

आयकर अपीलीय अधिकरण, 'बी' न्यायपीठ, चेन्नई

IN THE INCOME TAX APPELLATE TRIBUNAL

'B' BENCH, CHENNAI

श्रीएन.आर.एस. गणेशन, न्यायिकसदस्य एवं
श्री ए. मोहन अलंकामणी, लेखा सदस्य केसमक्ष

**BEFORE SHRI N.R.S. GANESAN, JUDICIAL MEMBER AND
SHRI A. MOHAN ALANKAMONY, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No. 2280/Mds/2013

निर्धारण वर्ष /Assessment Year : 1999-2000

The Deputy Commissioner of
Income Tax,
Company Circle –II(3),
Room No.513, 5th Floor,
New Block, 121, M.G.Road,
Chennai – 600 034.

v. M/s.Jain Granites & Projects India
Ltd.,
89, Harrington Road,
Chennai – 600 030.
PAN : AAACJ 1767 E

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/Appellant by

: Shri V.Nandakumar, JCIT

प्रत्यर्थीकीओरसे/Respondent by

: Shri N.Devanathan, Advocate

सुनवाईकीतारीख/Date of Hearing

: 18.08.2016

घोषणाकीतारीख/Date of Pronouncement

: 07.11.2016

आदेश / O R D E R

PER N.R.S. GANESAN, JUDICIAL MEMBER:

This appeal of the revenue is directed against the order of CIT(A) –
IV Chennai dated 30.08.2013 and pertains to assessment year 1999-2000.

2. The only issue arises for consideration is addition made by the
assessing officer towards the interest income on inter corporate deposits

and advances. Shri V.Nandakumar, the learned representative for the department submitted that the assessee made inter corporate deposits and advanced loan. The assessing officer found that the assessee has not recognized any interest income either from inter corporate deposit or loan. The assessee being a company, according to the learned department representative, the income has to be recognized on accrual basis as per the provisions of Section 209 (3)(b) of the Companies Act, 1956. As per the accounting standard suggested by the Institute of Chartered Accountant of India also provides for recognizing the interest income on accrual basis. Since the interest income was not recognized by the assessee, the assessing officer estimated the interest income at 14%. However, on appeal by the assessee, the CIT(A) deleted the addition made by the assessing officer by placing reliance on the order of this Tribunal in the assessee's own case for the assessment year 1998-99. According to the learned representative for the assessment year 1998-99, this Tribunal remanded back the matter to the file of the assessing officer for re-consideration. The CIT(A) found that the amount outstanding was written off in the books of account. While recording that finding, the CIT(A) failed to take into consideration the closing balance in respect of 18 parties as on 31.03.1999. Without considering the closing balance, the CIT(A) allowed the claim of the assessee.

3. On the contrary, Shri N.Devanathan, the learned counsel for the assessee submitted that for the assessment year 1998-99 in assessee's own case, this Tribunal found that the outstanding loan was written off. Since the recovery of the outstanding amount from inter corporate deposit and the loan was doubted, the assessee has not recognized any income. The principles of accrual of income comes to play only when the income was recognized by the assessee. In this case, admittedly, no income was recognized by the assessee. Therefore, the fact is similar to assessment year 1999-2000. Moreover, balances outstanding were written off in the books of accounts of the assessee. Therefore, the CIT(A) by placing reliance on the order of this Tribunal has allowed the claim of the assessee. The learned counsel for the assessee has placed his reliance on the judgment of the Delhi High Court in CIT vs. Vasisth Chay Vyapar Ltd. reported in 330 ITR 440.

4. We have considered the rival submissions on either side and perused the relevant material available on record. The outstanding amount was written off in the books of account is not in dispute. The only contention of the revenue before this Tribunal is that the CIT(A) without referring to closing balance available as on 31.03.1999, allowed the claim of the assessee. It is an admitted fact that the assessee has not received the interest on inter corporate deposit or advances made to other companies. Therefore, in view of the judgment of the Delhi High Court in

Vasisth Chay Vyapar Ltd. (supra), when the interest income was not recognized and the recovery of the principal amount is doubtful, it cannot be said that income was accrued to the assessee even on the mercantile system of accounting even though the assessee company is expected to maintain the accounts of mercantile system. Since the recovery of the principal outstanding amount itself is doubtful and the assessee written off the outstanding amount, interest income cannot be accrued to the assessee. Hence, the CIT(A) has rightly allowed the claim of the assessee.

5. In the result, the appeal of the department is dismissed.

Order pronounced on 07th November, 2016 at Chennai.

Sd/-

(ए. मोहन अलंकामणी)

(A. Mohan Alankamony)

लेखा सदस्य/Accountant Member

Sd/-

(एन.आर.एस. गणेशन)

(N.R.S. Ganesan)

न्यायिक सदस्य/Judicial Member

चेन्नई/Chennai,

दिनांक/Dated, the 07th November, 2016.

sp.

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त (अपील)/CIT(A)
4. आयकर आयुक्त/CIT,
5. विभागीय प्रतिनिधि/DR
6. गार्ड फाईल/GF.