

Circular No. 16/2015

F.No.279/Misc./140/2015-ITJ

Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Direct Taxes  
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New Delhi, 6<sup>th</sup> October, 2015

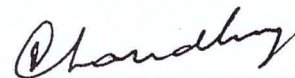
**Subject:- Non-applicability of Rule 9A of the Income Tax Rules 1962 in the case of Abandoned Feature Films-**

The deduction in respect of the cost of production of a feature film certified for release by the Board of Film Censors in a previous year is provided in Rule 9A of Income Tax Rules, 1962.

2. In the case of abandoned films, however, since certificate of Board of Film Censors is not received, in some cases no deduction was allowed by applying Rule 9A of the Rules or by treating the expenditure as capital expenditure.

3. The matter has been examined in light of judicial decisions on this subject. The order of the Hon. Bombay High Court dated 28.1.15 in ITA 310 of 2013 in the case of Venus Records and Tapes Pvt. Ltd. on this issue has been accepted and the aforesaid disputed issue has not been further contested. Consequently, it is clarified that Rule 9A does not apply to abandoned feature films and that the expenditure incurred on such abandoned feature films is not to be treated as a capital expenditure. The cost of production of an abandoned feature film, is to be treated as revenue expenditure and allowed as per the provisions of Section 37 of the Income-tax Act.

4. Being a settled issue, no appeals may henceforth be filed on this ground by the officers of the Department and appeals already filed, if any, already filed on this issue before various Courts/ Tribunals may be withdrawn/ not pressed upon. This may be brought to the notice of all Officers concerned.



(D.S. Chaudhry)  
CIT (A&J), CBDT,  
New Delhi

Copy to:

1. The Chairperson, Members and officers of the CBDT of the rank of Under Secretary and above.
2. All Pr. Chief Commissioners of Income-Tax & All Directors General of Income-Tax with a request to bring to the attention of all officers.
3. The Pr. Director General of Income-Tax, NADT, Nagpur.