

## **Software license for one year held as revenue expenditure since it doesnot confer any enduring benefit**

**Summary – The Chennai ITAT in a recent case of Danfoss Industries (P.) Ltd., (the Assessee) held that software license for one year does not confer any enduring benefit; licensing fee held as revenue expenditure.**

### **Facts**

- The assessee had incurred expenses towards software license of Rs. 58.92 lakhs and claimed the same as revenue expenditure. The assessee had submitted before the Assessing Officer that the license was valid for a period of one year and did not provide any enduring benefit.
- The Assessing Officer disallowed the claim of the assessee on grounds that the software license not only confers ending benefit to the assessee, but also provides higher functional utility from the point of view of integrating various functions of the assessee like sales, finance, logistics operations and for use of the ERP system.
- On appeal, the Commissioner (Appeals) allowed the claim of the assessee and considered the software license expense as revenue expenditure.
- On revenue's appeal.

### **Held**

- In the instant case, when the assessee has acquired the license to use the software and the license is valid only for one year, it may be useful to the assessee for various functions like sales, finance, logistics operations and use of ERP system and it may confer certain benefits to the assessee but it cannot be said that there is enduring benefit to the assessee. Therefore, respectfully following the decision of the Bombay High Court in the case of *CIT v. Raychem RPG Ltd.* [\[2012\] 346 ITR 138/21 taxmann.com 507](#) and taking into consideration of the facts of the case, it is held that the expenses incurred by the assessee to acquire the software license is of revenue expenses.
- Accordingly, the appeal filed by the Revenue was dismissed.