

आयकर अपीलीय अधिकरण, 'ए' न्यायपीठ, चेन्नई
IN THE INCOME TAX APPELLATE TRIBUNAL, 'A' BENCH, CHENNAI
श्री महावीर सिंह, उपाध्यक्ष एवं श्री जी. मंजुनाथ, लेखा सदस्य के समक्ष
BEFORE SHRI MAHAVIR SINGH, VICE-PRESIDENT
AND SHRI G.MANJUNATHA, ACCOUNTANT MEMBER

आयकर अपील सं./I.T.A.No.502/Chny/2020

(निर्धारणवर्ष / Assessment Year: 2016-17)

M/s. HP Packaging 107/43, Rangarajapuram Main Road, Kodambakkam, Chennai-600 024.	Vs	The Assistant Commissioner of Income Tax, Non-Corporate Circle-13(1) Chennai.
PAN: AAHFH 1484J		
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)

अपीलार्थीकीओरसे/ Appellant by	:	Mr. I.Dinesh, Advocate
प्रत्यर्थीकीओरसे/Respondent by	:	Mr. AR.V.Sreenivasan, Addl.CIT

सुनवाईकीतारीख/Date of hearing	:	10.11.2021
घोषणाकीतारीख /Date of Pronouncement	:	30.11.2021

आदेश / ORDER

Per G.MANJUNATHA, AM:

This appeal filed by the assessee is directed against the order of learned CIT(A)-14, Chennai dated 23.01.2020 and pertains to assessment year 2016-17.

2. The assessee has raised following grounds of appeal:-

"1. The Order of the Commissioner of Income Tax (Appeals) is erroneous, arbitrary, illegal and is liable to be set aside.

2. The Commissioner of Income Tax (Appeals) failed to note that the Assessing Officer erred in completing the assessment in haste without considering the materials submitted by the assessee in the course of the assessment proceedings.

2.1. The Commissioner of Income Tax (Appeals) erred in confirming the action of the Assessing Officer disallowing the discount granted of Rs. 21,22,807 to M/s. Kankariya Enterprises Pvt. Ltd.

2.2. The Commissioner of Income Tax (Appeals) ought to have appreciated that the discount was allowed for business done by one of the major customers of the assessee and hence it is rightly allowable as expenditure.

2.3. The Commissioner of Income Tax (Appeals) erred in finding the facts of case that the Assessing Officer went wrong in concluding that the credit notes in respect of sale made in the earlier years is prior period expenditure.

2.4. The Commissioner of Income Tax (Appeals) failed to consider and follow the decided cases on this issue.”

3. Brief facts of the case are that the assessee is a firm engaged in the business of import of plastic raw material. The assessee has filed its return of income for assessment year 2016-17 on 14.10.2016 declaring total income of Rs.42,19,818/-. During the course of assessment proceedings, the Assessing Officer noticed that the assessee has claimed discount allowed to customers and hence, called upon the assessee to file necessary evidences including nature of discount allowed to the customers. In response, the assessee submitted that it has allowed discount to M/s. Kankriya Enterprises Pvt. Ltd. and such discount has been allowed on

the basis of refund of duty and further, same has been agreed to be paid as and when the assessee receives refund from department. The Assessing Officer after considering relevant submissions of the assessee and also after taking note of details observed that out of total discount allowed by the assessee, a sum of Rs.21,22,807/- pertains to period of 2014-15 and same pertains to previous financial year and hence, not allowable for the year under consideration and therefore, disallowed a sum of Rs.21,22,807/- and added back to total income of the assessee.

4. Being aggrieved by the assessment order, the assessee preferred an appeal before the learned CIT(A). Before the learned CIT(A), the assessee has filed detailed written submissions, which has been reproduced at para 5 on page 3 and 4 of the learned CIT(A) order. The sum and substance of arguments of the assessee before learned CIT(A) are that discount allowed to M/s. Kankriya Enterprises Pvt. Ltd. is on the basis of refund of special addition duty of 4% on import of plastic material and same has been allowed to party when the assessee has received refund from the department. Therefore,

argued that even though part of discount pertains to sales made in previous financial year, but same was accrued for year under consideration when the assessee has received refund of special additional duty and thus, is allowable for the year under consideration.

5. The learned CIT(A) after considering relevant submissions of the assessee and also taken note of reasons given by the Assessing Officer opined that expenses which are incurred during financial year 2015-16 alone are allowable and thus, discount pertains to financial year 2014-15 cannot be allowed as deduction. Therefore, the learned CIT(A) opined that there is no reason to interfere with the order of the Assessing Officer. Aggrieved by the learned CIT(A) order, the assessee is in appeal before us.

6. The learned AR for the assessee has submitted that the learned CIT(A) failed to note that the Assessing Officer has erred in completing assessment without understanding concept of accrual of expenses, as per which though part of discount pertains to sales made in earlier financial year, but same was accrued to the assessee for year under consideration, when the

assessee has received refund of special additional duty from department and further, discount allowed to customers is linked to refund of duty. Therefore, same needs to be allowed as and when the assessee has given credit to customers.

7. The learned DR, on the other hand, supporting order of the learned CIT(A) submitted that there is no dispute with regard to fact that a sum of Rs.21,22,807/- discount allowed to M/s. Kankriya Enterprises Pvt. Ltd. pertains to sales made in financial year 2014-15 and thus, the Assessing Officer has rightly held that prior period expenses cannot be allowed as deduction. The assessee has not given any reason to claim expenditure pertains to earlier year in the impugned assessment years and hence, there is no error in reasons given by the Assessing Officer to disallow discount pertains to earlier financial year and hence, their orders should be upheld.

8. We have heard both the parties, perused materials available on record and gone through orders of the authorities below. There is no dispute with regard to fact that the assessee has allowed discount to M/s. Kankriya Enterprises Pvt. Ltd. and

such discount has been allowed on the basis of refund of special additional duty paid on import of plastic raw material. As per agreement between the parties, the assessee has allowed discount to M/s. Kankriya Enterprises Pvt. Ltd. on the basis of refund of special additional duty and such discount agreed to be paid as and when the assessee receives refund from department. In this case, the Assessing Officer has not disputed quantum of discount allowed to customers. In fact, the Assessing Officer has allowed discount given to M/s. Kankriya Enterprises Pvt. Ltd. for the year under consideration, but disallowed discount pertains to sales made in earlier financial year on the ground that same partakes nature of prior period expenses. The arguments of the assessee was that although part of discount pertains to sales made in previous financial year, but same was accrued for year under consideration, when the assessee has received refund of special additional duty from department. We find that the assessee has allowed discount to customers on the basis of refund of special additional duty and such discount was agreed to be paid as and when assessee received refund of special additional duty from department. We further noted that the assessee has received

refund of special additional duty during impugned assessment years which includes duty pertains to sales made in earlier financial year. As per contractual arrangement between the parties discount allowed to customers pertains to sales made in earlier financial year accrued for year under consideration when the assessee has received refund of special additional duty. Therefore, we are of the considered view that discount allowed to customers on sales made in earlier financial year accrued for year under consideration and thus, same is deductible as and when the assessee has allowed to its customers. Since, the assessee has allowed discount to customers on the basis of refund of duty, and same has been received during impugned assessment year, the assessee has rightly claimed deduction for same in current financial year. The Assessing Officer without appreciating facts simply disallowed discount allowed to customers. The learned CIT(A) without assigning any reasons has simply confirmed additions made by the Assessing Officer. Hence, we direct the Assessing Officer to delete addition made towards discount allowed to customers.

9. In the result, appeal filed by the assessee is allowed.

Order pronounced in the open court on 30th November, 2021

Sd/-
(महावीर सिंह)
(Mahavir Singh)
उपाध्यक्ष/ Vice-President

Sd/-
(जी. मंजुनाथ)
(G. Manjunatha)
लेखा सदस्य / Accountant Member

चेन्नई/Chennai,

दिनांक/Dated 30th November, 2021

DS

आदेश की प्रतिलिपि अद्येषित/Copy to:

1. Appellant
2. Respondent
3. आयकर आयुक्त (अपील)/CIT(A)
4. आयकर आयुक्त/CIT
5. विभागीय प्रतिनिधि/DR
6. गार्ड फाईल/GF.