

आयकर अपीलिय अधिकरण, 'बी' न्यायपीठ, चेन्नई  
**IN THE INCOME TAX APPELLATE TRIBUNAL  
'B' 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 Nos.909, 910 & 911/Chny/2025  
निर्धारणवर्ष/Assessment Years: 2015-16, 2013-14 & 2016-17

The DCIT, Central Circle-3(3), Chennai.	v.	M/s. MRF Ltd., No.114, Greams Road S.O., Nungambakkam, Chennai-600 006.
		[PAN: AAACM 4154 G]
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)
Department by	:	Mr.Shiva Srinivas, CIT
Assessee by	:	Mr.Vikram Vijayaraghavan, Advocate
सुनवाईकीतारीख/Date of Hearing	:	18.06.2025
घोषणाकीतारीख /Date of Pronouncement	:	14.08.2025

**आदेश / ORDER**

**PER ABY T. VARKEY, JM:**

These are appeals preferred by the Revenue against the order of the Learned Commissioner of Income Tax (Appeals), (hereinafter referred to as 'Ld.CIT(A)'), Chennai-20, all dated 31.01.2025 for the Assessment Years (hereinafter referred to as 'AY') 2015-16, 2013-14 & 2016-17. Since facts are identical and issues are common, for the sake of convenience, we dispose of all these appeals by this consolidated order.



:: 2 ::

**2.** Brief facts of the case the assessment year 2013-14 are that, the assessee company is engaged in the business of manufacturing and selling of automobile tyres, tubes, flaps and other rubber products. The assessee company had filed its return of income for the assessment year 2013-14 on 28.11.2013 admitting total income of ₹790,92,17,440/-. Later the case of the assessee was selected for scrutiny under CASS and the income was assessed income at ₹861,75,63,920/- vide order u/s.143(3) of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') dated 29.12.2016. The AO thereafter in order to reopen the assessment issued notice u/s.148 of the Act dated 23.04.2019, which action was objected to by assessee, which was disposed by the AO and has reassessed the income of the assessee vide order dated 03.12.2019 u/s.147/143(3) of the Act at ₹837,17,84,530/- by making addition on four issue as under:

Assessed Income as per order dated 14.01.2019	₹	813,54,53,170
<b>Add:</b>		
(i) Disallowance of provision towards litigation and Related disputes	₹	21,08,19,169
(ii) Disallowance of depreciation claimed on Retention money payable	₹	68,42,373
(iii) Disallowance of additional depreciation Claimed on retention money payable	₹	1,49,77,463
(iv) Disallowance of expenditure incurred On clubs	₹	36,92,352
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<b>Revised Assessed Income</b>	₹	<b>837,17,84,527</b>
<b>Revised Assessed Income</b>	₹	<b>837,17,84,530</b>

**3.** The assessee challenged the action of the AO before the Ld.CIT(A) who gave partial relief to the assessee. Against the impugned action of



:: 3 ::

the Ld.CIT(A), the Revenue is before us and has raised the following issues in ITA No.910/Chny/2025 for AY 2013-14 :-

**Issue No.1 – Disallowance of depreciation/expenses on retention money payable (Ground Nos.2-3).**

4. Brief facts are that the assessee entered into purchase contracts for both capital goods and revenue items, wherein there is a retention money component, which is essentially a small portion of the bills raised for the contract, until successful performance of the machinery. And the assessee Company records the liability to pay such retention money as soon as the obligation is created on the basis of invoices by following the mercantile system of accounting. The assessee claimed depreciation on the retention money on capital account & pleaded to allow the retention money on revenue account. However, according to the AO, the retention money payable on capital account and expenditure on revenue account by the Respondent to the vendors is contingent in nature and is to be disallowed; and accordingly disallowed additional depreciation claimed on the retention money on capital account amounting to ₹1,49,77,463/- (20% of ₹7,48,87,316).

5. Aggrieved, the assessee filed an appeal before the Ld.CIT(A) who relied on the decision of this Tribunal in the assessee's own case and has adjudicated the case in favour of the assessee by holding as under:



:: 4 ::

"The AO has also not brought on record whether the Hon'ble High Court of Madras has granted any stay on the order of the Hon'ble ITAT. Thus, respectfully following the decision of the Hon'ble ITAT, Chennai in the appellant's own case (supra), I am of the opinion that the depreciation on the retention money on capital account as well as retention money withheld on revenue account is allowable. Therefore, the disallowance of the depreciation claimed on retention money to the tune of Rs.68,42,373/- as well as disallowance of the additional depreciation on the retention money of Rs.1,49,77,463/- is deleted and these grounds raised by the appellant are allowed".

**6.** Aggrieved, the Revenue is before us. The Ld.DR submitted that the department has not accepted the Tribunal's order on this issue and had filed appeal before the Hon'ble High Court. Therefore, the Ld.CIT(A) erred in following the order of the Tribunal in the assessee's own case for earlier years and supported the action of the AO. Per contra, the Ld.AR pointed out that the issue of allowability of expenditure on retention money payable (on both revenue account and depreciation claimed on capital account) is covered by the decisions of this Tribunal in favour of the assessee in its own cases for several assessment years viz., AY 2014-15 in IT(TP)A Nos. 68 of 2018 dated 28.02.2025 at Para 5.3 in Page No. 9 of the order. And in AY 2017-18, 2018-19 and 2019-20 in ITA Nos. 64 & 65 of 2022 and 41 of 2023 dated 20.09.2024. In AY 2014-15, on this issue, this Tribunal held as under:

**5.2** We have heard both the parties and perused the records. At the outset, the Ld. AR of the assessee brought to our notice that the very same issue had come up for adjudication before this Tribunal in assessee's own case for **AY 2017-18 to 2019-20 in ITA Nos.64 & 65/CHNY/2022 & 41/CHNY/2023**, wherein the Tribunal had deleted the disallowance, by holding as under: -

"5.2 The Ld. Counsel of the assessee stated that the retention moneys payable represents a liability that has actually accrued, and



:: 5 ::

the full value of the liability is recognized in the books in accordance with the accounting principles and applicable mercantile system of accounting.

5.3 Further the Ld.Counsel relied on the Hon'ble Supreme Court in Bharat Earth Movers vs. CIT [2000] 245 ITR 428 (SC) held as follows:

"4. The law is settled: if a business liability has definitely arisen in the accounting year, the deduction should be allowed although the liability may have to be quantified and discharged at a future date."

Hence, the Id. Counsel argued that the entire liability is allowable as revenue expenditure/ depreciation on the capitalised expenditure. Further he stated that this issue has been decided in favour of the assessee in its own case by this Hon'ble ITAT in ITA No.641 to 645/Chny/2018 (Enclosed in Page No.13 of the paper book of case laws - Para 3.1 of the order) and hence prayed for deleting the addition of Rs.80,65,113/- made by the AO, by allowing the ground of the assessee.

5.4 Per contra the Ld.DR relied on the assessment order of the AO.

5.5 We heard the rival arguments and perused the materials on record. We note that the very same issue has already been dealt by this tribunal in assessee's own case by holding as under:

"3.1 We heard the rival contentions, find merit in the submissions made by the AR. Since, the assessee is maintaining mercantile system of accounting, upon the basis of which the profits or gains are computed under the head "Profits and gains of business or profession" for the relevant assessment years and it has been regularly following it, the assessee's claims are in accordance with law and hence the AO is directed to allow depreciation on the retention money on capital account and also allow the retention money with held on revenue account. Corresponding grounds of the assessee are allowed for both these assessment years."

5.6 In view of the matter and considering the facts and circumstances of the case, by respectfully following the decision of the tribunal(supra) we are of the considered opinion that the assessee's claims are in accordance with law and hence the is AO directed to delete the addition and recompute the income of the assessee. Thus, the ground Nos.2 to 5raised by the assessee is allowed."

**7.** Having heard both parties, we find that the Ld.CIT(A) has allowed the claim of assessee on this issue by following this Tribunal order (supra) and since the Revenue couldn't point out any change in facts or law, respectfully following the Tribunal order in the assessee's own case on the



:: 6 ::

issue and also taking note that since, the assessee is maintaining mercantile system of accounting, upon the basis of which the profits or gains are computed under the head " Profits and gains of business or profession" for the relevant assessment years and it has been regularly following it, the assessee's claim are in accordance with law and hence the Ld.CIT(A) has rightly directed the AO to allow depreciation on the retention money on capital account and also allow the retention money with held on revenue account. So, we confirm the impugned action of the Ld.CIT(A) and dismiss these grounds of appeal raised by the Revenue.

#### **Issue 2: Disallowance of Club entrance fees (Ground Nos. 4)**

**8.** The assessee claimed expenditure on account of Club Entrance fees, which was disallowed by the AO by contending that entrance and club service expenses incurred by the assessee are not for the purpose of business and so not allowable u/s.37 of the Act.

**9.** Aggrieved, the assessee preferred an appeal before the Ld.CIT(A) who followed the decision of this Tribunal in the assessee's own case and has decided the issue in favour of the assessee by holding as under:

"Thus, respectfully following the decision of the Hon'ble ITAT, Chennai in the appellant's own case (supra), the amount spent towards Club and entrance fees of Rs.36,92,352/- is reasonable and the same is allowable. Therefore, the disallowance of Rs.36,92,352/- is deleted and these grounds raised by the appellant are allowed."

**10.** Aggrieved, the Revenue is before us.



:: 7 ::

**11.** Having heard both parties, we note that the Ld.CIT(A) has allowed the claim of expenditure by following the decision of this Tribunal on this issue in the assessee's own case. The Tribunal on this issue is noted to have allowed such ground by order dated 20.09.2024 at Para No.10.3 in ITA Nos.64 & 65/Chny/2022 and ITA No.41/Chny/2023 by observing as under:

"10.3 We have heard the rival contentions and gone through the orders of the authorities. We note that the company has achieved a huge turnover and earned a profit regularly. Considering the nature and volume of business performance of the assessee, the amount spent towards Club and entrance fees of Rs.51,41,849/- is reasonable and in support of the claim of the expenditure, the assessee has furnished the ledger extract before the AO. Therefore, we do not concur with the disallowance of this expenditure and we are inclined to delete the disallowance of Rs.16,91,849/- and direct the AO to re-compute the income accordingly. Thus, we allow the ground No.29 of the assessee."

**12.** Since the Ld.DR couldn't point out any change in facts or law, respectfully following the decision of this Tribunal (supra), we confirm the order of the Ld.CIT(A) and dismiss the Revenue appeal.

**ITA No.909/Chny/2025 for AY 2015-16:**

**13.** Issue No.1 [Ground Nos.2 to 3] are in respect of disallowance of depreciation / expenses on retention money payable which issue has already been adjudicated by us in AY 2013-14 (supra). Since there is no change in facts or Law, for the same reasoning, the action of the Ld.CIT(A) is confirmed and the Revenue's grounds of appeal on this issue stands dismissed.



:: 8 ::

**14.** Issue No.2 [Ground Nos.4 & 5] are in respect of disallowance of deduction claimed u/s.80JJAA of the Act. At the outset, the Ld.AR of the assessee brought to our notice that the assessee had claimed deduction u/s.80JJAA of the Act which was disallowed by the AO on the reasoning that for the purpose of calculation of deduction u/s.80JJAA of the Act every year need to be considered as a separate year. And the AO is noted to have followed this Tribunal's order in the assessee's own case for AYs 2008-09, 2010-11, 2012-13 and 2013-14; and disallowed ₹1,30,75,819/-.

**15.** Aggrieved, the assessee preferred an appeal before the Ld.CIT(A), who took note of the decision of the Hon'ble Karnataka High Court in the case of Texas Instruments [2021] 435 ITR 1 (Karnataka) and allowed this grounds of appeal of the assessee by observing as under:

"Respectfully following the decision of the Hon'ble Karnataka High Court in the case of CIT v. Texas Instruments (India) Pvt. Ltd. (supra), the employees who were recruited in preceding year but completed period of 300 days during the year under consideration have to be considered as new employees of the year under consideration for the purpose of section 80JJAA. On considering the said employees as new regular workmen, the appellant has satisfied the conditions for claiming deduction u/s 80JJAA of the Act. Accordingly, the disallowance of Rs.1,30,75,819/-u/s 80JJAA of the Act is deleted and these grounds raised by the appellant are allowed."

**16.** Aggrieved, by the aforesaid action of the Ld.CIT(A), the Revenue is before us.

**17.** Having heard both the parties and after perusal of the records, we note that this issue raised by the Revenue is no longer res integra. We



**:: 9 ::**

note that identical issue had come up before this Tribunal in the assessee's own case for AY 2014-15 [ITA No.68/Chny/2018 dated 28.02.2025] wherein this Tribunal is noted to have deviated from its earlier view after taking note of the Hon'ble Karnataka High Court's order in Texas Instruments (supra) and allowed such a ground of appeal by holding as under:

"6.7 Having regard to the above, we deviate from the view expressed in assessee's own case for AY 2012-13 and respectfully follow the ratio laid down by the Hon'ble Karnataka High Court in the case of Texas Instruments (supra), and hold that the assessee was entitled to claim deduction u/s 80JJAA of the Act in respect of the new employees who did not complete continuous employment of more than 300 days during their respective years of joining i.e., FYs 2010-11 & 2011-12, but completed the same only in the succeeding FYs 2011-12 & 2012-13, in light of the curative amendment made by insertion of proviso to Section 80JJAA, by the Finance Act, 2018.

.....

6.9 In view of the above, we accordingly reverse the order of the lower authorities on this issue and direct the AO to allow the deduction u/s 80JJAA of the Act as claimed by the assessee in the return of income. Accordingly, this ground stands allowed."

**18.** In the light of the aforesaid order of this Tribunal on this issue for AY 2014-15, and taking note that the Revenue couldn't point out any change in facts or Law, respectfully following the same, we confirm the impugned action of the Ld.CIT(A) and dismiss this grounds of appeal raised by the Revenue.

**19.** Issue No.3 [Ground No.6] is in respect of disallowance of forward contract premium. The assessee had claimed amortization of premium paid on foreign exchange contracts amounting to ₹43,73,96,776/- which was denied by the AO on the ground that forward contract premium



**:: 10 ::**

charges which were incurred by the assessee on normal import / export transactions is speculative in nature and not incurred for the purpose of business of the assessee. Therefore, he was of the view that the claim of charges paid to bank to protect the Forex fluctuation is not an allowable expenditure u/s.37 of the Act and thus, disallowed ₹43,73,96,776/-.

**20.** Aggrieved, the assessee preferred an appeal before the Ld.CIT(A) who was pleased to allow this grounds of appeal by relying on this Tribunal order in the assessee's own case by observing as under:

"Therefore, respectfully following the decision of Hon'ble High Court of Calcutta in the case of Britannia Industries Ltd (supra), Hon'ble Ahmedabad Tribunal in the case of CLP Wind Farm (India) Ltd vs DCIT (supra) and the Hon'ble Chennai Tribunal in the appellant's own case in ITA No.641 to 645/Chny/2018, I am of the opinion that the appellant is entitled to claim the amortization of premium paid on foreign exchange contracts amounting to Rs.43,73,96,776/-. Accordingly, the addition made by the AO is deleted and these grounds of appeal are allowed."

**21.** Aggrieved, the Revenue is before us by contending that the Tribunal's order in the assessee's own case has been assailed before the Hon'ble High Court.

**22.** Having heard both the parties and after perusal of the records, we note that this issue is no longer res integra and notes that the issue of allowability of forward contract premium charges recognized in the profit and loss statement in accordance with the Accounting Standards is covered in favour of the assessee by the decision of this Tribunal in favour of the assessee in the following own cases of the assessee:



ITA Nos.909 to 911/Chny/2025  
(AYs 2015-16, 2013-14 & 2016-17)  
M/s. MRF Ltd.

**:: 11 ::**

(i) IT(TP)A Nos. 68 of 2018 dated 28.02.2025 for AY 2014-15

(ii) AY 2017-18, 2018-19 and 2019-20 in ITA Nos. 64 & 65 of 2022 and 41 of 2023 dated 20.09.2024.

**23.** Since this issue is no longer res integra, we follow the decision of this Tribunal on this issue and concur with the action Ld.CIT(A) and is of the view that the forward contract premium charges on foreign currency claimed by the assessee has been rightly allowed by the Ld.CIT(A) and hence we confirm the action of the Ld.CIT(A) directing the AO to delete the addition made on this issue and thus, this grounds of appeal raised by the Revenue stands dismissed.

**ITA No.911/Chny/2025 for AY 2016-17:**

**24.** Issue No.1 [Ground Nos.2 & 3] are in respect of disallowance of depreciation / expenses on retention money payable, which we note to have been adjudicated while deciding the appeal of the Revenue in ITA No.910/Chny/2025 for AY 2013-14 (supra). Since no change in facts or Law, could be pointed out by the Revenue, following the decision of ours (supra), we confirm the action of the Ld.CIT(A) on this issue and dismiss the grounds of appeal raised by the Revenue.

**25.** Issue No.2 [Ground No.4] is in respect of disallowance of forward contract premium, which issue is noted to have been adjudicated while deciding the appeal of the Revenue in ITA No.909/Chny/2025 for AY 2015-16 (supra) and since there is no change in facts or Law, following



ITA Nos.909 to 911/Chny/2025  
(AYs 2015-16, 2013-14 & 2016-17)  
M/s. MRF Ltd.

:: 12 ::

the decision of ours, we confirm the action of the Ld.CIT(A) allowing this grounds of appeal of the assessee and dismiss the grounds of appeal raised by the Revenue.

**26.** In the result, all the appeals filed by the Revenue are dismissed.

Order pronounced on the 14<sup>th</sup> day of August, 2025, in Chennai.

**Sd/-**

(जगदीश)

**(JAGADISH)**

लेखा सदस्य/**ACCOUNTANT MEMBER**

चेन्नई/Chennai,

दिनांक/Dated: 14<sup>th</sup> August, 2025.

**TLN**

**Sd/-**

(एबी टी. वर्की)

**(ABY T. VARKEY)**

न्यायिक सदस्य/**JUDICIAL MEMBER**

आदेश की प्रतिलिपि अग्रेषित/Copy to:

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