

IN THE INCOME TAX APPELLATE TRIBUNAL  
HYDERABAD BENCH "B", HYDERABAD

BEFORE SMT. P. MADHAVI DEVI, JUDICIAL MEMBER  
AND  
SHRI A. MOHAN ALANKAMONY, ACCOUNTANT MEMBER

ITA No.178/Hyd/2016 (A.Y. 2009-10)		
ITA No.1824 to 1827/Hyd/2017 (A.Ys. 2011-12 to 2014-15)		
M/s. Synergies Castings Limited, D.No.6-3-855/10/A, 4A, Sampathji Apartments, Public School Road, Ameerpet, Hyderabad. PAN: AAICS 7410 H	Vs.	DCIT, Circle-3(2) / Circle-3(3) Hyderabad.
(Appellant)		(Respondent)
Assessee by:	Sri S. Rama Rao	
Revenue by:	Sri Nilanjan Dey, DR	
Date of hearing:	30/10/2019	
Date of pronouncement:	19/12/2019	

ORDER

PER A. MOHAN ALANKAMONY, AM.:

All the captioned appeals are filed by the assessee against the orders of the Ld. CIT(A)-3, Hyderabad in appeal Nos. 1294/DC 3(3)/CIT(A)-3/2014-15, dated 09/12/2015, 0080/ DC 3(2)/CIT(A)-3/2015-16 dated 09/08/2017, 0328/DC 3(2)/CIT(A)-3/2015-16 dated 16/08/2017, 0039/ DC 3(2)/CIT(A)-3/2016-17 dated 16/8/2017 & 0213/ DC 3(2)/CIT(A)-3/2016-17 dated 14/09/2017 passed U/s. 143(3) r.w.s 250(6) of the Act for the AYs 2009-10 & 2011-12 to 2014-

15. Since the facts and the issue involved in these appeals is identical, all the five appeals are taken up for hearing together and disposed off by this common order.

2. The identical grounds raised in all the five appeals are that the Ld. CIT(A) has erred in sustaining the partial disallowance made by the Ld. A.O towards the claim of deduction on moulds by treating them as plant and machinery and thereby granting depreciation @ 15% per annum.

3. The brief facts of the case are that the assessee is a limited company engaged in the business of manufacture of Aluminium Alloy Wheels for cars, Trucks and SUVs. The assessee company filed its return of income for the relevant AYs and thereafter the assessment was completed u/s. 143(3) of the Act wherein the Ld. AO disallowed the claim of deduction partially towards amortization of expenses incurred on the purchase of moulds for manufacturing alloy wheels.

4. During the course of scrutiny assessment proceedings, it was observed by the Ld. AO that the assessee had claimed deduction on moulds which are to be utilised for manufacturing Aluminium Alloy Wheels for motor vehicles. On query, the assessee submitted that the deduction was calculated on the basis of actual usage of moulds and its wear and tear. The Ld. AO opined that the claim of the assessee amounts to claim of depreciation on moulds which is governed by

section 32 of the Act. Thereafter, the Ld. AO concluded by treating the moulds as Plant & Machinery and accordingly granted the benefit of depreciation @ 15% per annum and disallowed the balance claim of deduction for all the relevant assessment years. On appeal, the Ld. CIT (A) confirmed the order of the Ld. AO by observing as under:-

*“3.8. The information on record is carefully considered. Both the citations relied upon by the appellant pertain to assessment years prior to introduction of concept of ‘block of asset’. The Karnataka High Court decision relate to AY 1980-81 and 1981-82, whereas the Delhi High Court’s decision pertain to AY 1982-83. With effect from 01/04/1988, the block of assets concept was introduced, and the depreciation shall be allowed at certain percentage on actual cost / WDV as prescribed in IT Rules, 1962 (Rule 5). As per such rules, the moulds all under the general category of ‘machinery and plant’ entitled for depreciation @ 15%. The appellant’s plea that there is more wear and tear with reference to moulds is well appreciated. Nevertheless, in the block of assets entitled for 15% depreciation, there might be some assets which depreciate @ 5% or there might be some assets which depreciate @ 50%, but all the machinery that falls in this basket will be entitled only for 15%, irrespective of their actual life span or wear and tear. Further, the appellant’s plea that it has been continuously following the method of claiming cost of moulds over a period of 12 months cannot be accepted as the same is the wrong method which is being followed by the appellant which needs to be rectified.*

*3.9. In view of the above discussion, the AO’s action in allowing 15% depreciation on moulds is confirmed. However, the AO is directed to compute the quantum of depreciation correctly. Therefore, this ground of appeal is dismissed.”*

5. Before us, the Ld. AR submitted that the assessee had amortized the expenditure incurred for acquiring the moulds by scientifically and practically examining the wear and tear / usage of the moulds. Therefore, as per the matching concept, the assessee had claimed deduction towards the expenditure incurred for acquiring the moulds. The ld. AR further argued that the Ld. Revenue Authorities without

examining the same, bluntly came to the conclusion that moulds has to be classified as Plant & Machinery and accordingly only the depreciation on the same can be claimed as deduction. It was therefore pleaded that relief may be granted to the assessee by allowing the entire deduction claimed by the assessee based on the actual usage of the moulds. The Ld. DR on the other hand vehemently argued by relying on the orders of the Ld. Revenue Authorities.

6. We have heard the rival submissions and carefully perused the materials on record. It is evident from the facts of the case that the moulds are used for manufacturing Aluminium Alloy Wheels for motor vehicles. The assessee had explained before the Revenue that the moulds become redundant after manufacturing approximately 15,000 wheels because the moulds are used in very high temperature due to which they get worn out. Moreover, it is apparent that for different patterns of wheels different moulds are used. After a certain number of patterns of wheels are produced, they have to be changed due to customer choice as the wheels are purchased by renowned companies like General Motors (USA), Chrysler (USA) and Ford (USA). Moreover, it is obvious that the models of vehicles are changed over a short period of time. For these reasons the appellant company discards the moulds as redundant after a period of 12 months and they have to be disposed off as scrap. Hence, as a policy matter, keeping in view of

the matching principle, the assessee company writes off the moulds over a period of 12 months. It is pertinent to mention that moulds cannot be treated as Plant & Machinery as a whole. It is only a part of the machinery. Different kinds of moulds have different life span, short or long, according to the nature of industry. In the case of the assessee it is evident that the life span of the moulds is only 12 months. In similar circumstances, the Hon'ble Karnataka High Court in the case of CIT vs. Mysore Spun Concrete Pipe Pvt Ltd (reported in 194 ITR 159) has held that the expenditure on moulds has to be treated as revenue in nature. Similarly, the Hon'ble Delhi High Court in the case of CIT vs. Jagajit Industries Limited reported in 241 ITR 556 had also held that considering the life span of moulds the expenditure towards the same has to be treated as revenue in nature. Therefore, appreciating the facts of the case and the decisions rendered by various higher judiciaries it is evident that in the case of the assessee expenditure incurred towards replacement of the moulds within a short span of time has to be treated as revenue expenditure. Further, it is pertinent to mention that adhering to the prudent principles of accountancy and accounting standards viz., the matching concept, the assessee has judiciously claimed deduction towards the expenditure incurred on the moulds by scientifically computing the life span and usage of the moulds. Further, it is not the case where the

life span of the moulds are for a long period or it increases the productivity or it improved the value of the product or to produce altogether another product, which may provide scope to treat the expenditure incurred towards the moulds as capital in nature on which depreciation is allowable. In these circumstances, we cannot find any fault in the claim of the assessee to treat the expenditure incurred on moulds to be revenue in nature and it is appropriate. For the above stated reasons, we do not find any merit either in the order of the ld. AO or in the order of the Ld. CIT (A). Therefore, for all the relevant AYs we hereby direct the Ld. AO to delete the addition made on account of disallowance of deduction claimed on moulds. It is ordered accordingly.

7. In the result, all the appeals of the assessee are allowed in its favour.

Pronounced in the open Court on 19<sup>th</sup>December, 2019.

Sd/-  
(P. MADHAVI DEVI)  
JUDICIAL MEMBER

Sd/-  
(A. MOHAN ALANKAMONY)  
ACCOUNTANT MEMBER

Hyderabad, Dated: 19<sup>th</sup>December, 2019

OKK

Copy to:-

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- Hyderabad-29.
- 2) DCIT, Circle-3(2), Hyderabad.(ii) DCIT, Range-3(3), IT Towers Hyderabad.
  - 3) The CIT(A)-3, Hyderabad
  - 4) The Pr. CIT-3, Hyderabad
  - 5) The DR, ITAT, Hyderabad
  - 6) Guard File