

Advertisement exp. by 'Asian Paints' to build its brand value wasn't capital exp: Bombay HC

Summary – The High Court of Bombay in a recent case of Asian Paints (India) Ltd., (the Assessee) held that Expenditure incurred by assessee-company on corporate advertisement to maintain its corporate image which resulted in increased sale of products, was to be allowed as revenue expenditure

Facts

- During relevant year, the assessee incurred expenditure on advertisement on television. The said expenditure not only related to individual products manufactured by it but also towards corporate advertisement.
- The Assessing Officer disallowed the expenditure claimed towards corporate advertisement on the ground that the same was on capital account as corporate advertisement helped in building the company's brand value. The benefit of such build up of brand value would endure over a period of years and therefore fell in the capital field.
- The Tribunal allowed the assessee's appeal by *inter alia* holding that the expenditure was revenue in nature, even if the same was incurred for promotion of a corporate brand, as it facilitated the business of the assessee and resulted in increased sales and profitability.
- On revenue's appeal:

Held

- In instant case, the expenditure incurred on corporate advertisement films is in respect of ongoing business. The expenditure for advertisement of a brand or corporate name of an existing ongoing business is in the nature of maintaining the brand and/or corporate image and it is not for creation of a brand.
- In the present facts, the to expenditure on account of corporate advertisement is to essentially maintain the corporate image and not create a corporate image. Further, the impugned order holds on facts that the corporate advertisement expenditure facilitates the business having a direct impact on sales and profitability of the assessee.
- In the above circumstances, the view taken by the impugned order that corporate advertisement enhances the business of the assessee resulting in increased sales of its product in revenue field, is a possible view, on the present facts. Consequently, no substantial question of law arises.
- Therefore, the appeal is dismissed.