

Cost of production of abandoned TV serial was allowable as business exp. to its producer

Summary – The Mumbai ITAT in a recent case of Rajnandini Entertainment Ltd., (the Assessee) held that In case of film/television serial, cost of production is to be treated as stock in trade and expenditure on abandoned film or teleserial is to be allowed as business expenditure

Facts

- The assessee-company was engaged in production of Hindi teleserials. It had written off cost of production of a abandoned teleserial as revenue expenditure.
- The Assessing Officer disallowed the said write off and further held that even the claim of the assessee was premature inasmuch as the Prasar Bharti had rejected the said teleserial on 22-1-2010 and, hence, the said loss was pertaining to the subsequent year.
- On appeal, the Commissioner (Appeals) allowed the claim of the assessee holding that in case of abandoned film or television serial, the expenditure was to be allowed as business expenditure.
- On revenue's appeal:

Held

- From the findings of the Commissioner (Appeals) it may be observed that the Commissioner (Appeals), in the light of various case law, has held that in case of film/television serial, the cost of production is to be treated as stock-in-trade and further that in case of abandoned film or teleserial the expenditure is to be allowed as business expenditure. The Commissioner (Appeals) has further rightly observed that the cost of production was written off by the assessee as per the market value of the serial as on the said date. The said calculated/assessed market value had nothing to do with the further rejection of the proposal of the assessee by the Doordarshan *vide* letter dated 22-1-2010 which ultimately resulted in treating the cost at *nil*. There is no infirmity in the order of the Commissioner (Appeals) on the above findings. Hence, there is no merit in the appeal of the revenue and the same is accordingly dismissed.