

Advertising agency isn't taxable on its advertisement receipts till it appears before public; ITAT relies on AS-9

Summary – The Delhi ITAT in a recent case of GETIT Infomediary Ltd., (the Assessee) held that where assessee-company, who was in publication of advertisement in directory, did not recognise advance as business receipts till directories were complete, published and put to public circulation, its stand was in consonance of AS-9.

Facts

- The assessee was in the business of publication of advertisements in yellow pages directory.
- It was receiving advance towards advertisements which were to print and publish in the pages of the forthcoming directories. The assessee did not recognize those receipts as its advertisement revenue till the directories were complete, published and put to public circulation.
- The Assessing Officer held that as the assessee was following mercantile system of accounting, the amount of advance should have been treated as receipts of business and offered to tax.
- The Commissioner (Appeals) examined the issue on the touchstone of AS-9 and found same to be in accordance therewith.

Held

- The method of accounting adopted by the assessee is in accordance with AS-9 of the Institute of Chartered Accountants of India. The said AS-9 inter alia mandates that for advertising agencies, media commissions will normally be recognised when the related advertisement or commercial appears before the public and the necessary intimation is received by the agency. Thus, the method of accounting adopted by the assessee is in consonance with the AS-9 and the same is also mentioned in Schedule 21 of notes on accounts of the assessee.
- Thus, the Assessing Officer has erred in not examining the issue as to whether the assessee's system of accounting is in accordance with the AS-9. The Commissioner (Appeals) on the other hand has examined the issue on the touchstone of AS-9 and found the same to be in accordance therewith.
- The above system of accounting has been consistently followed by the assessee in the past and the same was never questioned. Hence, there is no justification in the change of accounting policy in the current assessment year by the Assessing Officer.
- Accordingly, in the background of the aforesaid discussions and precedent, there is no infirmity in the order of the Commissioner (Appeals). Accordingly, the same is to be upheld.
- In the result, the revenue's appeal is dismissed.