

आयकर अपीलीय अधिकरण, 'सी' न्यायपीठ, चेन्नई।
IN THE INCOME TAX APPELLATE TRIBUNAL
'C' BENCH: CHENNAI

श्री एबी टी. वर्की, न्यायिक सदस्य एवं श्री जगदीश, लेखा सदस्य के समक्ष
BEFORE SHRI ABY T. VARKEY, JUDICIAL MEMBER AND
SHRI JAGADISH, ACCOUNTANT MEMBER

आयकर अपील सं./ITA No.22/Chny/2025
निर्धारण वर्ष /Assessment Year: 2020-21

Future Focus Infotech Pvt. Ltd.,
RR Towers II 94/95 (Ground Floor),
TVK Industrial Estates, Guindy,
Chennai – 600 032.
[PAN: AAACF 3250G]

Vs. The Income Tax Officer,
Corporate Ward-2(1),
Chennai.

(अपीलार्थी/**Appellant**)

(प्रत्यर्थी/**Respondent**)

अपीलार्थी की ओर से/ Appellant by
प्रत्यर्थी की ओर से /Respondent by

: Shri N. Arjun Raj, Advocate
: Ms. R. Anitha, Addl. CIT

सुनवाई की तारीख/Date of Hearing

: 26.03.2025

घोषणा की तारीख /Date of Pronouncement

: 22.05.2025

आदेश / ORDER

PER JAGADISH, A.M :

Aforesaid appeal filed by the assessee for Assessment Year (AY) 2020-21 arises out of the order of Learned Commissioner of Income Tax (NFAC), Delhi [hereinafter "CIT(A)"] dated 12.11.2024 in the matter of assessment framed by the Assessing Officer [AO] u/s. 143(3) r.w.s 144B of the Income-tax Act, 1961 (hereinafter "the Act") on 20.09.2023.

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2. The effective ground of appeal in this appeal of assessee is against dismissing the ground of appeal on the addition of software expenses of Rs.2,48,36,404/- made in computation of income u/s. 143(1) of the Act as the A.O has not discussed anything on these disallowances in the impugned order u/s. 143(3) of the Act.

3. The assessee is a private limited company in the business of providing information technology staffing services, recruitment assistance and providing IT enabled services. The assessee has filed return of income declaring loss of Rs.1,71,66,985/-. The CPC, Bengaluru in the intimation u/s. 143(1) of the Act has made addition of Rs. 2,48,36,404/- on the basis of tax audit report in Para No.21(a) that Rs. 2,48,36,404/- is capital work in progress written off debited to profit and loss account. As per the assessment order this issue was also mentioned in the reasons for selection of the case for scrutiny and background facts. The A.O in the order passed u/s. 143(3) of the Act has not discussed the above disallowance and simply copied income computed u/s. 143(1) of the Act of Rs. 78,25,080/- and assessed the total income at Rs.78,25,080/-. The assessee preferred appeal before the Ld. CIT(A) and the Ld. CIT(A) has not adjudicated the issue on merit and dismissed the ground observing that A.O has not discussed

anything on these disallowances in the assessment order passed u/s. 143(3) of the Act.

4. The Ld. Authorized Representative (AR) of the assessee has submitted that the expenses of Rs. 2,48,36,404/- includes salary of Rs.85,651,997/- and consultancy of Rs.1,62,84,407/- incurred on in house software improvement for the purpose of its business namely providing contract staff insurance and recruitment assistance to the clients. The Ld. AR has submitted that the expenses were incurred in the immediately preceding year and shown as work in progress and claimed as deduction after written off WIP during the year u/s 37(1) as the expenditure were only for the purpose of business competitiveness and operational efficiency and client's satisfaction. The Ld. AR has submitted that the assessee during the assessment proceedings has made the submission however, the A.O has merely copied the adjustment made in 143(1) of the Act in the assessment order passed u/s 143(3) of the Act and the Ld. CIT(A) has not adjudicated the same.

5. On the other hand, the Ld. Departmental Representative (DR), has relied on the orders of lower authorities.

6. We have heard the rival submissions, and perused the materials available on record. The A.O in the order passed u/s. 143(3) of the Act has assessed the total income at Rs. 78,25,080/- as computed in the processing u/s. 143(1) of the Act. It is evident from the assessment order that A.O in the reasons for selection of case in para 1(b)(i) has mentioned that capital work in progress written off Rs. 2,48,36,404/- is disallowed and added to the total income on the basis of note in tax audit report in processing u/s. 143(1) of the Act and this is an admitted fact that the nature of the expenditure is of capital in nature and the assessee claimed this expenditure in profit and loss account, therefore, it is rightly disallowed in processing u/s. 143(1) of the Act. The Ld. CIT(A) has noted that the addition of Rs. 2,48,36,403/- made u/s. 37 of the Act is not emanating from the order u/s. 143(3) of the Act as the A.O has not discussed anything on this disallowance in the assessment order. We are of opinion that the disallowance of Rs.2,48,36,404/- was mentioned in the reasons for selection of the case and therefore, the Ld CIT(A) should have adjudicated the claim of disallowances of capital expenditure written off u/s 37(1) of the Act. We, accordingly remit the matter to the file of Ld CIT(A) to adjudicate the issue on merit after affording due opportunity of being heard to the assessee. The assessee is also directed to cooperate with the

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proceedings and appear before the Ld. Addl. CIT(A) on the date of hearing without fail. In view of the above, the appeal filed by the assessee is allowed for statistical purposes only.

7. In the result, the appeal filed by the assessee is allowed for statistical purposes.

Order pronounced on 22nd May, 2025.

Sd/-
(एबी टी. वर्की)
(ABY. T. Varkey)

न्यायिक सदस्य / Judicial Member

चेन्नई/Chennai, दिनांक/Dated: 22nd May, 2025.

EDN/-

Sd/-
(जगदीश)
(Jagadish)

लेखा सदस्य / Accountant Member

आदेश की प्रतिलिपि अग्रेषित/**Copy to:**

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT, Chennai
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF