

“Admittedly, the assessee is following mercantile system of accounting. On 28.5.1987 when the Trade Association made an Award for damages for breach of contract the liability to pay such damages had already been incurred by the assessee. ***Merely because the Award was challenged in Appeal by the assessee cannot be a ground for holding that the liability had not been incurred.*** The Tribunal has committed an error in law in placing reliance upon the decision relating to a claim for enhancement of compensation in land acquisition case and applying analogy thereof for coming to the conclusion that the liability arose only on 22.3.1999, when the Appellate Forum confirmed the Award.”

Apparently contrary conclusion stands recorded in Delhi ITAT ruling in INDAG Rubber at 98 ITD 218.