

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH 'A', NEW DELHI**

Before Sh. C. M. Garg, Judicial Member

Dr. B. R. R. Kumar, Accountant Member

ITA No. 320/Del/2021 : Asstt. Year: 2016-17

ITA No. 321/Del/2021 : Asstt. Year: 2017-18

M/s. BSL Ltd., 26, Industrial Area, Post Box No. 17, Gandhi Nagar, Bhilwara, Rajasthan-311001	Vs.	DCIT, Central Circle-31, New Delhi-110055
(APPELLANT)		(RESPONDENT)
PAN No. AABCB0639G		

Assessee by : None

Revenue by : Sh. P. Praveen Sidharth, CIT DR

Date of Hearing: 08.08.2023

Date of Pronouncement: 30.08.2023

ORDER

Per Dr. B. R. R. Kumar, Accountant Member:

The present appeals have been filed by the assessee against the orders of Id. CIT(A)-30, New Delhi dated 16.09.2020.

2. None attended hearings on 13.09.2022, 21.12.2022, 21.03.2023, 07.08.2023 and 08.08.2023 nor any adjournment application has been filed.

3. Since, the issue involved in both the appeals are identical, they were heard together and being adjudicated by a common order.

4. In ITA No. 320/Del/2021, the assessee has raised the following grounds of appeal:

"1.1 That on facts and circumstances of the case, the CIT(A) was not justified in upholding addition of Rs. 1,31,89,720/- in respect of Technology Up-gradation Fund Scheme (TUF) subsidy even though the same is in the nature of double addition and not sustainable under the law.

1.2 That appellant having already reduced the TUF Subsidy of Rs. 1,31,89,720/- from the written down value of the block of fixed asset resulting in reduced claim of depreciation, the addition in the income by treating the TUF subsidy as revenue receipt is illegal and on arbitrary basis.

1.3 That even otherwise, in case the TUF Subsidy is taxed as revenue receipt, the CIT(A) and assessing officer should have reinstated the value of block of the fixed asset, which was reduced by such subsidy, so as to eliminate the effect of double addition in the hands of the appellant."

5. The assessee is engaged in the business of manufacturing and processing of cotton and synthetic yarns. During the year under consideration, the assessee has received "Interest Subsidy" amounting to Rs. 1,31,89,720/- by virtue of Technology Up-gradation Fund Scheme (TUFS).

6. The TUFS subsidy is granted in order to encourage the up-gradation of technology and size, so as to meet the global challenges, the Ministry of Textiles, Government of India, had launched the Technology Up-gradation Fund (TUF) Scheme.

7. The object of the government in bringing out the said scheme is up-gradation of technology in the textile industry,

which is also revealed from the following paragraphs of the scheme:

"The Indian textile industry occupies a unique position in the Indian economy in terms of its contribution to industrial production, employment and exports. In spite of a strong fiber and production base, for various historical reasons, this industry suffers from severe technology obsolescence and lack of economics of scale....."

Given the significance of this industry to the overall health of the Indian economy, its employment potential and the huge historical backlog of technology upgradation, particularly in the context of the liberalization of the national industry and trade policy and globalization of textile trade, it has been emphasized by experts that in order to sustain and improve its competitiveness and overall long term viability, it is essential for the textile industry to have access to timely and adequate capital at internationally comparable rates of interest in order to upgrade its technology level."

8. From the above, it is seen that TUF subsidy has been granted to improve technology up-gradation in the context of liberalization of the national industry and trade policy and globalization of textile trade in order to improve its competitiveness and overall long term viability. Hence the purpose of the said subsidy is to improve technology up-gradation, economics of scale including employment.

9. The benefits under the TUF Scheme are available for technology up-gradation/expansion of existing units and for setting up of new units in various segments of textile and jute industry.

10. In the grounds of appeal, the assessee has submitted that the assessee has reduced the TUF subsidy from the written down value of the block of fixed assets resulting in the reduced claim of depreciation and hence the addition made by the AO treating the same TUF subsidy is illegal which is technically revenue in nature in the long term.

11. The Id. CIT(A) invoked Section 2(24)(xviii) which is applicable from 01.05.2016 i.e. A.Y. 2016-17 onwards. The said provision reads as under:

"Section 2(24).....

(xviii) assistance in the form of a subsidy or grant or cash incentive or duty drawback or waiver or concession or reimbursement (by whatever name called) by the Central Government or a State Government or any authority or body or agency in cash or kind to the assessee other than,—

(a) the subsidy or grant or reimbursement which is taken into account for determination of the actual cost of the asset in accordance with the provisions of Explanation 10 to clause (1) of section 43;"

12. Since, the action of the Id. CIT(A) is in consonance with the provisions of the Act, we hereby decline to interfere with the order of the Id. CIT(A). The depreciation on the block of assets be allowed on the original value of the asset.

13. In the result, both the appeals of the assessee are allowed.

Order Pronounced in the Open Court on 30/08/2023.

Sd/-

(C. M. Garg)
Judicial Member

Dated: 30/08/2023

Subodh Kumar, Sr. PS

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

Sd/-

(Dr. B. R. R. Kumar)
Accountant Member

ASSISTANT REGISTRAR