

आयकर अपीलीय अधिकरण, 'ए' न्यायपीठ, चेन्नई।
IN THE INCOME TAX APPELLATE TRIBUNAL
'A' BENCH: CHENNAI

श्री एबी टी. वर्की, न्यायिक सदस्य एवं श्री जगदीश, लेखा सदस्य के समक्ष
BEFORE SHRI ABY T. VARKEY, JUDICIAL MEMBER AND
SHRI JAGADISH, ACCOUNTANT MEMBER

आयकर अपील सं./ITA No.1291/Chny/2024
निर्धारण वर्ष /Assessment Year: 2021-22

M/s. Anderson Greenwood Crosby
Sanmar Ltd.,
No.9, Cathedral Road,
Chennai – 600 086.
[PAN: AAAC 7409H]

Vs. The Income Tax Officer,
CHE-C-(251)(1),
Chennai.

(अपीलार्थी/**Appellant**)

(प्रत्यर्थी/**Respondent**)

अपीलार्थी की ओर से/ Appellant by
प्रत्यर्थी की ओर से /Respondent by

: Shri R. Vijayaragahavan, Advocate
: Ms. Babitha, JCIT

सुनवाई की तारीख/Date of Hearing

: 09.10.2024

घोषणा की तारीख /Date of Pronouncement

: 31.12.2024

आदेश / ORDER

PER JAGADISH, A.M :

Aforesaid appeal filed by the assessee for Assessment Year (AY) 2021-22 arises out of the order of Learned Commissioner of Income Tax, Addl/JCIT(A), Aurangabad [hereinafter "CIT(A)"] dated 20.03.2024. The grounds of appeal raised by the assessee are as under:

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1. The order of Addl/JCIT (A) Aurangabad, under section 250 of the Income tax Act is contrary to the law, facts and circumstances of the case.

2. The learned Addl/JCIT (A) Aurangabad ought to have appreciated the fact that the Appellant has already offered Recovery of bad debts of Rs.1,50,72,933/- and write back of liabilities no longer required of Rs.91,9,691/- for tax and taxing them again will result in double taxation.

3 The learned Addl/JCIT (A)- Aurangabad, erred in confirming the Additions made by Assistant Director of Income tax (CPC), Bangalore in respect of Recovery of bad debts on the reasoning that the amount shown in the financial statements does not match with the amount shown in the Tax Audit Report

4. The learned Addl/JCIT (A) Aurangabad, failed to appreciate the fact that as per Ind AS the Appellant has to show only net amount of Recovery of bad debts (i.e Amount recovered less Amount written off) in the financial statements whereas the Tax Auditors has to show Gross amount under section 41 (4) of the income tax Act, in their Audit report in Form 3CD.

5. The learned Addl/JCIT (A)- Aurangabad, erred in confirming the Additions made by Assistant Director of Income tax (CPC), Bangalore in respect of Liabilities no longer required on the reasoning that the amount shown in the financial statements does not match with the amount shown in the Tax Audit Report”

2. The effective ground of appeal in this appeal of assessee is against in confirming the order of CPC, Bengaluru u/s. 143(1) making addition of recovery on bad debt of Rs. 1,50,72,933/-n and write back of liabilities no longer required of Rs. 9,19,691/- by the Ld. CIT(A).

3. The assessee is a company engaged in the manufacture and sale of industrial valves. The assessee has filed its return of income on 01.03.2020 declaring total income of Rs. 35,33,10,650/-. The CPC,

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Bengaluru vide intimation issued u/s. 143(1) of the Act has made the addition of recovery of bad debt of Rs. 1,50,72,933/- and write back of liabilities no longer required of Rs. 9,19,691/-, which were claimed to be already offered in the return of income filed. Aggrieved, the assessee preferred an appeal before Ld. CIT(A). The Ld. CIT(A) after examining the Form-3CD held that the auditor in Form-3CD at Column No.25 has reported recovery of bad debts of Rs. 1,50,72,933/- and write back of liabilities of no longer required of Rs. 9,19,691/-. However, the assessee-company in the return of income has only offered liability no longer required of Rs. 13,00,408/- and therefore, amount offered for taxation does not match with the amount reported in column-25 of Form-3CD and dismissed the appeal.

4. The Ld. Authorized Representative (AR) of the assessee has submitted that the assessee has recovered bad debts of Rs.1,50,72,933/- and written back of liabilities no longer required of Rs. 9,19,691/- and offered the same as income in the profit & loss account . The Ld AR referred to the schedule-5 of profit and loss account where assessee has shown net of recovery of bad debts of Rs.56.49 Lakhs. Similarly, the Ld AR referred to provisions no longer required of Rs 13,00,408 offered in the computation which included

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provision no longer required of Rs.9,19,691/-. The reconciliation submitted by the Ld AR is as under :

*“Difference in figure shown in Audit Report and Books (Return)
Rs.1,59,92,624/- (Page 23and Page 25 item 20 of Intimation)*

*I. Assessee recovered bad debts of Rs. 1,50,72,933/-
Assessee wrote of bad debts of Rs. 94,24,146/-
Showed in Books Net recovery of Rs. 56,48,,788/-
In Audit report amounts recovered u/s 41(4) was shown as
Rs.1,50,72,933/-
There was provision in the Audit Report for adjusting the amount written off.*

A. Hence the difference of Rs. 1,50,72,933/-

*II. Assessee Reversed Provision no longer required (sec 41(1))
Rs.9,19,691/-*

Assessee Reversed Vendor's credit (sec 28(iv)) Rs. 3,80,717/-

*Total Provision no longer required offered for Tax as per books
Rs.13,00,408/-*

*In Audit Report liabilities no longer required (sec 41(1)) was shown as
Rs.9,19,691/-*

In the Audit Report there is no provision for showing Vendor's credit reversal (sec 28).

B. Hence difference of Rs. 9,19,691/-

Total difference (A+B) Rs. 1,59,92,624/-.

The difference has arisen because in the Audit Report only gross figure of recovery of bad debt (under sec41(4)) and reversal provision no longer required (taxable u/s 41(1)) are to be shown.

The bad debt written off (36(1)(vii)) and Vendor's credit reversed (taxable sec 28) which were adjusted in Books to show net figure.

Explained in Grounds 6 and 7 before the CIT(A)”

5. The Ld. Departmental Representative (DR), on the other hand, has supported the orders of the authorities below.

6. We have heard the rival submissions, and perused the material available on record. The Auditor in Form-3CD has reported bad debts recovered of Rs. 1,50,72,933/- and write back of liabilities/provisions no longer required of Rs. 9,19,691/- in column 25 amount of profit chargeable to tax u/s. 41 of the Act. The assessee-company in the profit and loss account in Schedule-5 has shown recovery of bad debt of Rs. 56.49 Lakhs and liabilities/provision no longer required written back as Rs. 13 lakhs. The assessee-company has given the reconciliation of the above income offered vis-a-vis amount reported by Auditor in column-25 of Form-3CD. The assessee has already offered income of Rs. 56,48,788/- as recovery of bad debts, which is net of recovered bad debts of Rs. 1,50,72,933/- and bad debts written off during the year of Rs.94,24,146/-. Similarly, the assessee-company has offered liability of provision no longer required of Rs.13 lakhs, which includes Rs.9,19,691/- written by auditor and further vendors credit of Rs. 3,80,717/-. In view of the above, the assessee has already included the income reported in column No.25 and therefore, the Id. CIT(A) was not justified in confirming the additions made by CPC, Bengaluru.

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7. In the result, the appeal filed by the assessee is allowed.

Order pronounced on 31st December, 2024.

Sd/-
(एबी टी. वर्की)
(**ABY. T. Varkey**)

न्यायिक सदस्य / Judicial Member

Sd/-
(जगदीश)
(**Jagadish**)

लेखा सदस्य / Accountant Member

चेन्नई/Chennai, दिनांक/Dated: 31st December, 2024.

EDN/-

आदेश की प्रतिलिपि अग्रेषित/**Copy to:**

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT, Chennai/Madurai/Coimbatore/Salem
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF