

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH "H": NEW DELHI**

**BEFORE SHRI SAKTIJIT DEY, VICE PRESIDENT
AND
SHRI PRADIP KUMAR KEDIA, ACCOUNTANT MEMBER**

**ITA Nos. 348/DEL/2021
Assessment Yrs: 2014-15**

Savannah Seeds Private Limited, PH-1A, 10 th Floor, Tower-A, Emaar Digital Green, Golf Course Extension Road, Sector-61, Gurgaon-122098. PAN- AAOCS9422M	<u>Vs</u>	ACIT, Circle-22(2), New Delhi.
APPELLANT		RESPONDENT
Assessee represented by	Shri Aakash Uppal, CA; & Ms. Simran Bajaj, CA.	
Department represented by	Shri Amit Katoch, Sr. DR	
Date of hearing	10.04.2024	
Date of pronouncement	18.04.2024	

ORDER

PER SAKTIJIT DEY, V.P.:

This is an appeal by the assessee against order dated 24.09.2020, passed by the learned Commissioner of Income-tax (Appeals)-25, New Delhi, pertaining to assessment year 2014-15.

2. The Registry has notified delay of 125 days in filing the present appeal. The assessee has filed letter dated 17.02.2024, stating that there is no delay, as the date of filing fell within the lockdown due to Covid-19, hence the statutory time limit got extended by virtue of order of the Hon'ble Supreme Court. Considering the above, we hold that there is no delay in filing the appeal.

3. Ground no.1, 4 & 5 being general grounds, do not require specific adjudication.

4. In ground no. 2 the assessee has challenged disallowance of Rs. 30,05,604/-, representing product evaluation expense. Briefly, the facts relating to this issue, are, the assessee is a resident corporate entity and stated to be engaged in the activity of developing smart rice with high yield and value added trait. In course of such activity the assessee has created research team in various states in India, who are engaged in developing breeding lines, suitable for local adaption and create high yielding, high quality rice products, suiting to local Indian market. For this purpose, the assessee has established research stations at Sonipat (Haryana), and Telangana for conducting research testing trials, seed production research, breeding research, line development, germplasm enhancement and other research trials. The research activities take place in two stages, in laboratory as well as in field. So far as field trial is concerned, the assessee takes on rent/lease, land from

local farmers for developing seeds. For the purpose of field trial, the seeds are harvested from the field by end of season and then it is tested for purity and performance under product evaluation trials. The trials are conducted in different phases and each trial is conducted by experienced technically qualified staff for planting, observation taking and data analysis. While conducting such field trial, the assessee incurs certain expenditure which was claimed to be revenue in nature.

5. While examining assessee's claim in course of assessment proceedings, the Assessing Officer (AO) observed that the production evaluation expenses are spread over a period of time and the fruit of which is reaped over a much longer period. Thus, he was of the view that by incurring such expenditure, assessee derived enduring benefit. Accordingly, he treated the expenditure as capital in nature and disallowed it. Such disallowance was upheld by learned First Appellate Authority.

6. Before us, learned counsel, appearing for the assessee, submitted that the expenditure incurred was for generating revenue, hence it is a revenue expenditure. He further submitted, the amount claimed comprised of various expenses, such as, crop agronomy including field preparation for the crop, land rent, diesel, tractor rent, labour, crop management, fertilizer, pesticides, seed and labour expenses for sowing, transplanting, harvesting and other field activities like data observation

taking etc. Thus, he submitted, the nature of expenses would itself make it clear that they are of revenue nature. Further, he submitted, this is the only assessment year where the expenditure has been disallowed.

7. Learned Departmental Representative (DR) strongly relied on observations of AO and learned First Appellate Authority.

8. We have considered rival submissions and perused the materials on record. The facts relating to nature of expenditure have already been discussed hereinabove in the order. It is evident, the expenditure relates to field trial of certain varieties of rice seeds. The expenditure claimed by the assessee is the aggregate sum of various expenses, such as, land rent, cost of consumables, labour cost etc. By way of illustration, learned counsel had submitted before us, if some twenty or thirty seeds are taken for trial, hardly 8-9 seeds may become successful in trial. Therefore, it cannot be said that the expenditure gives rise to enduring benefit to the assessee. Having gone through the nature of expenditure, we are of the view that it cannot be classified as capital in nature. More so, when assessee's contention that such expenditure has been accepted in all other assessment years, could not be controverted by learned DR. In view of the aforesaid, we direct the AO to delete the disallowance.

9. In ground no. 3, assessee has challenged disallowance of Rs. 72,01,701/-, being 10% of other expenses of Rs. 7,20,17,014/-, claimed by the assessee.

10. We have considered rival submissions and perused the materials on record. It is observed from the fact and materials on record that the assessee had claimed other expenses of Rs. 7,20,17,014/-. In course of assessment proceedings, the assessee furnished various details of the expenses claimed. Not being satisfied with the details furnished, the AO through an order-sheet entry dated 23.12.2016, called upon the assessee to file further details and produce complete set of books of account with all bills, vouchers, registers etc. on 26.12.2016. It is the specific case of the assessee before us that part disallowance of expenditure claimed, was made without providing reasonable opportunity to the assessee as the two days' time given to the assessee to furnish details was consumed by intervening holidays on 24th & 25th December. The aforesaid contention of the assessee could not be controverted by the Revenue.

10.1 We have further noted that though the plea of lack of opportunity was specifically taken before learned First Appellate Authority, however, the First Appellate Authority has dismissed assessee's ground on the issue through a cryptic and thoroughly non-speaking order. Undisputedly, the impugned disallowance has been made on purely ad hoc basis, without pointing out any specific defect or

deficiency in the books of account and the documents furnished. Since the disallowance is without any basis, we direct the AO to delete it. Ground is allowed.

11. In the result, appeal is allowed.

Order pronounced in open court on 18.04.2024.

Sd/-
(PRADIP KUMAR KEDIA)
ACCOUNTANT MEMBER

Sd/-
(SAKTIJIT DEY)
VICE PRESIDENT

Dated: 18.04.2024.

MP

Copy forwarded to:

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

ASSISTANT REGISTRAR
ITAT, NEW DELHI