



**IN THE INCOME TAX APPELLATE TRIBUNAL,
CUTTACK BENCH, CUTTACK**

**BEFORE S/SHRI GEORGE MATHAN, JUDICIAL MEMBER
AND ARUN KHODPIA, ACCOUNTANT MEMBER**

ITA No.267/CTK/2020

Assessment Year : 2013-14

Orissa Forest Development Corporation Limited, A/84, Kharvela Nagar, Bhubaneswar.	Vs.	ITO, Ward 1(3), Bhubaneswar
PAN/GIR No.		
(Appellant)	..	(Respondent)

Assessee by : Shri B.K.Mohapatra, CA
Revenue by : Shri M.K.Gautam, CIT DR

Date of Hearing : 2/02/2023

Date of Pronouncement : 2/02/2023

ORDER

Per Bench

This is an appeal filed by the assessee against the order of the Id CIT(A)-1, Bhubaneswar, dated 15.6.2020 in Appeal No.0151/16-17 for the assessment year 2013-14.

2. Shri B.K.Mohapatra, Id AR appeared for the assessee and Shri M.K.Gautam, Id CIT DR appeared for the revenue.

3. Ld AR submitted that the appeal is time barred by 25 days and prayed for condoning the delay, to which, Id Sr DR did not have any objection. Consequently, the delay of 25 days in filing the appeal is condoned and admitted for hearing.

4. It was submitted by Id AR that the assessee is a Government of Odisha Undertaking engaged in the business of trading and development of various forest products. It was the submission that the assessee had netted the prior period

expenses with the prior period income and offered the surplus of Rs.39,348/- to tax. It was the submission that the Assessing Officer mis-took the income offered by the assessee as a debit to the profit and loss account and disallowed the same. It was the submission that on appeal, the Id CIT(A) has accepted the fact that it is although a credit to the profit and loss account but he questioned the netting of the prior period expenses with the prior period income. Ld CIT(A) had asked the assessee to prove the prior period expenses and the assessee had submitted that the same was on account of additional, arrears of salary, wages, D.A. etc and amounts paid against withheld on account of disciplinary/departmental proceedings on the basis of various notification and office orders. It was the submission that the Id CIT(A) took a stand that the assessee had failed to establish that the expenses of Rs.1,35,82,845/- comprises of the salary & wages to an extent of Rs.1,32,44,712/- and capitalized plantation written off of Rs.3,38,133/- had crystallised during the year under consideration and consequently, enhanced the addition by an amount of Rs.1,35,82,846/- being the prior period expenses claimed by the assessee in the set off against the prior period income. It was the submission that the netting of the prior period expenses with prior period income was acceptable method of accounting and it was the method of accounting followed by the assessee. It was the further submission that once the prior period income is accepted the prior period expenses cannot be looked into. It was thus the submission that the addition representing enhancement as made by the Id CIT(A) is liable to be deleted.

5. In reply, Id CIT DR drew our attention to Note-40 of the Significant Accounting policies notes to the financial statement, wherein, in respect of

outstanding salary, wages and employees benefits, these issues had been discussed. It was the submission that insofar as the prior period expenses relates to employees against whom disciplinary/departmental proceedings are pending, the amount cannot be held to be crystallised. It was the submission that in any case, the assessee has not given break up how the amounts had been calculated and in respect of which employee this amount relates. It was the submission that the addition as made by the Id CIT(A) is liable to be confirmed. It was the further submission that he had no objection if the AO is directed to allow the expenses on actual payment/disbursement. To this, Id AR also accepted.

6. We have considered the rival submissions. Admittedly, a perusal of Note-40 of the Significant Accounting policies- notes to the financial statement of the assessee clearly shows that these are nothing but provision. The assessee has not been able to specifically point out the breakup of the prior period expenses in respect of salary and wages. It is also an admitted fact that the provisions are not allowable expenses under the Income Tax Act. This being so, considering the submission of Id AR that there has been payment made out of this during the relevant assessment year, the issue in the appeal is restored to the file of the Assessing officer for re-adjudication after granting the assessee adequate opportunity to prove that the expenses have been incurred and paid. As these are prior period expenses, the Assessing Officer shall allow the expenses in the year in which the expenses shown to have been paid. The provisions are not to be allowed.

7. In the result, appeal of the assessee stands partly allowed for statistical purposes.

Order dictated and pronounced in the open court on 02/02/2023.

Sd/-
(Arun Khodpia)
ACCOUNTANT MEMBER

sd/-
(George Mathan)
JUDICIAL MEMBER

Cuttack; Dated 02/02/2023
B.K.Parida, SPS (OS)

Copy of the Order forwarded to :

1. The Appellant : Orissa Forest Development Corporation Limited, A/84, Kharvela Nagar, Bhubaneswar
2. The Respondent: ITO, Ward 1(3), Bhubaneswar
3. The CIT(A)-1, Bhubaneswar
4. Pr.CIT-1, Bhubaneswar
5. DR, ITAT, Cuttack
6. Guard file.
//True Copy//

By order

Sr.Pvt.secretary
ITAT, Cuttack