

**आयकर अपीलीय अधिकरण “सी” न्यायपीठ चेन्नई में।**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**“C” BENCH, CHENNAI**

**माननीय श्री एबी टी.वर्की, न्यायिक सदस्य एवं**  
**माननीय श्री मनोज कुमार अग्रवाल, लेखा सदस्य के समक्ष।**  
**BEFORE HON’BLE SHRI ABY T. VARKEY, JM AND**  
**HON’BLE SHRI MANOJ KUMAR AGGARWAL, AM**

**1. आयकरअपील सं./ ITA No.674/Chny/2023**  
**(निर्धारणवर्ष / Assessment Year: 2018-19)**

<b>M/s. Sun TV Network Ltd</b> 73, Murasoli Maran Towers, MRC Nagar Main Road, MRC Nagar, Chennai – 600 028.	<b>बनाम/ Vs.</b>	<b>ACIT</b> Non Corporate Circle -10(1), Chennai.
स्थायीलेखासं./जीआइआरसं./TAN/GIR No. <b>AADCS-4885-K</b>		
(अपीलार्थी/ <b>Appellant</b> )	:	(प्रत्यर्थी / <b>Respondent</b> )

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**2. आयकरअपील सं./ ITA No.1111/Chny/2023**  
**(निर्धारणवर्ष / Assessment Year: 2018-19)**

<b>DCIT</b> Non Corporate Circle -10(1), Chennai.	<b>बनाम/ Vs.</b>	<b>M/s. Sun TV Network Ltd</b> 73, Murasoli Maran Towers, MRC Nagar Main Road, MRC Nagar, Chennai – 600 028.
स्थायीलेखासं./जीआइआरसं./TAN/GIR No. <b>AADCS-4885-K</b>		
(अपीलार्थी/ <b>Appellant</b> )	:	(प्रत्यर्थी / <b>Respondent</b> )

<b>Assessee by</b>	:	Shri K. Ramakrishnan (CA) – Ld.AR
<b>Department by</b>	:	Shri R. Clement Ramesh Kumar (CIT) -Ld. DR

<b>सुनवाईकीतारीख/Date of Hearing</b>	:	26-09-2024
<b>घोषणाकीतारीख /Date of Pronouncement</b>	:	09-10-2024

**आदेश / O R D E R**

**Manoj Kumar Aggarwal (Accountant Member)**

1.1 Aforesaid cross-appeals for Assessment Year (AY) 2018-19 arises out of the order of learned Commissioner of Income Tax (Appeals),

National Faceless Appeal Centre (NFAC), Delhi [CIT(A)] dated 31-03-2023 in the matter of an assessment framed by the Ld. Assessing Officer (AO) u/s.143(3) r.w.s. 144B of the Act on 22-04-2021. The registry has noted delay of 53 days of delay in revenue's appeal. The Ld. AR did not oppose condonation of delay. Therefore, the delay is condoned and we proceed for adjudication of appeals on merits.

2. Upon perusal of grounds of appeal, it is evident that the sole subject matter of assessee's appeal is disallowance u/s 14A. The subject matter of revenue's appeal is taxability of deferred revenue income. Having heard rival submissions and upon perusal of case records, our adjudication would be as under. The assessee being resident corporate assessee is stated to be engaged in satellite television broadcasting and FM radio broadcasting besides being owner of a franchise unit i.e., M/s Sunrise Hyderabad in the Indian Premier League (IPL), a cricket tournament on commercial lines.

### **3. Disallowance u/s 14A**

3.1 Though the assessee had made equity investments, it did not offer any disallowance u/s 14A on the ground that the investment were out of own funds. The Ld. AO applied Rule 8D(2)(ii) and computed disallowance @1% of annual average of monthly averages of opening and closing investment which came to be Rs.2133.14 Lacs. The assessee earned exempt income of Rs.1504.33 Lacs. Considering the same, Ld. AO restricted the disallowance to the extent of Rs.1504.33 Lacs.

3.2 Upon further appeal, Ld. CIT(A) not only confirmed the action of Ld. AO but enhanced the disallowance to Rs.2133.14 Lacs. Aggrieved, the assessee is in further appeal before us.

3.3 We find that the ratio of decision of Hon'ble Madras High Court in the case of **Redington India Private Ltd. (392 ITR 633)** as well as the decision in **CIT vs. Chettinad Logistics Private Ltd. (248 Taxman 55)** is squarely applicable to the fact of the case. In the case of **CIT V/s Chettinad Logistics Private Ltd. (supra)**, the Hon'ble Court has already considered CBDT Circular No.5 dated 11.02.2014. Further, revenue's Special Leave Petition (SLP) against this order has already been dismissed by Hon'ble Supreme Court on 02.07.2018 which is reported at 95 Taxmann.com 250. The subsequent decision of Hon'ble High Court of Madras in **CIT vs. Celebrity Fashion Ltd. (119 Taxmann.com 426; 21.09.2020)** has held that in the absence of exempt income, no disallowance u/s 14A is called for. Applying the same analogy, the disallowance u/s 14A would not exceed exempt income earned by the assessee unless it was established by Ld. AO that the actual expenditure was claimed in excess of that. Therefore, respectfully following these decisions, we restore the disallowance as made by Ld. AO. The enhancement as made by Ld. CIT(A) stand deleted

#### **4. Deferred Revenue Income**

4.1 During assessment proceedings, it transpired that the assessee raised bills on the time slots sold by it and money was received against the bills so raised. As per mercantile system, Ld. AO held that the assessee has to offer such receipt as its income in the year of receipt only and the same could not be treated as deferred revenue income. The deferred revenue income was nothing but income billed by the assessee during the year. The assessee did not follow matching principle of accountancy. Accordingly, the amount of Rs.1364.10 Lacs as claimed by

the assessee as deferred revenue income was added to the income of the assessee.

4.2 The Ld. CIT(A) allowed the claim of the assessee since this issue was covered by various decisions of Tribunal in assessee's own case starting from AYs 2004-05 to 2013-14. Aggrieved, the revenue is in further appeal before us.

4.3 The Ld. CIT-DR has submitted that the assessee has debited entire expenditure in the year of occurrence and therefore, there is violation of matching principle of accountancy. The Ld. AR, on the other hand, submitted that the assessee collects fees towards sale of timeslots in advance. Out of this, fees accruing up-to March-end would be recognized as revenue and the balance would be held as 'current liabilities' as deferred revenue income. Therefore, the deferred revenue income is nothing but income not accrued yet. The same would accrue only on airing the time slots. The same is on the basis of accrual concept of accounting. The deferred revenue income is nothing but akin to prepaid expenses. Just as expenditure not relating to current financial year is not recognized as expenses in the current financial year, in the same way, income relating to subsequent year is not recognized as income in the current financial year.

4.4 We concur with the aforesaid submissions of Ld. AR. In fact, aforesaid methodology of revenue recognition has been accepted by Tribunal starting from AYs 2004-05 to 2013-14. It is another undisputed fact that the aforesaid deferred income has been recognized as revenue in subsequent years and offered to tax. Logically, if the same is brought to tax in this year, the same has to be excluded in subsequent years. Ultimately, it would be tax neutral exercise only. The argument of Ld.

CIT-DR is that there is violation of matching principle. However, it is not in dispute that the assessee is following mercantile system of accounting to recognize income as well as expenditure. If the expenditure is prepaid, naturally, the assessee would carry forward to the same as prepaid expenses only. Therefore, apparently there is no violation of matching concept as urged by Ld. CIT-DR. Above all, this issue has consistently been held by the Tribunal in assessee's favor for past several years as enumerated in the impugned order. Therefore, the adjudication of Ld. CIT(A) could not be faulted with.

### **Conclusion**

5. The appeal of the revenue stand dismissed. The appeal of the assessee stand partly allowed.

*Order pronounced on 9<sup>th</sup> October, 2024*

**Sd/-**  
**(ABY T. VARKEY)**  
न्यायिक सदस्य / JUDICIAL MEMBER

**Sd/-**  
**(MANOJ KUMAR AGGARWAL)**  
लेखा सदस्य / ACCOUNTANT MEMBER

चेन्नई Chennai; दिनांक Dated :09-10-2024  
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### **आदेशकीप्रतिलिपिअग्रेषित/Copy of the Order forwarded to :**

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT Chennai.
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF