

F.No.225/215/2018/ITA-II
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

Room No.245A, North Block,
New Delhi, dated 28th October, 2025

To

All Principal Chief Commissioners of Income Tax,

Madam/Sir

Subject: Corrigendum- Board's letter dated 21.10.2025 on the subject C&AG's performance Audit report No.1 of 2019 on "Assessment of assesses in entertainment sector- verification of expenses in assessment of Entertainment sector - reg

Kindly refer to the Board's letter dated 21.10.2025 (copy enclosed) and the above subject.

2. In this regard, the para no. 2.1 of the above referred letter dated 21.10.2025 mentions section 32D of the Income-tax Act, 1961 (the Act) instead of section 35D of the Act. Therefore, para no. 2.1 of the said letter is modified accordingly and read as under:

*"2.1 **Pre-operative expenses:** These expenses are generally incurred before commencement of businesses (pre-operative expenses), which may be examined w.r.t actual commencement of its businesses of assessee engaged in the entertainment sector under the provisions of **section 35D** of the Income-tax Act, 1961 for allowance of such pre-operative expenses for amortisation under that section."*

3. This issues with the approval of Competent Authority.

Encl.as above

sd/-
(Dr. Castro Jayaprakash.T)
Under Secretary (ITA-II), CBDT

Copy to:

1. PS to Chairman, CBDT & all Members, CBDT
2. All Pr.DGsIT/DGsIT
3. DGIT(Systems), Delhi & Bengaluru
4. All Joint Secretaries/CsIT, CBDT
- ✓ 5. Web Manager with request to upload on the departmental website: www.incometaxindia.gov.in
6. JDIT, Data-Base Cell for uploading on irsofficersonline website

J. Jayaprakash
(Dr. Castro Jayaprakash.T)
Under Secretary (ITA-II), CBDT

F.No.225/215/2018/ITA-II
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

Room No.245A, North Block,
New Delhi, dated 21st October, 2025

To

All Principal Chief Commissioners of Income Tax,

Madam/Sir

Subject: C&AG's performance Audit report No.1 of 2019 on "Assessment of assesses in entertainment sector- verification of expenses in assessment of Entertainment sector - reg

Kind reference is invited to Comptroller & Auditor General (C&AG's Performance Audit report No.1 of 2019 on "Assessment of assesses in entertainment sector and 51st Public Accounts Committee (PAC) report of 17th Lok Sabha. At para 3.4 of the C&AG's Performance audit report No.1 of 2019 on "Assessment of assesses in entertainment sector", it was pointed out that there was no uniformity in allowing pre-operative expenses by the Assessing Officers (AOs) despite the facts and circumstances being similar in nature indicating inconsistent approach adopted by Assessing Officers in similar cases.

2. The entertainment sector consists of different segments under its fold such as television, radio, music, event management, films, animation and visual effects, broadcasting, sports and amusement etc. Therefore, expenses incurred by various segments of the entertainment sector may be examined on a case-to-case basis specific to the nature of business undertaken by assesseees. Some of the issues (non-exhaustive) in respect to such expenses are suggested for examination by AOs as under:

2.1 **Pre-operative expenses:** These expenses are generally incurred before commencement of businesses (pre-operative expenses), which may be examined w.r.t actual commencement of its businesses of assesseees engaged in the entertainment sector under the provisions of section 32D of the Income-tax Act, 1961 for allowance of such pre-operative expenses for amortisation under that section.

2.2 **Declaration of expenses of feature film:**

(a) Assesseees involved in production of feature films are required to furnish Form No. 52A, within thirty days from the end of the financial year or within thirty days from the date of completion of the film whichever is earlier.

(b) In this Form No. 52A, these entities are required to disclose details regarding the date on which the production of the film was started and date of completion of the film and details of payments of over Rs.50,000 (in aggregate to any person) made by the producer of the film or due from him to each person engaged in the production of the film as employee or otherwise.

(c) The Assessing Officer may verify the submission of Form No. 52A and expenses claimed in books of account of these entities. A penalty u/s 272A of the Act for failure to furnish Form No. 52A within the prescribed time may also be considered by the AOs.

2.3. **Expenses incurred on production of feature films:**

(a) During the assessment of entities engaged in the production of feature film, the deduction in respect of expenditure on production of feature films may be verified and allowed as per Rule 9A of the Income-tax Rules, 1962 (the Rules).

(b) As per Rule 9A of the Rules, the cost of production of a feature film may be allowed as deduction while computing profits and gains from business in the case of producer of a film in various scenarios which *inter-alia* include sale of all rights of exhibition of the film, or exhibition of film on commercial basis by film producer himself, subject to other conditions specified in that rule.

(c) Similarly, the deduction in respect of expenditure incurred on acquisition of distribution rights of feature films may be examined and allowed as per Rule 9B of the Rules in the case of a distributor of the film.

3. The above may be brought to the notice of all officers posted in your region.

(Dr. Castro Jayaprakash.T)
Under Secretary (ITA-II), CBDT

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