computation of the income for the relevant assessment year.

Section 5(e) of the Act is in the nature of a residuary clause and would take in not only those expenditure incurred for the purpose of earning the

agricultural income ; but also very many expenses involved in carrying on the agricultural activity, as an occupation. The expression ""for the purpose of the land"" is much wider in scope than the expression ""for the purpose of deriving the agricultural income from the land"". It covers a wide

range of expenses taking in not only the expenses incurred actually for deriving the agricultural income ; but also expenses which are not directly

incurred for deriving agricultural income ; but have been expended in connection with the lands, which do not have any relationship to the

agricultural income derived in the previous year. If the expenses are reasonably connected with the holding of the land and using it for the purpose

of agriculture, those expenses will come under the expression, ""for the purpose of the land"".

(Kil Kotagiri Tea and Coffee Estates Co. Ltd. Vs. Government of Madras,).

12. While laying down the rule, as above, their Lordships of the Division Bench of this court also held that legal expenses incurred in connection

with the various matters relating to the day-to-day carrying on of the business of the company is an allowable deduction u/s 5(e) of the Act.

13. The decision, as cited above, is applicable on all fours to the case on hand. Reverting back to the facts of the instant case, admittedly, the

assessee-company, as already stated, incurred legal expenses to the rune of Rs. 15,000 for protecting the interests of the estate. In this view of the

matter, the order of the Tribunal allowing the claim of the assessee in a sum of Rs. 15,000 towards legal expenses by way of deduction u/s 5(e) of

the Act, in the process of computation of the income of the assessee-company for the relevant assessment year cannot at all be stated to be not

sustainable in law. This point is answered accordingly.

14. In fine, the tax case (revision) fails and is therefore dismissed. No costs.

