



#37

**% 18.07.2011**

Present: Mr. Sanjeev Rajpal, Counsel for the appellant.  
Mr. Salil Kapoor, Mr. Sanat Kapoor and Mr. Ankit Gupta,  
Advocates for the respondent.

**+ITA No. 871/2011**

The return filed by the assessee for the Assessment Year 2005-06 had reflected expenditure of Rs.6,38,01,509/- incurred on advertisement and publicity of its brand namely "swatch" for promotion of its business. It is an admitted case that Assessee Company operates in the medium and high end luxury watch segments in India. The expenditure was incurred by the assessee on sponsorship of the events, newspaper/magazine/electronic media advertisement, banners, wall painting and hoardings etc. The Assessing Officer was of the view that such expenditure will give benefit of enduring nature to the assessee because the expenses will help the assessee to promote its brand and products for a longer period. On this premise the Assessing Officer amortized the total expenses for three years allowing deduction of 1/3<sup>rd</sup> of expenses only for the year in question and left 2/3<sup>rd</sup> of the expenses for the next two years. Dissatisfied with the aforesaid disallowance by the Assessing Officer, the assessee preferred appeal before CIT(A) and successfully challenged the aforesaid order inasmuch as the CIT(A) allowed the entire expenditure treating the same as revenue in nature and also stated that there was no concept of



deferred revenue expenditure. The Revenue filed an appeal against this order of CIT(A) which has been dismissed by the Tribunal vide the impugned order dated 30<sup>th</sup> November 2010. The Tribunal has also referred to the decision rendered by the Special Bench of ITAT in the case of **ACIT, Ahmedabad v Ashima Synthetic Ltd** (citation not given in the impugned order). In the said decision, the Special Bench of the Tribunal has considered a number of judgments including **Alambic Chemicals Works Co. Ltd.v CIT 177 ITR 377, Madras Industrial Development Corporation 225 ITR 802, Kedarnath Jute Manufacturing Co. Ltd. 82 ITR 363** and **Amar Raja Batteries Ltd. v ACIT 91 ITD 2080, Hyderabad** etc. We are of the considered opinion that the expenditure incurred on advertisements in the aforesaid manner has to be treated as revenue in the nature and was therefore fully allowable. This issue has been considered by this Court as well in detail in **The CIT-V vs. M/s Pepsico India Holdings Pvt. Ltd., ITA No.319 /2010** decided on 30<sup>th</sup> March, 2011.

We, thus, find that no substantial question of law arises in this appeal. The appeal is hereby dismissed.

  
A.K. SIKRI, J.

  
M.L.MEHTA, J.

July 18, 2011/awanish