

## Exp. incurred to upgrade computer software which brought efficiency in business was revenue in nature

**Summary – The High Court of Bombay in a recent case of Holcim Services (South Asia) Ltd., (the Assessee) held that Software expenses incurred by assessee to upgrade computer software which brought greater efficiency in functioning of assessee's business is revenue in nature**

**Expenditure incurred by assessee in respect of health and safety measures for benefit of its employees to foster a safe working environment is revenue expenditure**

### Facts

- The assessee claimed expenditure incurred by it for purchase of software as revenue in nature. The Assessing Officer disallowed the claim of the assessee and treated same as capital expenditure.
- The Commissioner (Appeals) as well as the Tribunal held that expenses were on account of purchase of software which brought greater efficiency in the functioning of the assessee business and was, therefore, revenue in the nature.
- On revenue's appeal to the High Court:

### Held

- Both the Commissioner (Appeals) as well as the Tribunal have rendered a finding of the fact that the software purchased by assessee brought about better efficiency in the appellant's business as it enabled it to meet specifically user problem faced by the respondent-assessee. The impugned order also records the fact that in view of fast changing technology, software has to be regularly updated so as to keep pace with the changing technology. On the aforesaid facts the view taken by the Tribunal that the expenditure is on revenue account is an entirely possible view. So far as the revenue's grievance that once the Commissioner (Appeals) has recorded the fact that benefit obtained is of enduring nature *ipso facto* it must be held to be capital and not revenue in nature is contrary to the decision of the Supreme Court in *Empire Jute Co. Ltd. v. CIT* [\[1980\] 3 Taxman 69/124 ITR 1](#).