

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH 'B', NEW DELHI**

**BEFORE SH. SHAMIM YAHYA, ACCOUNTANT MEMBER
AND
SHRI KUL BHARAT, JUDICIAL MEMBER**

ITA No.1220/DEL/2022
(Assessment Year : 2014-15)

DCIT Circle – 7(1), New Delhi	Vs.	Fieldfresh Foods Pvt. Ltd., Bharti Crescent 1, Nelson Mandela Road, Vasant Kunj, Phase-2, New Delhi-110 070
PAN No. AAACF 8488 N (APPELLANT)		(RESPONDENT)

Assessee by	Shri Anil Bhalla, C.A.
Revenue by	Shri Vivek Kumar Upadhyay, Sr. D.R.

Date of hearing:	22.11.2023
Date of Pronouncement:	23.11.2023

PER SHAMIM YAHYA, AM :

This appeal filed by the Revenue is directed against the order of Learned Commissioner of Income Tax (Appeals)-13, Delhi dated 06.01.2020 pertaining to Assessment Year 2014-15.

2. The grounds of appeal filed by assessee, which reads as under:

- “1. On the facts and under the circumstances of the case, the Ld. CIT(A) has erred in allowing the provision for purchase of finished goods at Rs.22,31,99,107/-, ignoring the fact that assessee has failed to establish that the finished goods lying in closing stock were out of own manufactured goods of the purchases as claimed.
2. On the facts and under the circumstances of the case, the Ld. CIT(A) has erred in allowing the provision for claims amounting to Rs.2,26,54,932/-, without correctly appreciating the law that expenses are allowable only on actual basis under section 37.

3. *The appellant craves, leave, modify, add or forego in any ground(s) of appeal at any time before or during the hearing of this appeal.”*

3. Apropos, ground no.1, the AO in this case has disallowed the provision for purchase of finished goods amounting to Rs.22,31,99,107/-. AO was of the opinion that above mentioned is a contingent liability and cannot be allowed under section 37(1) of the Act. Upon assessee's appeal, learned CIT(A) gave a finding that it was not in fact a provision and there were both debit and credit entries and there was no affect by the entries. The conclusion of order of learned CIT(A) reads as under:

“4.3.5 Thus, in light of the given facts it is clear that the said provision was infact payment for purchase of goods in transit whose entries were reversed in the beginning of the following year and the payments were made during F.Y. 2014-15 (A.Y. 2015-16). Since, the purchased goods were reflected as closing stock in the P&L Account (on the credit side) and in the balance sheet as goods in transit, these were infact ascertained and not contingent expenses. While, the goods were received, the bills were received later on. Hence, the claim of expense stands explained and proved, therefore allowable. Accordingly, the addition of Rs.22,31,99,107/- on account of unascertained provision stands deleted.”

4. Per contra, learned DR could not dispute the finding of learned CIT(A).

5. Upon careful consideration, we affirm the order of learned CIT(A).

6. Apropos, ground no.2, the AO had made disallowance for provision for claims amounting to Rs.2,26,54,932/- holding that there were unascertained and contingent liability. Upon assessee's appeal, learned CIT(A) examined the issue in detail and gave a finding of fact that the provisions are subsequently

duly paid in the following financial year. Hence, she directed that the addition is liable to be deleted.

7. Per contra, learned DR could not dispute the proposition that the provisions are not contingent.

8. Upon careful consideration, we may gainfully refer to the following conclusion of learned CIT(A)'s order as under:

4.4.2 In light of the facts of the case and clarifications called for, it was noted that the claims of the distributors booked as provisions in the previous year, were subsequently paid/adjusted against sales realization, collected by the distributors on behalf of the company, in the first quarter of the following financial year i.e. F.Y. 2014-15 (A.Y. 2015-16) The appellant was asked to demonstrate the same by way of a specific case which was shown in case of a distributor, M/s Bahety Overseas Pvt. Ltd. Hence, these were established as ascertained expenses/liabilities and not adhoc provisions as held by the AO. Accordingly, the addition of Rs.2,26,54,932/- Is hereby deleted./Similarly, the provision of Rs. 22,31,99,107/- on account of purchase of furnished goods were also shown to have been reflected in closing stock in the profit and loss A/c and the payments were made/settled in the following F.Y. 2014-15 after receiving the bills, (which were also submitted u/R 46 A, as they were received later). In light of the written submissions made, judicial rulings as well as the documents produced, the addition of Rs.22,31,99,107/- is not maintainable& is accordingly deleted.

9. Thus we see that learned CIT(A) has examined the issue and has found that these so called provisions are duly paid in the next financial year. Hence, this addition is liable to be deleted. We do not find any infirmity in the order of learned CIT(A). Hence, we uphold the same.

10. In the result, this appeal filed by Revenue stands dismissed.

Order pronounced in the open court on 23.11.2023

Sd/-

**(KUL BHARAT)
JUDICIAL MEMBER**

Sd/-

**(SHAMIM YAHYA)
ACCOUNTANT MEMBER**

Date:- 23.11.2023

*Priti Yadav, Sr. PS**

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR
ITAT NEW DELHI