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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

\+ **ITA 724/2019**

PR. COMMISSIONER OF INCOME TAX, ... Appellant

Through: Mr.Ruchir Bhatia, Senior Standing Counsel for the Revenue.

versus

ESSEL AGRO PVT. LTD. ..... Respondent

Through: Mr.Mayank Nagi, Advocate.

CORAM:
JUSTICE S.MURALIDHAR
JUSTICE TALWANT SINGH

ORDER

% **05.08.2019**

1. This is an appeal by the Revenue against the order dated 18th January, 2019 passed by the Income Tax Appellate Tribunal (ITAT) in ITA No.2158/Del/2011 and cross objections 190/Del/2011 for the Assessment Year 2006-07.

2. The issue that is sought to be urged by the Revenue is whether the ITAT erred in affirming the order of the CIT (A) by allowing the Assessee to book all of the revenue expenditure corresponding to the distributors' commission, distributors' incentives and outward freight cartage in the year under consideration whereas according to the Revenue it was required to be spread over on the basis of the 'matching principle'?

3. The Court finds that the ITAT proceeded on the basis that once the CIT (A) had accepted the distributors' commission and distributors' incentives it was held that there was nothing like deferred revenue expenditure qua those items.

4. Learned counsel for the Revenue has placed reliance on the observations of the Supreme Court in ***J. K. Industries Limited v. Union of India (2008) 297 ITR 176 SC*** where it is stated that 'matching principle' today forms an important component of accrual basis of accounting. While as a general proposition this may be acceptable, the fact remains that the Assessee claimed the entire expense as revenue expenditure in his accounts for AY 2006-07 and if sought to be altered on the basis of the above principle it would indisputably affect the accounts of the subsequent year. This is significant because in the AY in question, the AO has not rejected the accounts on the basis that it does not present the true and correct picture of the business of the Assessee.

5. In that view of the matter, the Court finds that that view taken by the ITAT is a plausible one and does not give rise to any substantial question of law. The appeal is dismissed in the above terms.

S.MURALIDHAR, J.

TALWANT SINGH, J.

AUGUST 05, 2019/*mr*