

IN THE INCOME TAX APPELLATE TRIBUNAL
PUNE BENCH "A", PUNE

BEFORE SHRI INTURI RAMA RAO, ACCOUNTANT MEMBER
AND
SHRI S. S. VISWANETHRA RAVI, JUDICIAL MEMBER

आयकर अपील सं. / ITA No.914/PUN/2019
निर्धारण वर्ष / Assessment Year : 2015-16

Gadgil Holdings Pvt. Ltd., PNG House, 4 th Floor, 694, Narayan Peth, Pune- 411030. PAN : AALCS9660G	Vs.	ITO, Ward-1(4), Pune.
Appellant		Respondent

Assessee by : None
Revenue by : Shri Ramnath P. Murkude

Date of hearing : 14.12.2022
Date of pronouncement : 22.12.2022

आदेश / ORDER

PER INTURI RAMA RAO, AM:

This is an appeal filed by the assessee directed against the order of the Id. CIT(A)-1, Pune [‘the CIT(A)’] dated 08.04.2019 for the assessment year 2015-16.

2. The appellant raised the following grounds of appeal :-

“The assessee company being aggrieved by the order and the decision of the learned Commissioner of Income Tax (Appeals)-1 Pune has preferred this appeal on the following grounds:-

1] The learned Commissioner (Appeals) erred in sustaining the validity of the assessment even though the Assessing Officer's order was contrary to the directions and instructions of the CBDT in respect of scrutiny assessments.

2] The learned Commissioner (Appeals) erred in sustaining the addition of Rs.1 Crore being insurance premium paid of a policy on the life of Mr. Saurabh Gadgil, Director.

3] *The learned Commissioner (Appeals) erred in rejecting assessee's claim that the said policy qualified as a "Key Man Insurance Policy" within the meaning of Section 10(10D) of the Income Tax Act and hence the premium paid was allowable business expenditure under section 37(1)*

4] *The deduction of Rs.1 Crore be allowed from Assessee Company's total income.*

5] *Such other orders be passed as deemed fit and proper.*

6] *The appellant company prays for leave to add to, amend or modify its grounds of appeal and lead evidence."*

3. Briefly, the facts of the case are as under :-

The appellant is a company incorporated under the provisions of the Companies Act, 1956. It is engaged in the business of consultancy and investments. The Return of Income for the assessment year 2015-16 was filed on 29.09.2015 declaring total income of Rs.1,68,690/-. Against the said return of income, the assessment was completed by the Income Tax Officer, Ward-1(4), Pune ('the Assessing Officer') vide order dated 29.09.2017 passed u/s 143(3) of the Income Tax Act, 1961 ('the Act') at total income of Rs.2,24,44,390/-. While doing so, the Assessing Officer made addition on account of insurance premium of Rs.1 crore, addition u/s 14A of Rs.70,94,107/- and addition on deemed dividend of Rs.51,81,588/-. In the present appeal, we are concerned with the addition on account of disallowance of premium paid for life insurance policy of Rs.1 crore. During the course of assessment proceedings, the Assessing Officer observed that the life insurance premium paid insuring the life of director of the appellant company

Mr. Saurabh Gadgil. It was claimed before the Assessing Officer that premium was paid under key man insurance policy, therefore, the assessee sought deduction as “revenue expenditure”. However, the Assessing Officer after going through the proposal form, the photocopy of image was reproduced at pages 9 to 12 of the assessment order had come to the conclusion that the policy was purchased by said Mr. Saurabh Gadgil in individual capacity not by the appellant company since the policy was not taken by the assessee company for benefit of a key man of business as claimed by the assessee company. This fact was further corroborated by the premium receipts dated 13.01.2015 issued by the insurance company.

4. Being aggrieved by the assessment order, an appeal was filed before the Id. CIT(A), who vide impugned order confirmed the addition.

5. Being aggrieved, the appellant is in appeal before us in the present appeal.

6. When the appeal was called on, none appeared on behalf of the appellant-assessee despite due service of notice of hearing.

7. We heard the Id. Sr. DR and perused the material on record. The issue in the present appeal relates to the allowability of insurance premium paid by the assessee company insuring the life of the director of the assessee company. A key man insurance

policy of a life insurance company of India provides for insurance policy taken by businessmen or professional on the life of employees in order to protect business against financial losses which may occur from the employees' premature death. The key man can be an employee or a director whose service was pursued to have significant affect on the profitability of the business, the premium is paid by the employer. In the present case, we are not concerned with the taxability of the profits on maturity of the policy, but we are only concerned as to the allowability of premium as deduction while computing the income under the head "business income". The Assessing Officer after making a reference to the proposal form had concluded the policy was not taken by the appellant company under a key man insurance policy. Merely, amount was paid by the assessee company and, therefore, in these circumstances, premium is not allowed as a business deduction. We have also carefully gone through the order of the Id. CIT(A) and find that the appellant had failed to prove that the policy was taken under a key man insurance policy by the appellant company. In these circumstances, we are of the considered opinion that the premium paid for insuring the life of the director of the assessee company cannot be allowed as deduction, as the appellant company had failed to prove the business expediency of the expenditure. In these circumstances, we do not see any reason to interfere with the

order of the Id. CIT(A). Accordingly, the grounds of appeal raised by the appellant stand dismissed.

8. In the result, the appeal filed by the assessee stands dismissed.

Order pronounced on this 22nd day of December, 2022.

Sd/-
(S. S. VISWANETHRA RAVI)
JUDICIAL MEMBER

Sd/-
(INTURI RAMA RAO)
ACCOUNTANT MEMBER

पुणे / Pune; दिनांक / Dated : 22nd December, 2022.

Sujeet

आदेश की प्रतिलिपि अग्रेषित / Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant.
2. प्रत्यर्थी / The Respondent.
3. The CIT(A)-1, Pune.
4. The Pr. CIT-1, Pune.
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, "A" बेंच,
पुणे / DR, ITAT, "A" Bench, Pune.
6. गार्ड फ़ाइल / Guard File.

आदेशानुसार / BY ORDER,

// True Copy //

Senior Private Secretary
आयकर अपीलीय अधिकरण, पुणे / ITAT, Pune.