

Tax payable in case assessee created provision for payment of his remuneration in books of account

Summary – The High Court of Madras in a recent case of V. Ramakrishnan., (the Assessee) held that tax is payable in case the assessee created provision for payment of his remuneration in his books of account

Facts

- The assessee was Managing Director of the company PPL and made provision for payment of managerial salary of Rs. 9 lakhs in the company's books of accounts representing that the said income accrued to the assessee during the financial year.
- The Assessing Officer in the assessment order assessed the managerial remuneration as income of the assessee as 'salary' and held that the provision made thereof created an obligation on the part of the assessee to bear the tax liability in respect of the same.
- The Commissioner (Appeals) and the Tribunal upheld the order of the Assessing Officer.
- On appeal to the High Court:

Held

- The HC held that as per the facts held by the Tribunal, the assessee has admitted that his accounts were maintained on mercantile basis and there was no withdrawal or reversal of the managerial remuneration in the books of account.
- Since during the period a provision for managerial remuneration of Rs. 9 lakhs was made it creates an obligation on the assessee to bear the tax liability in respect of the same.
- The HC therefore upheld the order of the Tribunal and the appeal of the assessee was dismissed.