**IN THE HIGH COURT OF JUDICATURE AT BOMBAY**
**ORDINARY ORIGINAL CIVIL JURISDITION**

**INCOME TAX APPEAL NO.142 OF 2015**

The Commissioner of Income Tax-3, Mumbai ... **Appellant**
V/s.
The Paper Products Ltd. ... **Respondent**

.....

Mr.Ashok Kotangle with Ms.Padma Divakar, Advocate for the Appellant.
Mr.K.Gopal with MR.Jitendra Singh, Advocate for the Respondent.

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**CORAM : S.V.GANGAPURWALA &**
**A.M.BADAR JJ.**

**DATED : 24th July 2017.**

**P.C.**

1 The Appeal pertains to the Assessment year 2008-09. Mr.Kotangale, the learned counsel submits that the Tribunal was not justified in allowing the claim of the Assessee on unexplained foreign exchange forward contract as such loss was only notional loss. According to the learned counsel, the Tribunal was not justified in holding that the notional loss on unexplained foreign exchange forward contract was in the nature of stock in trade capable of being valued at cost or market price. It ought to have been considered that the trading in foreign currency was not a main business of the Assessee. According to the learned counsel, notional loss arising in foreign exchange forward contract at the end of financial year was not allowable under the Income-Tax Act.

2 The learned counsel for the Respondent supports the Order.

3 The Tribunal while deciding the Appeal has relied on the Judgment of the Apex Court in case of ***The Commissioner of Income Tax v. Woodward Governor India (P.) Ltd***. reported in **(2009) 312 ITR 254**.

4 The Apex Court has observed that the loss claimed by the Assessee on account of fluctuation in the rate of foreign exchange as on the date of the balance-sheet was allowance and the Assessee was entitled adjustment of actual cost of imported assets. The loss due to foreign exchange fluctuation in foreign currency transactions in derivatives has to be considered on the last date of account year and it is deductible under Section 37(1) of the Act.

5 Considering the above, no error has been committed by the Tribunal in applying the Judgment of the Apex Court in ***Woodward Governor India (P.) Ltd*** (referred to supra).

6 In the light of above, no substantial question arises. Appeal is dismissed. No costs.

**( A.M.BADAR J.)** **( S.V.GANGAPURWALA J.)**