

**आयकर अपीलीय अधिकरण, इंदौर न्यायपीठ, इंदौर**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**INDORE BENCH, INDORE**

**BEFORE SMT. ANNAPURNA GUPTA, ACCOUNTANT MEMBER**  
**AND**  
**SHRI PARESH M JOSHI, JUDICIAL MEMBER**

आयकर अपील सं./I.T.A. No. 628/Ind/2024  
(निर्धारण वर्ष / Assessment Year : 2020-21)

<b>Assistant Commissioner of Income Tax-4(1)</b> Indore	<b>बनाम/</b> Vs.	<b>Patel Motors Indore Private Limited</b> 96/97, Maharani Road, Indore, Madhya Pradesh – 452007
<b>स्थायी लेखा सं./जीआइआर सं./PAN/GIR No. : AABCP1892R</b>		
<b>(Appellant)</b>	..	<b>(Respondent)</b>

अपीलार्थी ओर से /Appellant by :	Shri Ashish Porwal, Sr. DR
प्रत्यर्थी की ओर से/Respondent by :	Shri Ashish Goyal & Shri N. D. Patwa, Advocates

<b>Date of Hearing</b>	17/04/2025
<b>Date of Pronouncement</b>	28 /04/2025

**ORDER**

**PER SMT. ANNAPURNA GUPTA, AM:**

The present appeal has been filed by the Revenue against the order passed by the Commissioner of Income Tax (Appeals), Panchkula (in short ‘the CIT(A)’) under Section 250 of the Income Tax Act, 1961 (in short ‘the Act’) dated 20.06.2024 pertaining to Assessment Year 2020-21.

2. The solitary ground raised in the appeal by the Revenue is as under:

*“1. Whether on the facts and in the circumstances of the case Ld. CIT(A) was justified to ignore the merits of the case and the fact that the AO, CPC has made disallowance of Rs.4,98,25,079/- on account of contingent liability to total taxable income due to the mismatch between the return of income and the audit report.”*

3. The brief facts leading to this case are that the return of income filed by the assessee for the impugned A.Y. 2020-21 was processed u/s.143(1) of the Act and several adjustments made to its income including the disallowance of Rs.4,98,25,079/- on account of contingent liability claimed by the assessee. The Ld. CIT(A) deleted all the adjustments made by CPC, Bengaluru and the Revenue has come up in appeal only against the deletion of adjustment of Rs.4.98 Crores on account of disallowance of contingent liability.

4. The Ld. CIT(A)'s order deleting the adjustment so made as contained at para 6.1 of his order reads as under:

*“6.1 On Issue of Appeal No 1. The issue of appeal no.1 is against disallowance u/s 37 made of contingent liability of Rs. 4,98,25,079/- in the intimation u/s 143(1) of the Act dated 28.10.2021.*

*The contention of the appellant is that while processing the return u/s 143(1), the AO. CPC has made disallowance of Rs. 4,98,25,079/- on account of contingent liability to total taxable Income due to the mismatch between the return of income and the audit report. The said amount was disclosed in notes to audited accounts at para 21(g) of Form 3 CD lax audit report. Since, disputed Income tax liability of Rs. 4,98,25,079/- is not debited to P&L account and it is simply disclosed in notes to audited accounts and disclosed at para 21(g) of Form 3CD, the same is not*

*required to be adjusted / disallowance to be made to the total taxable Income while processing the return u/s 143 (1) of the Act. The grounds of appeal, statement of facts, Intimation u/s 143(1) of the Act and submission of the appellant are duly considered. The AO, CPC Bengaluru while processing the return observed the "There is inconsistency in Any other amount not allowable under section 37 claimed in return in schedule OI and audit report" amounting to Rs. 4,98,25,079/-, Thereafter the AO/CPC made the adjustment to that extent to the total income by making disallowance while processing the return of income u/s 143(1) of the Act. Apparently, the said amount was disputed Income Tax liability which was of contingent nature also not debited to Profit and Loss A/c hence same was not claimed as expenditure by the appellant. The said contingent Liability was reflected in the notes to accounts in Form 3CD as a disclosure. Therefore, the question of its adjustment/disallowance did not arise while processing the return of income. The contingent liability was disclosed in the Audit Report for reporting purposes which has not been debited to the P & L Account, therefore the disallowance is not sustainable and hereby deleted. The ground of appeal raised in issue no. 1 is hereby allowed."*

5. As is evident from the above, the Ld. CIT(A) has recorded a finding of fact that the impugned contingent liability was not debited to the P&L account by the assessee and, therefore, there was no question of making any disallowance of the same.

6. This fact was confronted to Ld. DR during the course of hearing before us and he was specifically asked whether he had anything to say to contradict this finding of fact of Ld. CIT(A). To this, the Ld. DR responded in the negative. He had nothing to controvert this finding of fact.

7. In the light of same, we have no hesitation in holding that there is absolutely no merit in the ground raised by the Revenue before us. Since it is an admitted fact that the disallowance of contingent liability made by the CPC in the intimation u/s.143(1)

of the Act was not debited by the assessee to its P&L account, the Ld. CIT(A) was absolutely correct in holding that no question arose for disallowing the same. The order of the Ld. CIT(A) is confirmed on this count. The ground of appeal raised by the Revenue is dismissed.

8. In the result, the appeal filed by the Revenue is dismissed.

**This Order pronounced on 28 /04/2025**

Sd/-  
**(PARESH M JOSHI)**  
**JUDICIAL MEMBER**

Indore

दिनांक /Dated : 28/04/2025

Dev/Sr. PS

Copies to: (1) The appellant  
(2) The respondent  
(3) CIT  
(4) CIT(A)  
(5) Departmental Representative  
(6) Guard File

Sd/-  
**(SMT. ANNAPURNA GUPTA)**  
**ACCOUNTANT MEMBER**

By order

Senior Private Secretary  
Income Tax Appellate Tribunal  
Indore Bench, Indore

- 1.Date of dictation on 22.04.2025
- 2.Date on which the typed draft is placed before the Dictating Member 22.04.2025
- 3.Date on which the approved draft comes to the Sr.P.S./P.S.
- 4.Date on which the fair order is placed before the Dictating Member for Pronouncement
- 5.Date on which the fair order comes back to the Sr.P.S./P.S
- 6.Date on which the file goes to the Bench Clerk
- 7.Date on which the file goes to the Head Clerk.....
- 8.The date on which the file goes to the Asstt. Registrar for signature on the order.....
- 9.Date of Dispatch of the Order.....