IN THE INCOME TAX APPELLATE TRIBUNAL
"H" BENCH, MUMBAI
BEFORE SHRI PAWAN SINGH, JUDICIAL MEMBER&
SHRI GIRISH AGRAWAL, ACCOUNTANT MEMBER
ITA No. 5166/MUM/2025 (AY: 2014-15)
(*Physical hearing*)

Trent Limited Bombay House, Mumbai, Maharashtra – 400001. [PAN: AAACL1838J]	Vs	DCIT-2(3)(1), Mumbai 552, 5th Floor, Aayakar Bhavan, Maharishi Karve Road, Mumbai-400020.
Appellant / Assessee		Respondent / Revenue

ITA No. 5242/MUM/2025 (AY: 2022-23)

DCIT-2(3)(1), Mumbai 552, 5th Floor, Aayakar Bhavan, Maharishi Karve Road, Mumbai-400020.	Vs	Trent Limited G Block, Plot No. C 60, Trent House, Beside City Bank, Bandra K Complex, Bandra E Mumbai – 400051. [PAN: AAACL1838J]
Appellant / Revenue		Respondent / Assessee

Assessee by	Shri Nikhil Tiwari a/w Mr. Charul Mittal, CA
Revenue by	Shri Ajay Chandra, CIT-DR
Date of hearing	23.01.2026
Date of pronouncement	30.01.2026

Order under section 254(1) of Income Tax Act

PER PAWAN SINGH JUDICIAL MEMBER:

1. These cross-appeals by assessee as well as by revenue are directed against the order of ld. CIT(A)/NFAC dated 30.06.2025 for A.Y. 2014-15. The assessee in its appeal has raised following grounds of appeal:

"General Grounds

1. On the facts and in the circumstances of the case and in law, the Assessing Officer erred in assessing the total income of the Appellant at Rs 52,46,34,990 as compared to the total income of Rs. 7,14.58.430 computed by the Appellant in the return of income for the said assessment year.

-

2 On the facts and in the circumstances of the case and in law, the Ld CIT(A) erred in partly upholding the additions made by the Assessing Officer in the assessment order passed under section 143(3) r.w.s 144C(1) of the Act.

Validity of the assessment order on account of reference to Transfer Pricing Officer u/s 92CA of the Act

3. On the facts and in the circumstances of the case and in law, the Ld. CIT(A) erred in upholding. the validity of reference made by the Assessing Officer to the Transfer Pricing Officer (TPO) under section 92CA of the Act, thereby upholding that the transaction with Fiora Services Limited would fall within the ambit of specified domestic transactions under section 92BA read with section 40A(2) of the Act and therefore the Assessing Officer was correct in passing the order within the extended time limited allowed under section 153 of the Act.

Disallowance of deduction claimed in respect of discount on Gift cards sold

4 On the facts and in the circumstances of the case and in law, the Ld. CIT(A) erred in upholding the disallowance made by the Assessing Officer of discount on unredeemed Gift Cards, on the ground that the gift cards are redeemed in subsequent years and accordingly corresponding discount has to be allowed in the year in which sales are accounted.

5 On the facts and in the circumstances of the case and in law, the Ld. CIT(A) erred in not appreciating the fact that the discount allowed at the time of sale of gift cards results into upfront lesser realisation of the proceeds and therefore the cash discount has to be recognised in the year of sale of gift card.

Disallowance of deduction claimed in respect of discount on Gift vouchers sold

6. On the facts and in the circumstances of the case and in law, the Ld. CIT(A) erred in upholding the disallowance made by the Assessing Officer of discount on unredeemed Gift vouchers, on the ground that the gift vouchers are redeemed in subsequent years and accordingly corresponding discount has to be allowed in the year in which sales are accounted for.

7. On the facts and in the circumstances of the case and in law, the Ld. CIT(A) erred in not appreciating the fact that the discount allowed at the time of sale of gift vouchers results into upfront lesser realisation of the proceeds and therefore the cash discount has to be recognised in the year of sale of gift vouchers.

Disallowance of Discount on Gift Cards and Gift Vouchers Sold for computation of Book Profit under Section 115JB

8. On the facts and in the circumstances of the case and in law, the Hon'ble CIT(A) erred in upholding the disallowance of discount on Gift Cards and Gift Vouchers sold while computing book profit under section 115JB of the Act, without appreciating the fact that there was no specific finding in the assessment order for making addition while computing book profits under section 115JB of the Act.

9. On the facts and in the circumstances of the case and in law, the Hon'ble CIT(A) erred in not appreciating the fact that the aforesaid expenditure claimed for accrued liability is not in the nature of any provision or contingent liability and which is also not covered by the items mentioned in Explanation 1 to section 115JB of the Act.

Disallowance of Sales Promotion Discount, Provision for Club West Loyalty Program, and Customer Loyalty Program for Computation of Book Profit under Section 115JB

10. On the facts and in the circumstances of the case and in law, the Hon'ble CIT(A) erred in confirming the addition of Rs 4,42,99,771/- (Sales Promotion Discount), Rs 6,79,80,994/-(Sales Promotion Club West Store Credit Redeemed), and Rs 34,41,382/- (Customer Loyalty Program) while computing book profit under section 115JB of the Act, without appreciating the fact that there was no specific finding in the assessment order for making addition while computing book profits under section 115JB of the Act.

11. On the facts and in the circumstances of the case and in law, the Hon'ble CIT(A) erred in taking contradictory stand by allowing the deduction for the said expenditure, subject to verification by the Assessing Officer, while computing the total income of the Appellant under the normal provisions of the Act and therefore erred in holding that the same is not allowable while computing book profits under section 115JB of the Act.

Deduction of interest charged on income tax against income received from the income-tax Department

12. On the facts and in the circumstances of the case and in law, the CIT(A) erred in not granting deduction of interest charged under section 234B and under section 234C of the Act against the interest received under section 244A from the Income-tax Department which was offered to tax under section 56 of the Act, and therefore net interest only ought to be charged to tax."

2. The Revenue in its appeal has raised following grounds of appeal:

"1. "Whether on the facts and circumstances of the case and in the law the Hon'ble ITAT was justified in ignoring CBDT Circular No. 25/ 2014 dated 11.02.2014 and CBDT Circular No. 23/ 2022 dated 03.11.2022 which provided for disallowance of the expenditure u/s 14A even when tax payer has not earned any exempt income in a particular year?"

2. "Whether on the facts and circumstances of the case and in the law the Hon'ble ITAT was justified in upholding the decision of the Ld. CIT(A) in view of the Explanation to section 144 inserted vide Finance Act, 2022 wherein it has been clarified that section 14A shall apply and deemed to have always applied in cases where exempt income has not earned, accrued or received during the previous year relevant to assessment year"?

3. "Whether on facts and in law, the Ld. CITIA) erred in allowing the assessee's claim of deduction of brand equity fees paid to Tata Sons Ltd. as revenue expenditure, without appreciating that the said payment was not incurred wholly and exclusively for the purpose of business of the assessee, and did not result in any direct or tangible benefit to the assessee's retail operations conducted under separate brand names such as 'Westside and 'Landmark', which are independent of the Tata' brand?"

4. "Whether Ld.CITIA) erred in following the decision of the Hon'ble ITAT in the case of M/s Rallis India Ltd. (ITA No. 5701/Mum/2008) without examining the facts of the assessee's case independently, and without appreciating that the assessee does not prominently use the Tata' brand in its retail operations, and hence the payment of brand equity fees does not have a proximate nexus with the assessee's business income or customer base?"

5. "Whether Ld. CIT(A) failed to appreciate that the payment of brand equity fees is in the nature of capital expenditure leading to enduring benefit, and is therefore not allowable as a revenue expenditure under Section 37(1) of the Income-tax Act, 1961?"

6. "Whether on the facts and in law, the Ld. CIT(A) erred in deleting the disallowance of Rs. 8,12,71,939/- made under section 14A read with Rule BD while computing book profit under section 115JB of the Income-tax Act, 1961, by relying on the decision of the Special Bench of the ITAT in the case of Vireet Investment Put. Ltd. vs. CIT (82 taxmann.com 415) however the said decision has been challenged by the Department and is pending adjudication before the Hon'ble High Court.

7. Whether Ld. CITIA) failed to consider that the disallowance under section 14A represent expenditure relatable to income not forming part of total income under the Act, and such expenditure ought to be considered for the

purpose of computing the book profit under section 115JB in accordance with clause (f) of Explanation I to section 115JB(2).

8. "Whether Ld. CIT(A) erred in not appreciating that clause (f) of Explanation 1 to section 115.JB(2) specifically requires the addition of expenditure relatable to exempt income to the book profit, and the computation made under Rule &D provides a reasonable basis for determining such expenditure?"

9. "The appellant craves the leave to add, amend, alter and/ or delete any of the grounds of appeal as above"

3. Brief facts of the case are that the assessee-company is engaged in the business of retailing of readymade garments, filed its return of income for A.Y. 2014-15 on 28.11.2014 declaring income of Rs. 7.14 crores under normal provision and at Rs. 65.84 crores under section 115JB. The case was selected for scrutiny. During assessment, the assessing officer noted that assessee has reported international transaction as well as specified domestic transaction in its transfer pricing study report. Consequent upon a reference under section 92CA(3) was made for computation of arm's length price with regard to such transaction. The TPO accepted international transaction with its associate enterprises, however, transaction between assessee and Fiora Services Limited (FSL) was considered as covered under section 40A(2)(a). The assessing officer on receipt of report of TPO proceeded for assessment on various corporate issues. The assessing officer passed draft assessment order vide order dated 27.12.2017 passed under section 143(3) r.w.s. 144C(1). The assessing officer while passing the draft assessment order made following various additions/ disallowance.

Sl. No.	Nature of addition / disallowance	Amount
1	Disallowance u/s 14A & added to book profit u/s 115JB	Rs. 8,12,71,939/-
2	Interest expenses	Rs. 3,37,24,778/-
3	Indirect administrative expenses	Rs. 4,75,71,096/-
4	Disallowance u/s 35D	Rs. 1,37,05,328/-
5	Interest Income from other sources	Rs. 22,37,78,890/-
6	Disallowance discount on gift cards	Rs. 3,14,625/-
7	Disallowance on discount of gift vouchers	Rs. 8,37,011/-
8	Disallowance on sales promotion discount	Rs. 4,42,99,771/-
9	Disallowance on sales promotions store credit club west redeemed	Rs. 6,79,80,994/-
10	Customer Loyalty Program	Rs. 34,41,382/-
11	Disallowance of Tata Brand Equity Fees	Rs. 1,74,96,562/-

4. Aggrieved by the aforesaid various disallowances, the assessee filed appeal before ld. CIT(A). The ld. CIT(A) allowed part relief to the assessee on disallowance under section 14A and on disallowance of brand equity fees in treating as capital expenditure and all other disallowances were upheld. Aggrieved by the order of ld. CIT(A) both the parties have filed their respective appeals. The Revenue has basically challenged part relief to the assessee on disallowance under section 14A. The assessee is aggrieved by confirming the various other disallowances.

5. We have heard the submissions of learned Authorised Representative (ld. AR) of the assessee and the learned Commissioner of Income Tax – Departmental Representative (ld. CIT-DR) for the Revenue. First, we have taken the various grounds of appeal raised by Revenue and inter-connected grounds of appeal raised by assessee in appeal. Ground no. 1, 2 & 6 to 8 in revenues relates to disallowance under section 14A. Brief facts relating to disallowance under section 14A are that during assessment, the assessing officer has noted that assessee has shown exempt dividend

income of Rs. 6,99,349/- and made suo moto disallowance of Rs. 23,935/- towards direct and indirect administrative expenditure. The assessing officer recorded that investments for earning exempt income are of Rs. 951.42 crore. The suo moto disallowance was not accepted by assessing officer. On show cause notice as to why disallowance under section 14A be not made. Assessee in its reply dated 17.11.2016 stated that they have made suo moto disallowance of Rs. 23,935/-. The assessee has surplus fund generated from business as well as raised from share holders for retailing business. Surplus funds were invested for earning exempt income. The assessee further stated that similar disallowances were made in earlier years, however on further appeal, before ld. CIT(A), the assessee was allowed relief. The assessee filed various orders of ld. CIT(A) or Tribunal. The assessing officer disregarded the submission of assessee and computed the disallowance under section 14A by invoking the formula prescribed in Rule 8D and computed total disallowance of Rs. 8.12 crore and after allowing set off of suo moto disallowance of Rs. 23,935/-, disallowed net amount of Rs. 8.12 crore. On appeal before ld. CIT(A), the assessee submitted that they have only received exempt income of Rs. 6,99,349/-. Break up of exempt income was provided. The assessee also submitted that in assessee's own for A.Y. 2008-09 to 2013-14 similar disallowance was made and on further appeal, the disallowances was restricted to 5% of the exempt income. The assessee relied on the decision of Tribunal dated 15.07.2020 in ITA No. 5775/M/2011 as a lead case in A.Y. 2008-09 to 2013-14. The ld. CIT(A) followed the decision of

Tribunal and directed the assessing officer to allow the exempt income under section 14A. Thus, Revenue is in appeal before us.

6. The learned Commissioner of Income Tax – Departmental Representative (ld. CIT-DR) for the Revenue supported the order of assessing officer. The CIT-DR submits that assessee has made huge investments for earning exempt income, thus, assessing officer was justified in making disallowance in accordance with Rule 8D.

7. On the other hand, learned Authorised Representative (ld. AR) of the assessee submits that these grounds of appeal are in fact covered in favour of assessee. The co-ordinate bench of Tribunal in earlier years has discussed the issue in detail and accepted the suo moto disallowance. The assessing officer before invoking the provision of Rule 8D has not recorded his satisfaction about the suo moto disallowance offered by assessee and having regard to the accounts of assessee to arrive at the conclusion about the incorrectness of suo moto disallowance. The ld. AR of the assessee further submits in assessee's own case for A.Y. 2012-13, the Tribunal in order dated 15.07.2022, copy of which is already been placed on record, has accepted the similar suo moto disallowance in detail discussion. Further, in A.Y. 2017-18, the similar disallowance was made by assessing officer and was confirmed by ld. CIT(A). However on further appeal before Tribunal by following the decision of Tribunal in lead case in ITA No. 5775/M/2024 for A.Y. 2007-08 to 2013-14 dated 15.07.2012 allowed relief to the assessee on the ground that no proper satisfaction has been recorded by assessing officer as prescribed under section 14A(2) and

directed to accept the suo moto disallowance. The ld. AR of the assessee further submits that interest free funds with assessee are in far excess to the investment made by assessee; such fact is not disputed by assessing officer. The ld AR of the assessee further submits disallowance made under section 14A cannot be added to the book profit under section 115JB as has been held by Special Bench of Delhi Tribunal in ACIT vs Vireet Investments ltd. (2017) 82 taxmann.com 415 (SB).

8. We have considered the rival submissions of both the parties and have gone through the orders of lower authorities carefully. We have also deliberated on the decision of Co-ordinate Bench of Tribunal in assessee's own case for A.Y. 2008-09 to 2013-14 and in A.Y. 2017-18. On careful perusal of such order and the finding of lower authorities, we find that these grounds of appeal are covered in favour of assessee, wherein on similar set of fact, the suo moto disallowance under section 14A of assessee was accepted. We further find that disallowance made under section 14A is not to be added for the purpose of computing book profit under section 115JB as has been held by Special Bench of Delhi Tribunal in ACIT vs Vireet Investments Ltd. (SB). We find that ld. CIT(A) was allowing relief to the assessee has followed the decision of Tribunal on similar set of fact. No contrary facts or law in brought to our notice to take other view. In the result, ground no. 1, 2 and 6 to 8 are dismissed.

9. Ground no. 3, 4 & 5 relates to deleting the disallowance of brand equity fees paid to Tata Sons Ltd. Brief facts leading to additions are that during assessment, assessing officer noted that in the profit and loss account, the

assessee has debited Rs. 1.75 crore on account of brand equity paid to Tata Sons Ltd. The assessing officer disallowed such payment by holding that "Westside" and "Landmark" are well known and establish brand in the market and does not require to make payment of brand loyalty fees in absence of any tangible benefit accrued to the assessee. On appeal before ld. CIT(A), the assessee filed detail written submission. The assessee in its submission submitted that assessee is a part of Tata Group. Tata is majority shareholder. Assessee entered into a brand agreement with Tata Sons Ltd. on 23.12.1999 for use of the business name, marks and marketing indica, copy of brand agreement was filed. The assessee is running a chain of retail store under the name of Westside and Landmark. The assessee uses the work, "A Tata Enterprises" along with his company name. The assessee also stated that clause 4 of agreement permits the assessee to use the brand name, marks and marketing indcia, in such a manner to show a validity of brand name. To support their submissions, the assessee also relied on the decision of Tribunal in Tata's Group case wherein brand equity fees paid to Tata Sons Ltd. has been allowed. The ld. CIT(A) on considering the submission of assessee noted that allowability of brand equity fees paid to Tata Sons Ltd. has already been adjudicated by Mumbai Tribunal in Tata's Group Companies cases including in Rallies India Ltd. in ITA No. 5701/M/2008, Tata Autocomp Systems Ltd. ITA No. 7596/M/2012 and Tata Chemicals Ltd. in ITA No. 2956 & 3383/M/2015. The ld. CIT(A) quoted the relevant part of decision in case of Rallies India Ltd. (supra). The ld. CIT(A) concluded that nature and purpose of the

brand equity payment made by assessee is identical in various cases recorded by him. Tata Sons has entered into standard agreement with multiple group companies including assessee on similar term. Thus, by following the order of Tribunal in Tatas Group cases, the assessee was allowed relief and deleted the disallowance of Rs. 1.74 crore. Aggrieved by the order of ld. CIT(A), the Revenue is in appeal before us.

10. The ld. CIT-DR for the revenue relied upon the order of assessing officer and would submit that assessee is having its own brand value.

11. On the other hand, the ld. AR of the assessee supported the order ld. CIT(A). The ld. AR of the assessee submits that assessee has made payment of brand equity fees to Tata Sons Ltd. pursuant to brand agreement dated 23.12.1999 for the use of business name, marks and marketing indcia.

12. We have considered the rival submissions of both the parties and perused the orders of lower authorities. We have also seen the orders of Mumbai Tribunal in Tata's Group Companies, wherein similar brand equity fees is allowed by taking view that such expenditure is allowable expenditure under section 37(1). We find that ld. CIT(A) allowed relief to the assessee by following the decision of Tata Group cases, wherein similar brand equity brand fee is allowed. We find that assessee has paid brand equity fees to Tata Sons pursuant to brand agreement dated 23.12.1999. The existence of such agreement is not disputed by assessing officer. Thus, we do not find any infirmity in the order of ld. CIT(A). No contrary fact or law is

brought to our notice to take a different view. In the result, ground no. 3, 4 & 5 are dismissed.

13. In the result, appeal of the Revenue is dismissed.

14. Now, adverting to the various grounds of appeal raised by assessee. Ground no. 1 & 2 are general and needs no specific adjudication. Ground no. 4 & 5 relates to disallowance of deduction in respect of discount of gift card sold and ground no. 6 & 7 relates to disallowance of gift voucher sold. The facts relating to such disallowance are that during assessment, the assessing officer noted that in the profit and loss account, the assessee has claimed discount on the sale of gift card and gift voucher of Rs. 16,34,568/- and Rs. 1.04 crore respectively. The assessing officer further noted that assessee receives advance consideration upon sale of these instruments. The discounts were claimed as expenditure despite the fact that sales of goods, against which it was claimed or could be redeemed, sales are not taken place. The assessing officer was of the view that some such claim is a contingent liability. On the basis that discount would only materialise when the cards or vouchers were actually redeemed. Portion / part of such claim remained unredeemed as on the balance sheet of Rs. 3,14,625/- for gift card and for Rs. 8,37,011/- for gift voucher. The assessing officer disallowed such amount and added back to the book profit. Before ld. CIT(A), the assessee submitted that discount offered at the time of sale of gift cards and vouchers is an actual and irreversible expenditure as the same cannot be recovered from the customer under any circumstances. The assessee submitted that there are two scenarios,

one redemption and another expiry. While the discount is utilised on redemption. In case of expiry no actual discount is ever applied, thus, no expenses arise. Therefore, the expenditure is certain and not contingent. The ld. CIT(A) on considering the submission of assessee concurred with the action of assessing officer. The ld. CIT(A) held that discount offered is a Revenue expenses but timing of deduction depend on the matching concept that allows the expenses to be matched with the income when it is earned. Thus, the discount is an allowable expense when gift cards / vouchers are actually redeemed. When the assessee company sell the cards at a price lower than the face value, the "discount" represents an economic expense to the company in return of upfront cash. Thus, discount should be recognised in profit and loss account only in the period when corresponding voucher is redeemed that is when the Revenue is recognised. Until redemption, the assessee company merely holds cash against a future obligation, so neither the discount nor any cost of sale is booked upfront as revenue expenditure. Hence, the assessing officer rightly disallowed amount attributable to unredeemed gift cards and vouchers aggregating to Rs. 11,51,363/-. Aggrieved by order of ld. CIT(A), the assessee has filed present appeal.

15. The ld. AR of the assessee submits that during the year under appeal , the assessee has incurred expenditure of Rs. 16.34 lacs and Rs. 1.04 Crore on sale of Gift cards and Gift vouchers respectively, at a discount and has claimed such expenditure as deduction under section 37 of the Act. Out of total expenditure, discount of Rs. 314,625/- and Rs. 8,37,011/- pertained

to the gift cards and vouchers respectively which were not redeemed / utilised till 31.03.2014. The AO treated it as contingent liability, according to him it materialised when actual gifts were purchased by customers and recorded as sale of gift card. The ld. CIT(A) confirmed the action of ld. AO. The ld. AR of the assessee while explaining modus operandi of gift cards and gift voucher e.g. on 1st June 2013, Mr A purchase the gift card from assessee worth ₹ 1000 for ₹ 900. In view of this gift card purchased, Mr A can make purchase from assessee worth ₹ 1000 even though he has paid only ₹ 900 to the assessee. On sale of such gift card, the assessee would pass entry in its books of account. Entry of book account debit of ₹ 900 in (balance sheet account), discount of sale gift and account of ₹ 1000 in (profit and loss account) to gift card account ₹ 1000 (balance sheet account). The validity of gift card is for one year which is in assesses case would be 31st May 2014. Accordingly Mr A could purchase any product worth ₹ 1000 on or before 31st May 2014. Option No. 1, consider a situation that Mr A purchase a product on 1st May 2014 on making such purchase, the assessee would pass the entry in its books of account of gift card debited ₹ 1000, to sales account (profit and loss account) and credit of ₹ 1000. Options No. 2 consider a situation that Mr A does not purchase any product by 31 March 2014. In that case, the balance sheet in the gift card would lapse and the assessee would pass following entry in the books of account. If card account debited ₹ 1000 to balance sheet written of (profit and loss account) credit of ₹ 1000. In each of the option the profit and loss account of the appellant would be credited ₹ 1000. The discount

given by the assessee on sale of gift card that crystallised as soon as the gift cards are shown and not contingent upon the future sales of the assessee. In case the gift card is not utilised, the entire amount of ₹ 1000 received is being offered to tax by the assessee in the year when in which it is underutilised. To support his submission the learned AR of the assessee relied upon decision of honourable Supreme Court in case of Taparia Tools Ltd. (2015) 372 ITR 605 (SC), wherein it was held that though the entire expenditure was incurred in that year, it was the assessee who wanted to spread over. It was noted by Apex Court that they are conscious of the principle that normally revenue expenditure is to be allowed in the same year in which it is incurred, but at the instance of assessee, who wanted spreading over, the court agreed to allow the assessee that benefit when it was found there was a continuing benefit to the business of the company over the entire period. It was held that normally the ordinary rule is to be applied, namely revenue expenditure incurred in a particular year is to be allowed in that year. If the assessee claims that expenditure in that year, the revenue department cannot denied the same. However, in those cases where the assessee himself wanted to spread the expenditure over a period of ensuing years, it can be allowed only if the principle of "matching concept" is satisfied, which upto now has been restricted to the cases of debentures. The ld. AR submits that matching concept of accounting cannot be applied in his case as the assessee has chosen to claim the said expenditure in the year under

consideration. To support his submissions, the ld. AR of the assessee relied on following various case laws:

- DCIT vs Landmark Ltd. (ITA No. 6268/M/2024 dated 07.05.2017),
- ACIT vs Shoppers Stop Ltd. (ITA No. 1835/M/2010 dated 25.01.2015)
- ACIT vs Jet Airways India Pvt. Ltd. (ITA No. 4402/M/2008 dated 30.05.2006)

16. On the other hand, the ld. CIT-DR for the Revenue supported the order of lower authorities. The ld. CIT-DR submits that lower authorities have gave categorical finding that liability was not crystallised in the year under consideration.

17. We have considered the rival submissions of both the parties and perused the material on record. We have already recorded the finding of AO and CIT(A) in preceding paras. The ld. AR of the assessee vehemently argued that the discount given by the assessee on sale of gift card that crystallised as soon as the gift cards are shown and not contingent upon the future sales of the assessee. In case the gift card is not utilised, the entire amount of ₹ 1000 received is being offered to tax by the assessee in the year when in which it is unutilised. We find that Hon'ble Apex Court in Taparia Tools Ltd. (supra) held that normally the ordinary rule is to be applied, namely revenue expenditure incurred in a particular year is to be allowed in that year. If the assessee claims that expenditure in that year, the revenue department cannot denied the same. Thus, following the same principle and the fact that assessee is crediting the amount of unutilised gift card and gift voucher after the expiry of period if the same

are not increased. Hence, we set aside the order of lower authorities and allow relief to the assessee. In the result, ground no. 4 to 7 are allowed.

18. Ground no. 8 & 9 relates to addition of disallowance of gift voucher and gift card for computation of book profit. Considering the fact that we have allowed relief on ground no. 4 to 7, therefore, these grounds of appeal have become infructuous.

19. Ground no. 10 & 11 relates to disallowance of sale promotion discount, provision for club west loyalty programme and customer loyalty programme for computation of book profit under section 115JB. The ld. AR of the assessee submits that AO disallowed loyalty card points, however, ld. CIT(A) allowed subject to verification. But, not given any finding on book profit. Considering the fact that ld. CIT(A) has already directed for verification of fact and allowing relief to the assessee, therefore, assessing officer is directed to pass order for computation of books profit after giving effect to the order of ld. CIT(A). In the result, these grounds of appeal are allowed for statistical purpose.

20. Ground no. 12 relates to deduction of interest charge on income tax against income received from refund. The ld. AR of the assessee submits that interest received from the department is offered in the return of income. The assessee claimed to reduce the interest under section 234C. To support his submission the ld. AR of the assessee relied upon the decision of Bombay High Court in DIT vs Bank of America NT and SA in Income Tax Appeal No. 177 of 2012 dated 03.07.2014.

21. On the other hand, the ld. CIT-DR for the Revenue supported the order of lower authorities.

22. We have considered the submission of both the parties and have gone through the orders of lower authorities carefully. The assessee has received interest under section 244A which was offered to tax under section 56, therefore, net interest ought to have been charged to tax. Thus, following the decision of Jurisdictional High Court in DIT vs Bank of America (supra), we direct the assessing officer to allow relief to the assessee by following the said decision. In the result, this ground of appeal is allowed.

23. Ground no. 3 relates to validity of assessment order on account of reference to TPO and not passing the assessment order in extended time. Considering the fact that we have allowed relief to the assessee on various grounds of appeal, therefore, adjudication on this ground of appeal have become academic

24. In the result, appeal of assessee is allowed and the appeal of Revenue is dismissed.

Order was pronounced in the open Court on 30/01/2026.

Sd/-	**Sd/-**
GIRISH AGRAWAL **ACCOUNTANT MEMBER**	**PAWAN SINGH** **JUDICIAL MEMBER**

MUMBAI, Dated: 30/01/2026
Biswajit

Copy of the order forwarded to:
(1) The Assessee;
(2) The Revenue;
(3) The PCIT / CIT (Judicial);
(4) The DR, ITAT, Mumbai; and
(5) Guard file.

By Order

Assistant Registrar
ITAT, Mumbai