

**आयकर अपीलीय अधिकरण, इंदौर न्यायपीठ, इंदौर**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**INDORE BENCH, INDORE**  
**BEFORE MS. MADHUMITA ROY, JUDICIAL MEMBER**  
**AND**  
**SHRI B.M. BIYANI, ACCOUNTANT MEMBER**

**ITA No.105/Ind/2006**  
**Assessment Year: 2002-03**

DCIT-2(1) Bhopal	<b>बनाम /</b> Vs.	M.P. State Civil Supplies Corporation Limited Bhopal
(Appellant / Revenue)		(Respondent / Assessee)
<b>PAN: AACCM 5763 B</b>		
Assessee by	Shri Ajay Chhajer, Shri Aditya Chhajer, ARs	
Revenue by	None	
Date of Hearing	12.09.2022	
Date of Pronouncement	12.12.2022	

**आदेश / O R D E R**

**Per B.M. Biyani, A.M.:**

Feeling aggrieved by the order passed by learned Commissioner of Income-Tax-I, Bhopal [**Ld. CIT(A)**] dated 06.12.2005 in Appeal No. CIT(A)-I/BPL/IT-122/2005-06, which in turn arises out of assessment-order dated 30.03.2005 passed by learned DCIT-2(1), Bhopal [**Ld. AO**] u/s 143(3) of the Income-tax Act,1961 [**the Act**] for Assessment Year [**AY**] 2002-03, the revenue has filed this appeal.

2. At the time of hearing, revenue has sought adjournment but the Ld. ARs appearing on behalf of assessee were ready to argue the appeal. Considering the facts that the matter is quite old; in pursuance of remand

by Hon'ble High Court; has earlier been adjourned on several occasions at the request of both sides; and the issues are prima facie well-settled in favour of assessee, the appeal was proceeded for hearing on the basis of material available and after hearing the Ld. ARs.

3. Precisely stated the facts leading to present appeal are such that the assessee is a Govt. corporation. The return of relevant AY 2002-03 was filed declaring a total income of Rs. 4,45,73,330/- which was subjected to scrutiny and several disallowances / additions were made. The assessee filed appeal to Ld. CIT(A) and succeeded in almost all issues. Aggrieved by order of Ld. CIT(A), the revenue has now come in appeal before us.

4. Originally this appeal was decided by ITAT, Indore Bench vide order dated 26.11.2009 by which the revenue's appeal was dismissed on the footing that the appeal was not maintainable in absence of the clearance of COD (Committee on Disputes) before filing this appeal against the assessee which is an Govt corporation. The revenue challenged the aforesaid order dated 26.11.2009 of ITAT before Hon'ble High Court of M.P., Jabalpur Bench in ITA No.76/2010. The Hon'ble High Court decided the revenue's appeal vide order dated 05.02.2020 by holding as under:

*“4. In view of the said fact, the present appeal is also allowed and disposed of on the same terms as in Northern Coal Fields Limited (supra). Accordingly, the substantial question of law is, thus, answered in favour of the appellant-Revenue. The order impugned herein is set aside. The matter is remanded to the Learned Tribunal to re-decide the appeal on merit in accordance with law.”*

In pursuance of the above direction of Hon'ble High Court to re-decide the appeal on merits in accordance with law, this appeal is re-stored for hearing.

5. The revenue has raised following grounds:

*“On the facts and in the circumstances of the case, the learned CIT(A) erred in:-*

- 1. Granting relief of Rs. 2,00,000/-, rightly added by the Assessing Officer on the account of disallowance of staff welfare.*
- 2. Granting relief of Rs. 13,96,23,497/- rightly added by the assessing Officer of the account of prior period expenditure being the reduction of cost by Govt. of India.*
- 3. Granting relief of Rs. 2,17,72,809/- rightly added by the assessing Officer of the account of period expenditure being the moisture gain amount.*
- 4. Granting relief of Rs. 44,54,719/- rightly added by the assessing Officer of the account of prior period expenditure being the care charge claims.*
- 5. Granting relief of Rs. 17,71,100/- rightly added by the assessing Officer of the account of prior period expenditure being the DA arrears.*
- 6. Granting relief of Rs. 5,28,837/- rightly added by the assessing Officer of the account of prior period expenditure being the transportation charges.*
- 7. Granting relief of Rs. 16,70,077/- rightly added by the assessing-Officer of the account of prior period expenditure being the payment against Court Order.*
- 8. Granting relief of Rs. 1,97,821/- rightly added by the assessing Officer of the account of part payment of commercial tax, central sales tax and entry tax.*
- 9. Granting relief of Rs. 1,00,000/- rightly added by the assessing Officer of the account of prior period expenditure being the balance payment to MPLUNL in the connection with- International Trade Fair.*
- 10. Granting relief of Rs. 5,500/- rightly added by the assessing Officer of the account of prior period expenditure being the payment to Income-tax Advisor for filing of revised Income-tax return for AY. 1997-98.*
- 11. Granting relief of Rs. 42,000/- rightly added by the assessing Officer of the account of prior period expenditure being the payment to Chartered Accountant for audit fee for A Y. 1997-98.*
- 12. Granting relief of Rs. 4,000/- rightly added by the assessing Officer of the account of prior period expenditure being the payment of service tax amount to Chartered Accountant.*
- 13. Granting relief of Rs. 10,07,971/- rightly added by the assessing Officer of the account of prior period expenditure being the difference amount of provisional and final incidentals decided by the GOI and intimated by FCI.*
- 14. Granting relief of Rs. 4,43,380/- rightly added by the assessing Officer of the account of prior period expenditure being the difference amount of provisional and 'final incidentals decided by the GOI and intimated by FCI.*
- 15. Granting relief of Rs. 19,597/- rightly added by the assessing Officer of the account of prior period expenditure being the payment of shortage amount*

to the transporter.

16. Granting relief of Rs. 61,450/- rightly added by the assessing Officer of the account of prior period expenditure being the payment of settlement amount to the transporter.

17. Granting relief of Rs. 1,70,700/- rightly added by the assessing Officer of the account of other prior period expenditure.”

6. We observe that these grounds can be categorized on the basis of similar issues involved and analogously adjudicated for the sake of convenience and to avoid repetition of discussion. In the following discussions, we would proceed in such a way.

**Ground No. 1, 4, 8 – Already settled by earlier decision of ITAT**

7. Ground No. 1 relates to the deduction of Rs. 2,00,000/- paid by assessee as contribution to Staff Welfare Fund. Facts *qua* this ground are such that the assessee is a Govt. corporation and has made this contribution for the welfare of families of employees. The assessee has claimed deduction u/s 37(1) on the footing of commercial expediency. Ld. AR submits that the issue is already decided in assessee's own case of immediately preceding AY 2001-02 in **ITA No. 234/Ind/2005 order dated 17.10.2008 by Co-ordinate Bench of ITAT, Indore** in favour of assessee and against revenue vide Para No. 25-26 of the order.

8. Ground No. 4 relates to the deduction of Rs. 44,54,719/- claimed by assessee on account of written back of unrecoverable care charges claim. Facts *qua* this ground are such that the assessee is a Govt. corporation and has undertaken transportation work, etc. related to Directorate of Care, Women & Child Development, Govt. of M.P. The assessee earns income from this activity which has been shown in the P&L A/c of earlier years and taxed by revenue. During current year, the concerned Govt. Department has deducted an amount of Rs. 44,54,719/- on reconciliation / finalization of the bills raised by assessee. The assessee has written off such unrecoverable amount to P&L A/c and claimed the same as allowable deduction. Ld. AR submits that the issue is already decided in assessee's own case of

immediately preceding AY 2001-02 in **ITA No. 234/Ind/2005 order dated 17.10.2008 by Co-ordinate Bench of ITAT, Indore** in favour of assessee and against revenue vide Para No. 18 of the order.

9. Ground No. 8 relates to the disallowance of Rs. 1,97,821/- claimed by assessee on account of payment of commercial tax, central sales-tax and entry-tax. Facts *qua* this ground are such that the assessee received assessment-orders of M.P. Commercial tax, Central Sales Tax & Entry Tax passed on 5th May 2001, 30th April 2001 & 30th April 2001 respectively which was relating to the year 1997-98. In pursuance of those orders, the assessee paid a sum of Rs. 1,97,821/- towards tax on 26.06.2001 and claimed deduction on twin-reasons, viz. (i) the expenditure has crystallised during the year, and (ii) the payment is also made during the year which entitles the assessee to claim deduction u/s 43B. Ld. AR submits that the issue is already decided in assessee's own case of immediately preceding AY 2001-02 in **ITA No. 234/Ind/2005 order dated 17.10.2008 by Co-ordinate Bench of ITAT, Indore** in favour of assessee and against revenue vide Para No. 8 of the order.

10. Thus, in all these grounds, the issues are well-settled by the ITAT in favour of assessee and we do not find any reason to deviate from the same in absence of any change in the facts or law. Therefore, we too allow the claims of assessee. Accordingly, these grounds raised by Revenue are dismissed.

**Ground No. 2, 3, 13, 14 – Reversal of income taxed in earlier years**

11. Ground No. 2 relates to the deduction of Rs. 13,96,23,497/- claimed by assessee on account of reduction in economic cost. The facts *qua* this ground, as noted by Ld. CIT(A) in his order, are as under:

**Page 10 of CIT(A):**

*(A) The Government of India has laid down "Decentralised Wheat Procurement Scheme" (hereinafter referred as DCP) from Financial Year 1999-2000.*

(B) The Main features of this DCP are as under:

(i) The Madhya Pradesh State Civil Supplies Corporation Ltd (hereinafter referred as MPSCSC) has procured Wheat from the Farmers through Societies. This procured Wheat was further transported and stored at the Issue Centers situated at different places in Madhya Pradesh. Finally this procured Wheat was distributed under Public Distribution System (hereinafter referred as PDS) to Fair Price shopkeepers.

(ii) Under this DCP Scheme:

(a) The Economic Cost was fixed by GOI. This Economic Cost involves Minimum Support Price, Mandi & Nirashrit taxes, Incidentals to Societies, Transportation, Storage, Administrative & Interest Cost etc.

(b) State Government fixes the Issue Price of PDS (both for MPSCSC and Fair Price Shopkeeper). This Issue Price involves Central Issue Price (CIP), Transportation, Storage, Administrative and Interest Cost etc.

(c) Difference between Economic Cost Price and Central Issue Price was reimbursed by GOI. This way the MPSCSC will receive Transportation, Storage, Administrative and Interest Cost with other expenses from GOI. This Price Differential Income was booked under the Head "Price Differential under DCP Scheme" and shown as Income in Profit & Loss Account.

(d) In addition to the above, the MPSCSC has also received Transportation, Storage and other expenses from the Shop-keepers at the time of SALE and shown as Income in Profit & Loss Account.

(C) Thus the Corporation had already shown Income Twice by way of Price Differential Subsidy from Central Government and in Sales Account during respective financial year. In 1999-2000, Rs. 6,87,72,263/- (included in 103.40 crores) and in 2000-01 of Rs. 7,08,51,234/- (included in 105.07 crores) and had paid tax on it. (Copy of Ledger Account on Page No. 41 to 44 and 45 to 68).

D) During the course of inspection by GOI representatives, they found that the Corporation gets some expenditure twice i.e. (i) in the Sale amount (ii) in the Price Differential amount.

However it was decided that the excess amount claimed by the Corporation from the GOI be reduced from the Economic Cost fixed by Govt. of India. The Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution of GOI communicated this decision through their D.O. letter dated 26-09-2002, for which the Corporation has also agreed. The deduction for APL (Urban & Rural) Rs.57 per qntl. & Rs.44 per qntl. respectively & for BPL (Urban & Rural) Rs.37 per qntl. & Rs. 19 per qntl. respectively, was to be made. The effect of this deduction comes to Rs. 6,87,72,263/- & Rs. 7,08,51,234/- respectively, total Rs. 13,96,23,497/-, which has been given on Page No.91 of our Paper Book. This letter was received before finalisation and approval of Accounts for Financial year 2001-02. The Accounts were approved by the Board of Directors on 30.9.2002. As the accounts for the financial year 2001-2002 were open, hence this

*adjustment was made on 31st March 2002 which is mandatory as per Accounting Standard AS-4 issued by the Institute of Chartered Accountants of India (Page No. 98 to 102).*

*E) Accounting Standards (AS-4) is mandatory as issued by the Institute of Chartered Accountants of India. The relevant point given in paragraph 8 under the heading EVENTS OCCURRING AFTER BALANCE SHEET DATE is given here under:*

*8.1 Events, which occur between the Balance Sheet date and the date on which the financial statements are approved, may indicate the need for adjustment to assets and liabilities as at the balance sheet date or may require disclosure.*

*8:2 Adjustments to assets and Liabilities are required for events occurring after the balance sheet date that provide additional information materially affecting the determination of the amounts relating to conditions existing at the balance sheet date. For example. An adjustment may be made for a loss on a trade receivable account, which is confirmed by the insolvency of a customer, which occurs after the balance sheet date.*

*F) In our case the Board of Directors approved the final accounts on 30-09-2002 and then the Auditors signed the accounts on 19-12-2002. Thus it is evident that even if the amount quantified on 26-09-2002 and approved by the Managing Director on 28-09-2002 i.e. after the Balance Sheet date but before the approval of accounts by the Board which was on 30-09-2002, then also the said amounts can be adjusted as on 31-03-2002.*

*G) Further the Assessing officer has not disputed that this amount is not allowable on account of either the Capital Expenditure or not relating to the business of the Corporation. The records show that this amount is allowable as it was incurred in the regular course of the business of the Corporation. Revenue in nature and for which income has already been shown and taxed during the earlier years. As per the order of the Assessing Officer this liability had accrued and crystallized during next year i.e. assessment year 2003-2004.*

*H) Looking to above, we request you to kindly delete this addition of Rs. 13,96,23,497/-."*

11.1 On a careful consideration of the orders of lower authorities, we note that the Ld. AO has disallowed this claim for the reasons that (i) it was a prior period item not related to the previous year 2001-02 relevant to the AY under consideration; and (ii) even otherwise it got crystallized on 26.09.2002 / 28.09.2002 and hence the same could not have been claimed in the previous year 2001-02. Regarding reason (i), we observe that the assessee has already shown income twice in earlier years, once by way of sales and

again by way of price-differential and it is in terms of subsequent direction by Govt. that the assessee had to reverse the same in current year. We further observe that the assessee is a Govt. undertaking and carrying its activities in terms of directions issued by Govt. from time to time and to support various schemes of Govt. and that several matters / reconciliations are settled at a later stage which necessitates such adjustments. Therefore, such adjustments cannot be said to be prior-period items. Regarding reason (ii), we observe that the reversal of claim was agreed on 26.09.2002 / 28.09.2002 but the accounts of assessee were finalized on 30.09.2002 and, therefore, it was debited to P&L A/c of the previous year 2001-02 in terms of established accounting practice. We further observe that the Ld. AO does not have any objection on the admissibility of the claim as a deduction, he simply has an objection regarding the year of allowability. But once the reversal of income has crystallized before finalization of accounts and there is no objection regarding its admissibility, we do not find any infirmity in debiting the same to P&L A/c of the previous year 2001-02 and claiming as a deduction. We agree with the observations and conclusions taken by Ld. CIT(A) which are on these lines. Therefore, finding no fallacy or infirmity in the order of Ld. CIT(A), we uphold his action.

12. Ground No. 3 relates to the deduction of Rs. 2,17,72,809/- claimed by assessee on account of moisture gain. The facts *qua* this ground, as noted by Ld. CIT(A) in his order, are as under:

**Page 12 of CIT(A):**

*“(a) The GOI have decided Economic Cost for the Financial year 2000-01 and 2001-02 vide their letter dated 16-03-2001 and 29-11-2001, in which the following conditions of moisture gain was mentioned:*

*“Moisture gain @ 1% for storage in covered godown and @ 0.70% for storage in CAP open will be deducted from acquisition Cost”*

*(b) The GOI revised the Economic Cost sheet for the financial year 2000-01 vide their letter dated 06-06-2002 (in which there was no mention about the deduction of Moisture Gain Amount). This revised and prevailing Cost Sheet was finally approved by the competent authority and auditors have signed those accounts on 19-06-2002, in which the MPSCSC had shown full income in the financial year 2000-01 i.e. without deducting any Moisture Gain Amount*

*of Rs. 2,17,72,809.00 This income was taxed during last year i.e. financial year 2000-2001 (Ass.Yr.2001-02).*

*(c) After the finalisation of accounts for the financial year 2000-01, the Corporation received another letter dated 24-06-2002 from GOI, in which they have deducted the Moisture Gain amount from the acquisition Cost and paid price differential amount to MPSCSC.*

*(d) On the basis of this letter dated 24-06-2002 received from GOI, they have approved the price differential subsidies at Rs.2,821.50 per tonne for APL & Rs.3,771.50 per tonne for BPL as against our claim amount of Rs.2,890.30 per tonne for APL & 3,840.30 per tonne for BPL. The difference for both comes to Rs.68.80 per tonne which is the amount deducted for Moisture Gain amount, which comes to Rs.2,17,72,809/-. We were also informed that the payment in respect of earlier year would also be released after deducting Moisture Gain amount.*

*(e) Thus the total income adjusted and declared by us during the financial year 2000-01, without deducting Moisture gain amount was not correct and hence the loss on account of Moisture gain amount related to previous year Rs. 2,17,72,809-00, was adjusted as on 31.3.2002 as these accounts were approved by the Board of Directors on 30-09-2002. (page 105 to 112)*

*(f) In this respect Accounting Standard (AS-4), as already submitted by us in respect of the first item, is also applicable.*

*g) Under the above circumstances we request you to kindly delete this addition of Rs. 2,17,72,809/-."*

12.1 On a careful consideration of the orders of lower authorities, we note that the Ld. AO has disallowed this claim for slightly different reasoning that (i) it was a prior period-item not related to the previous year 2001-02 relevant to the AY under consideration; (ii) even otherwise this adjustment was necessitated owing to Circular dated 16.03.2001 of Govt. of India and hence it could have been quantified and claimed in previous year 2000-01 itself; and (iii) though the assessee passed accounting entry on 31.03.2002 but that was pursuant to the decision taken on 28.09.2002 and hence the same could not have been claimed in the previous year 2001-02. Regarding reason (i), we observe that the assessee has already shown income in earlier year without deducting moisture gain and subsequently debited the claim of moisture gain on the basis of final directions of Govt. / authorities. Therefore, it cannot be said to be a prior-period item. Regarding reason (ii), we observe that though there was a Circular dated 16.03.2021 which led to the impugned adjustment but the final decision / approval was taken only

on 28.09.2002 in the light of final letter dated 24.06.2002 received from Govt. Hence, it could not be claimed in the previous-year 2000-01 as stated by Ld. AO. Regarding reason (iii), we observe that the reversal of claim was agreed on 28.09.2002 but the accounts of assessee were finalized on 30.09.2002 and, therefore, it was debited to P&L A/c of the previous year 2001-02 in terms of established accounting practice. We further observe that the Ld. AO does not have any objection on the admissibility of the claim as a deduction, he simply has an objection regarding the year of allowability. But once the reversal of income has crystallized before finalization of accounts and there is no objection regarding its admissibility, we do not find any objection in debiting the same to P&L A/c of the previous year 2001-02 and claiming as a deduction. We agree with the observations and conclusions taken by Ld. CIT(A) which are on these lines. Therefore, finding no fallacy or infirmity in the order of Ld. CIT(A), we uphold his action.

13. Ground No. 13 and 14 relate to the deduction of Rs. 10,07,971/- and Rs. 4,43,380/- claimed by assessee on account of difference of provisional incidents and final incidents decided by Govt. of India. The facts *qua* this ground, as noted by Ld. CIT(A) in his order, are as under:

**Page 13 of CIT(A):**

*"a) In respect of Wheat Price Support procurement, the GOI first fix the provisional incidentals normally before/during the procurement period and afterwards i.e. after finalization of the Scheme the final incidentals were fixed.*

*b). If, -*

- The amount of Final incidentals are higher than the provisional incidentals, the FCI allow us an additional amount, which was shown/booked as Income of the Corporation.*
- The amount of final incidentals are lesser than the provisional incidentals, the FCI recover this deficit, which was shown/booked as expenditure to the Corporation.*

*c). During the financial year 1997-98, the income was booked and credited in Profit & Loss account on the basis of provisional incidentals fixed by GOI, under the head incidentals on*

Wheat (PSS) Rs. 4,75,02,356/-. In this amount a sum of Rs. 10,07,971/- & Rs. 2,74,708/- are included.

d). Afterwards the GOI fixed the final incidentals vide their letter dated 05.3.2001, in which they reduced the incidentals by Rs.2.67 per quintal. This reduction of incidentals was not adjusted during the financial year 2000-01, because we are not agreeable to the amount of deduction. We had approached GOI for the reconsideration. Ultimately we have received a letter dated 21.01.2002 from FCI demanding the an amount of Rs.10,07,971-50 relating to various districts. Similarly in other districts the deductible amount come to Rs. 2,74,708. Thus the total business loss incurred by the Corporation comes to Rs.12,82,679/-.

e). The assessing officer has nowhere in assessment order held that these expenditure/losses are not allowable. Therefore it is a revenue loss and has been incurred from the business of the corporation. Hence allowable.”

13.1 We do not wish to repeat the factual submissions made by assessee and reproduced in preceding paragraph. Suffice it to say that the assessee has made reversal of the income which was earlier recognised on accrual basis but now de-recognised due to denial of assessee’s claim by Govt. of India / FCI through letter dated 21.01.2002. Since the matter got closed on 21.01.2002, the assessee was justified in debiting the same to P&L A/c and claim deduction in the previous year 2001-02 relevant to AY 2002-03 under consideration. We therefore do not find any infirmity of the order of Ld. CIT(A) in allowing this claim.

14. Thus, in all these grounds, the reversal of income earlier taxed by revenue is involved. As discussed earlier we do not find any fallacy in the order of Ld. CIT(A) whereby he has allowed the claim of assessee. Accordingly, these grounds raised by Revenue are dismissed.

**Ground No. 5, 6, 7, 9, 10, 11, 12, 15, 16, 17 – Prior period expenses**

15. Ground No. 5 relates to the disallowance of Rs. 17,71,100/- claimed by assessee on account of D.A. Arrears. The facts *qua* this ground are such that the assessee had to pay an arrear of Rs. 17,71,000/- related to earlier

assessment-year 2001-02 on account of D.A. to employees in pursuance order dated 26.02.2002 of the Govt. of M.P.

16. Ground No. 6 relates to the deduction of Rs. 5,28,837/- claimed by assessee on account of transportation charges. The facts *qua* this ground are such that the assessee got transportation work done from *M/s Best Exports & Imports Carrier, New Delhi*, for which the transporter raised invoice dated 12.06.1999 of Rs. 5,74,102/-, consisting of transportation charges of Rs.5,28,837/- + S.T. charges. However, a dispute arose between the assessee and transporter with regard to the amount charged in invoice and finally the matter was settled on 04.03.2002 whereby both parties agreed for Rs. 5,28,837/- in place of 5,74,102/-.

17. Ground No. 7 relates to the deduction of Rs. 16,70,077/- claimed by assessee on account of payment against court-order. The facts *qua* this ground are such that the assessee entered into an agreement with *M/s Mahakali Traders, Ujjain* for the purchase of 1,000 tonnes of Soyabean on behalf of a party but since the market-rates declined, the concerned party did not lift the goods. Finally, the assessee had to sell the goods for a lower price and make recovery of shortfall from the security-deposit of party. However, the matter went into arbitration and before the District Court and the Hon'ble High Court of M.P. Finally, the Hon'ble M.P. High Court passed order on 10<sup>th</sup> August 2001 and the assessee had to make a payment of Rs. 16,77,077/- on 06.10.2001.

18. Ground No. 9 relates to the deduction of Rs. 1,00,000/- claimed by assessee on account of payment made to MPLUNL in connection with international trade fair. The facts *qua* this ground are such that the Government of M.P. directed the assessee to participate in International Trade Fare, New Delhi and accordingly the assessee participated and paid a sum of Rs. 2 Lacs in an earlier year. However, the Govt. fixed assessee's contribution at Rs. 3 lacs and the organising body, namely *M.P. Laghu Udhog Nigam Ltd. (MPLUNL)* demanded a sum of Rs. 1 lac from assessee

and the matter remained pending. Finally, it was settled on 10.08.2001 and the amount of Rs. 1,00,000/- was paid on 13.11.2001.

19. Ground No. 10 relates to the deduction of Rs. 5,500/- claimed by assessee on account of fee paid to tax-advisor. The facts *qua* this ground are such that *M/s S.L. Chhajed & Co.* raised a Bill No. 11105 dated 29.08.2001 for Rs. 5,500/- for filing the revised-return of AY 1998-99. The assessee paid bill on 24.09.2001.

20. Ground No. 11 relates to the deduction of Rs. 42,000/- claimed by assessee on account of audit fee paid to Chartered Accountant. The facts *qua* this ground are such that the Board of Directors decided that the accounts for the year 1996-97 should be reopened and all qualifications should be clarified and finally adjusted. After completion of audit, the Managing Director decided to pay a fee of Rs. 40,000/- plus service-tax of Rs. 2,000/-, aggregating to Rs. 42,000/- to the auditors. The auditors raised bill dated 03.04.2001 and the assessee made payment on 16.04.2001.

21. Ground No. 12 relates to the deduction of Rs. 4,000/- claimed by assessee on account of service-tax paid to Chartered Accountant. The facts *qua* this ground are such that *M/s Bansal & Co., Chartered Accountants and auditors*, submitted Bill No. 20 dated 17.08.2001 for Rs. 84,000/- being the Audit fees for the year 1998-99. Although the assessee had made a provision of Rs. 80,000/- in earlier year but the service-tax of Rs. 4,000/- was not provided since it was not known. On receipt of the Bill dated 17.08.2001, the Managing Director of assessee sanctioned Rs. 4,000/- on 18.08.2001 and accordingly the payment of balance sum of Rs. 4,000/- was made.

22. Ground No. 15 relates to the deduction of Rs. 19,597/- claimed by assessee on account of shortage amount paid to the transporter. The facts *qua* this ground are such that *M/s Millan Road Lines, Khandwa* were authorised transporters of the assessee for transportation of wheat, rice, etc. During the year 1996-97, the assessee made a deduction of Rs. 24,116/- from transporter's account and the same was declared as income in that

year which revenue taxed too. Thereafter, the damaged wheat, etc. was auctioned from which a sum of Rs. 22,231/- was recovered. Meantime the dispute continued with the transporter and same remained pending which was finally settled on 03.11.2001, as a result of which the assessee made a refund of Rs. 19,597/-, as agreed, to the transporter.

23. Ground No. 16 relates to the deduction of Rs. 61,450/- claimed by assessee on account of settlement amount paid to the transporter. The facts *qua* this ground are such that Shri Nemi Chand Jain was a Hamali & Transportation Contractor of assessee. During the financial year 1987-88, a sum of Rs. 53,078/- was deducted from his transportation bill due to the reason that there was shortage in Sugar. Shri Jain carried the matter to Civil Court whereupon the District Judge ordered the assessee to pay a sum of Rs. 1,04,974/- to him. During this period, Shri Jain died and the legal adviser of the assessee suggested to settle the matter out of Court with his wife and close further litigation. Finally, the assessee paid a sum of Rs. 61,450/- to his wife during the year and closed the matter.

24. Ground No. 17 relates to the aggregate deduction of Rs. 1,70,700/- on account of following expenses claimed by assessee:

Contingent expenses	1,218
News paper	185
MP Bhawan New Delhi	1,373
Arrears of Shri C. Ramgo	1,40,325
TA Bill	9,238
Interest on Govt. loan	18,361
Total	1,70,700

Brief details of these expenses are as under:

(i) Contingent expenses of Rs. 1,218/- include petty expenses such as

Stationery & Printing, Tea expenses etc relating to earlier year for which the employee submitted his outstanding bill during the current year. Though the employee submitted his bills lately, the assessee made payment to keep the gesture.

- (ii) Newspaper bill of Rs.185/- was a reimbursement to Mr. P.C. Jain, Accounts Officer.
- (iii) Payment of Rs. 1,373/- was made towards a demand note of M.P. Bhawan, New Delhi in respect of old bill of Rs. 24,473/- against which payment of Rs. 23,100/- was made in earlier year. During current year, the differential of Rs. 1,373/- was paid.
- (iv) Payment of Rs. 1,40,326/- was made to Shri. C. Ram Gopal, Executive Director of the assessee by way of salary-arrears for the period from 1996 to June 2000, approved by assessee vide order dated 19.06.2001. The payment was made on 20.08.2001.
- (v) TA Bill of Rs. 1,618/- and Rs. 7,620/- related to two employees who did not submit bills within 45 days after undertaking travel. Hence their matters remained pending with higher authorities. Subsequently, those bills were approved on 27.08.2001 and payments were made on 16.12.2001.
- (vi) Regarding interest of Rs. 18,361/-, the assessee had taken a vehicle loan in respect of which a difference of Rs. 18,361/- was identified at the time of final settlement during the year. Accordingly, the assessee debited interest to P&L A/c.

25. In all these grounds, as can be seen from the factual details noted in respective grounds, the claims of relevant expenses have been settled / finalized / Crystallized during the previous year 2001-02 relevant to the AY 2002-03 under consideration. Clearly, therefore, these are not prior-period-items as perceived by Ld. AO, in fact these are incurred during the current year. We find that the Ld. CIT(A) has rightly understood the case of assessee

and reversed the disallowances made by Ld. AO. We do not find any merit in the grounds raised by revenue therefore. Hence, these grounds are also dismissed.

**26. Resultantly, all grounds of this appeal of revenue are dismissed.**

*Order pronounced as per Rule 34 of I.T.A.T. Rules, 1963 on 12/12/2022.*

Sd/-

(MADHUMITA ROY)  
JUDICIAL MEMBER

Sd/-

(B.M. BIYANI)  
ACCOUNTANT MEMBER

**Indore**

दिनांक /Dated : 12.12.2022

Patel/Sr. PS

Copies to: (1) The appellant  
(2) The respondent  
(3) CIT  
(4) CIT(A)  
(5) Departmental Representative  
(6) Guard File

*By order*

*Sr. Private Secretary  
Income Tax Appellate Tribunal  
Indore Bench, Indore*

1.	Date of taking dictation	5.12.22
2.	Date of typing & draft order placed before the Dictating Member	5.12.22
3.	Date on which the approved draft comes to the Sr. P.S./P.S.	5.12.22
4.	Date on which the fair order is placed before the Dictating Member for pronouncement	
5.	Date on which the file goes to the Bench Clerk	
6.	Date on which the file goes to the Head Clerk	
7.	Date on which the file goes to the Assistant Registrar for signature on the order	
8.	Date of dispatch of the Order	