

Software expenditure for clients is a revenue exp: ITAT Mumbai

Sikraft Infotech Private Limited (ITA NO.1785/MUM/2022)

Facts:

1. The assessee had claimed expenditure towards Software Development. The said expenditure was in the nature of salaries of Engineers, hotel expenses, insurance, travel expenses, etc.
2. In assessment proceedings the Assessing Officer (AO) held the expenditure on Software Development as capital in nature.
3. The assessee claimed that the AO has erred in assuming that the Software Development expenditure is towards development of software for self use of the assessee, whereas, the aforesaid expenditure was towards development of software for the clients of the assessee.

ITAT Mumbai held as below:

1. The assessee is engaged in the process of providing automation, software and hardware engineering for clients. The said expenditure is in the regular course of business of the assessee, which has been named as Software Development Expenditure.
2. Thus, the expenditure has been incurred in the regular course of business of the assessee and for earning revenue and profits, hence, the expenditure is on revenue account. The Id.Departmental Representative has not been able to controvert the findings of the CIT(A).
3. We find no infirmity in the order of CIT(A) on this issue, hence, the same is upheld and the appeal of Revenue is dismissed being devoid of any merit.