

IN THE INCOME TAX APPELLATE TRIBUNAL "D" BENCH, KOLKATA

**BEFORE SHRI RAJESH KUMAR, AM
AND
SHRI PRADIP KUMAR CHOUBEY, JM**

**ITA No.1134/KOL/2025
(Assessment Year:2014-15)**

QLAR India Private Limited
No.3, Old No.18& 23, 3rd Main
Road, 1st Phase, Peenya
Industrial Area, Bengaluru,
Karnataka-560058

(Appellant)

PAN No. AA ECS4728C

vs.

The DCIT, Circle 11(1)
Aaykar Bhawan, P-7,
Chowringhee Square,
Kolkata-700069, West Bengal

(Respondent)

Assessee by : Shri K.M Gupta, AR
Revenue by : Shri S.B. Chakraborty, DR

Date of hearing: 10.09.2025
Date of pronouncement: 15.09.2025

ORDER

Per Rajesh Kumar, AM:

This is an appeal preferred by the assessee against the order of the National Faceless Appeal Centre, Delhi (hereinafter referred to as the "Ld. CIT(A)") dated 26.03.2025 for the AY 2014-15.

02. The assessee has raised following grounds of appeal:

"1.0 That on the facts and in the circumstances of the case and in law, the 14. Commissioner of Income Tax (Appeal) (CTT(Appeal)) and Ld. Assessing officer (AC) has grossly erred in not appreciating that allowability of provision for warranty is a debatable issue and falls outside the limited scope of Section 154 of the Act. Hence, rectification order passed by the 14. AO, disallowing provision for warranty, is without jurisdiction, bad in law and liable to be quashed.

1.1 That on the facts and in the circumstances of the case and in law, the Ld. Assessing officer has grossly erred in invoking rectification proceeding u/s 154 of the Act, to review the issue of provision of warranty which has already been examined and adjudicated in the assessment order.

2.0 Without prejudice to Ground No. 1 to 1.1, that on the facts and in the circumstances of the case and in law, the Ld. AO has grossly erred in making

disallowance of provision for warranty amounting to Rs. 1,27,71,819/- without appreciating that provision for warranty made on scientific basis is an allowable expenditure as per the decision of Hon'ble Apex Court in Rotork Controls India Private Limited-vs.- CTT (2009) 314 ITR 62 (SC).

2.1 Without prejudice and in alternate to Ground No. 2, that on the facts and in the circumstances of the case and in law, the Ld. AO has grossly erred in not granting the claim of actual warranty expenses incurred during the relevant assessment year.

3.0 That on the facts and circumstances of the case and in law and without prejudice to the ground taken above, the order passed by Ld. Commissioner of Income tax (Appeal) ('CIT(A)') setting aside the issue of disallowance of provision for warranty to the file of the Ld. AO is erroneous and in gross violation of Section 251(1)(a) of the Act.

4.0 That the appellant craves leave to add, amend, modify, rescind, supplement or alter any of the grounds stated herein above either before or at the time of hearing of the appeal."

03. The issue raised in ground no.1 is against the order of the Id. CIT (A) upholding the rectification order wherein the Id. AO has grossly erred in not appreciating that the provision for warranty is a debatable issue and falls outside the ambit of Section 154 of the Income-tax Act, 1961 (the Act) and therefore, the rectification order passed by the Id. AO disallowing the provisions of warranty is without jurisdiction and liable to be quashed.

04. The facts in brief are that the assessee company is engaged in the business of manufacturing and selling of various types of plant sequencing, continuous weighing, Feeding, proportioning and on-line data handling, batching systems exclusively for industrial applications. The assessee filed belated return of income on 25.03.2015, declaring total income at ₹11,91,44,400/- under the normal provisions of the Act. The case of the assessee was selected for scrutiny and assessment u/s 143(3) of the Act was framed by the Id. AO vide order dated 29.12.2016. The Id. AO examined the issue a provision for warranty during the assessment proceedings and made no disallowance was made. Thereafter the Id. AO passed a rectification

order u/s 154 of the Act on 17.09.2019, wherein the Id. AO disallowed the provisions of warranty expenses as not allowable u/s 37(1) of the Act.

05. Aggrieved assessee preferred an appeal before the Id. CIT (A), however, the Id. CIT (A) upheld the application of section 154 of the Act but simultaneously set aside the matter on merit to the file of the Id. AO for adjudication whether provisions for warranty was made on scientific basis or not.

06. After hearing the rival contentions and perusing the materials available on record, we find that the issue of allowability of provisions of warranty is a debatable issue and falls outside the ambit of Section 154 of the Act. In our opinion, where two opinions are possible on a issue, the Id. AO cannot resort to the provisions u/s 154 of the Act. In our opinion, the provisions are available only to rectify mistake apparent from the record which must be obvious and patent mistake and not something which can be established by long process of reasoning and points on which two opinions are possible. The case of the assessee find support from the various decisions which read as under: -

- (i) *ITO Vs. Volkart Brothers (1971) 82 ITR 50 (SC),*
- (ii) *MC Mowjee & CO. Private Limited vs. ITO in ITA no. 2118/KOL/2024 vide order dated 17.03.2025*
- (iii) *Lanshree products & Services Limited Vs. DCIT in ITA No. 08/KOL/2022 vide order dated 12.07.2022*
- (iv) *PCIT Vs. Lanshree Products & Services Ltd. (2023) 150 taxmann.com 389 (Calcutta) dated 31.03.2023*

07. We note that in all the above decision it has been held that debatable issue cannot be a ground for adjudication in the proceeding

u/s 154 of the Act. We therefore, respectfully following the ratio laid down in the above decisions, we set aside the order of Id. CIT(A) and direct the Id. AO to delete the addition made in respect of provisions for warranty.

08. In the result, the appeal of the appeal of the assessee is allowed.

Order pronounced in the open court on 15.09.2025.

Sd/-
(PRADIP KUMAR CHOUBEY)
(JUDICIAL MEMBER)

Sd/-
(RAJESH KUMAR)
(ACCOUNTANT MEMBER)

Kolkata, Dated: 15.09.2025

Sudip Sarkar, Sr.PS

Copy of the Order forwarded to:

1. The Appellant
2. The Respondent
3. CIT
4. DR, ITAT,
5. Guard file.

BY ORDER,

True Copy//

Sr. Private Secretary/ Asst. Registrar
Income Tax Appellate Tribunal, Kolkata