

**आयकर अपीलीय अधिकरण “सी ” न्यायपीठ चेन्नई में।**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**“C” BENCH, CHENNAI**

**माननीय श्री महावीर सिंह, उपाध्यक्ष एवं**  
**माननीय श्री मनोज कुमार अग्रवाल, लल्लू सदस्य का समक्ष।**  
**BEFORE HON’BLE SHRI MAHAVIR SINGH, VP AND**  
**HON’BLE SHRI MANOJ KUMAR AGGARWAL, AM**

आयकर अपील सं./ ITA No.1900/Chny/2019  
(निर्धारण वर्ष / Assessment Year: 2015-16)

<b>M/s.Qruize Technologies Pvt. Ltd.</b> Old No.37, New No.57, 53 <sup>rd</sup> Street, 9 <sup>th</sup> Avenue, Ashok Nagar, Chennai -600 083.	<b>बनाम/ Vs.</b>	<b>ACIT</b> Corporate Circle-5(2), Chennai.
स्थायी लेखा सं./जी आइ आर सं./PAN/GIR No. <b>AAACQ-2835-N</b>		
(पीलार्थी/ <b>Appellant</b> )	:	(प्रत्यर्थी / <b>Respondent</b> )

अपीलार्थीकी ओरसे/ <b>Appellant by</b>	:	Shri K.B.Muralidharan- Ld. AR
प्रत्यर्थीकी ओरसे/ <b>Respondent by</b>	:	Shri G.Johnson – Ld. Sr. DR

सुनवाईकी तारीख/ <b>Date of Hearing</b>	:	12/10/2021
घोषणाकी तारीख / <b>Date of Pronouncement</b>	:	12/10/2021

**आदेश / O R D E R**

**Manoj Kumar Aggarwal (Accountant Member)**

1. This appeal by assessee for Assessment Year [AY] 2015-16 arises out of the order of learned Commissioner of Income Tax (Appeals)-3, Chennai [CIT(A)] dated 25/04/2019 in the matter of assessment framed by Ld. Assessing Officer [AO] u/s 143(3) of the Act on 27/12/2017. In this appeal, the grievance of the assessee is two-fold – (i) R & D expenditure treated as capital expenditure; (ii) Addition on account of discrepancy in

directors' remuneration. Having considered rival submissions, our adjudication would be as under: -

## **2. Treatment of Research & Dev. (R&D) expenditure as capital expenditure**

2.1 The assessee is into software development and services. It debited R&D expenditure of Rs.81.99 Lacs. However, Ld. AO opined that the same would be capital expenditure in the nature of intangible assets which would be eligible for depreciation. The assessee submitted that the expenditure was not in connection with development of end-products but to improve the services in the area of testing, short-cuts in coding etc. The expenditure was incurred for improving expertise in technology and the purpose was to increase the revenue. However, the same could not convince Ld. AO who treated the expenditure to be capital in nature. The Ld. CIT(A) upheld the stand of Ld. AO, inter-alia, by observing that the expenditure would bring enduring benefit to the assessee. Aggrieved, the assessee is in further appeal before us.

2.2 Upon perusal of impugned expenditure as placed on page no.21 of the paper book, it could be seen that the expenditure is mostly in the nature of salaries, contribution to PF, business promotion, web services expenses, consultancy charges and training of employees etc. These are mostly revenue in nature and incurred in the area of testing, short-cuts in coding etc. The expenditure was not incurred on creation of end products being developed by the assessee but to increase expertise in technology to increase the revenue. By incurring such expenditure, the assessee may get enduring benefit in future, nevertheless, the same would not result into creation of any new capital asset. Therefore, such expenditure, in our considered opinion, would be fully allowable being

revenue in nature as held by Pune Tribunal in **Opus Software Solutions Pvt. Ltd. V/s ACIT (26 Taxmann.com 47)** on similar factual matrix. We order so. The depreciation granted by Ld. AO would stand reversed. The ground thus raised stand allowed.

### **3. Remuneration to Directors**

3.1 The assessee paid remuneration of 12.00 Lacs each to four of its directors. Upon perusal of details and Form No.16 as issued by the assessee to the directors, it transpired that the component of Rs.12 Lacs include medical allowance and travel / expenditure reimbursement which was not shown in Form No.16 and not offered to tax by the directors. Though Ld. AO accepted assessee's explanation regarding medial allowance, however, Ld. added the amount of travel / expenditure reimbursement to the income of the assessee on the ground that such component should have been included in the salary. The stand of Ld. AO, upon confirmation by Ld. CIT(A), is in further challenge before us.

3.2 Upon due consideration of material facts, we find that the only reason to make impugned addition is the opinion of Ld. AO that reimbursements should have been included in salary component in Form No.16. However, there are no findings that the expenditure was not genuine. Theses reimbursements are part of offer letters issued by the assessee to respective directors (page nos. 100 to 107 of paper-book). Upon perusal of the same, we find that the directors were reimbursed telephone expenses, petrol / other expenses which are duly reflected in pay-slip issued by the assessee. Further, there are no findings by lower authorities that these reimbursements were taxable. Nevertheless this fact would not jeopardize assessee's claim of expenditure u/s 37(1) since the assessee has incurred the expenditure.

Therefore, the impugned addition is not sustainable. We order so. This ground stand allowed.

4. The appeal stand allowed.

*Order pronounced on 12<sup>th</sup> October, 2021.*

**Sd/-**  
**(Mahavir Singh)**  
उपाध्यक्ष / **Vice President**

**Sd/-**  
**(Manoj Kumar Aggarwal)**  
लेखा सदस्य / **Accountant Member**

चेन्नई Chennai; दिनांक Dated : 12/10/2021  
Somasunder

**आदेशकीप्रतिलिपिअग्रेषित/Copy of the Order forwarded to :**

1. अपीलार्थी/ The Appellant
2. प्रत्यर्थी/ The Respondent
3. आयकरआयुक्त(अपील) / The CIT(A)
4. आयकरआयुक्त/ CIT– concerned
5. विभागीयप्रतिनिधि, आयकरअपीलीयअधिकरण, चेन्नई / DR, ITAT, Chennai
6. गार्डफाईल / Guard File

**आदेशानुसार/ BY ORDER,**

**उप/सहायक पंजीकार (Dy./Asstt.Registrar)**  
**आयकरअपीलीयअधिकरण, चेन्नई / ITAT, Chennai**