

**आयकर अपीलीय अधिकरण, विशाखापटणम पीठ, विशाखापटणम**

**IN THE INCOME TAX APPELLATE TRIBUNAL  
VISAKHAPATNAM “DIVISION” BENCH, VISAKHAPATNAM**

**(HYBRID HEARING)**

**श्री रवीश सूद ,न्यायिक सदस्य एवं श्री एस बालाकृष्णन, लेखा सदस्य के समक्ष  
BEFORE SHRI RAVISH SOOD, HON’BLE JUDICIAL MEMBER**

**&**

**SHRI S BALAKRISHNAN, HON’BLE ACCOUNTANT MEMBER**

**आईटीए. नं. / ITA No. 208/VIZ/2024(A.Y.2014-15)**

<b>M/s. MDR Cranes &amp; Infrastructures Pvt. Ltd., HIG-1, D.No. 49-58-4 Near Port Stadium, Green Park Colony Visakhapatnam – 530003  [PAN:AAGCM1052M] (अपीलार्थी/ Appellant)</b>	<b>v.</b>	<b>Asst. CIT –CIRCLE – 3(1) Income Tax Office, Infinity Tower Shankaramatham Road Visakhapatnam – 530016 Andhra Pradesh  (प्रत्यर्थी/ Respondent)</b>
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<b>करदाता का प्रतिनिधित्व/ Assessee Represented by</b>	<b>:</b>	<b>Shri GVN Hari, Advocate</b>
<b>राजस्व का प्रतिनिधित्व/ Department Represented by</b>	<b>:</b>	<b>Dr. Aparna Villuri, Sr.AR</b>
<b>सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing</b>	<b>:</b>	<b>24.09.2025</b>
<b>घोषणा की तारीख/Date of Pronouncement</b>	<b>:</b>	<b>13.10.2025</b>

**आदेश /O R D E R**

**PER SHRI S BALAKRISHNAN, ACCOUNTANT MEMBER:**

1. This appeal is filed by the assessee against the order of the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal centre, Delhi [hereinafter in short “Ld.CIT(A)”] vide DIN & Order No. ITBA/NFAC/S/250/2023-24/1062559014(1) dated 13.03.2024 for the

A.Y.2014-15 arising out of order passed under section 143(3) of Income Tax Act, 1961 (in short 'Act') dated 22.12.2016.

2. Brief facts of the case are that, assessee is engaged in the business of works contracts and filed its return of income for the A.Y.2014-15 on 26.03.2016 declaring a business loss of Rs.1,33,61,794/- after setting off short-term capital gains of Rs.88,51,721/-. Subsequently, the case was selected for scrutiny and statutory notices under section 143(2) and 142(1) of the Act were issued and served on the assessee. In response to the notices, assessee-representative appeared from time to time and furnished the information sought for. After examining the information furnished by the assessee, Ld. Assessing Officer [hereinafter in short "Ld. AO"] noticed that assessee has claimed an amount of Rs.2,18,03,212/- as loss on transfer of plant and machinery during the year. It was submitted that due to defaults of loans taken by the Company the financiers seized the certain machinery kept as security which was having a Written Down Value (WDV) in the books of accounts as on 01.04.2013 at Rs.7,24,84,687/-. Ld.AO further observed that assessee has reduced the value of machinery by Rs.5,15,98,630/-, being the outstanding amount of loans, thereby claiming a loss of Rs.2.18 Crores in the Profit & Loss Account. The Ld. AO found that the WDV of the machinery is computed as per the Companies Act and not as per the provisions of the Income

Tax Act and hence disallowed the loss of sale of assets claimed by the assessee amounting to Rs.2,18,03,212/-.

3. On being aggrieved by the order of the Ld. AO, assessee filed an appeal before Ld. CIT(A). Ld. CIT(A) partly allowed the appeal of the assessee while erroneously observing the facts of the case.

4. On being aggrieved by the order of the Ld. CIT(A), assessee carried the matter before the Tribunal by raising following grounds:-

- “1. *The order of the learned Commissioner of Income Tax (Appeals) is contrary to the facts and also the law applicable to the facts of the case.*
2. *The learned Commissioner of Income Tax (Appeals) ought to have deleted the entire addition of Rs.2,18,03,212 made by the assessing officer as the actual price of equipment was only Rs.2,41,00,000 as against the notional value of Rs.5,15,98,630.*
3. *Any other ground that may be urged at the time of appeal hearing.”*

5. Ground Nos. 1 & 3 are general in nature and needs no adjudication.

6. Ground No.2 relates to addition made by the Ld. AO amounting to Rs.2,18,03,212/-. On this issue, Ld. Authorised Representative [hereinafter “Ld.AR”] submitted that the assessee has defaulted payment of the term loans and hence the financiers have sold the assets hypothecated for a consideration of Rs.2,40,00,000/-. He further submitted that as against realization of the sale value of these assets the loan value was written off by the financiers amounting

to Rs.5,15,98,630/-. He further submitted that difference between the WDV and the amount written off by the financiers on sale of plant and machinery was debited to the Profit & Loss Account and further submitted that assessee has also computed short-term capital gain as per the provisions of Income Tax Act and has offered an amount of Rs.88,51,721/- in the computation of the total income while filing the return of income. He therefore pleaded that the addition erroneously made by the Ld. AO be deleted.

7. Per contra, Ld. DR heavily relied on the order of the Ld. AO.

8. We have heard both the sides and perused the material available on record. It is an undisputed fact that the finance companies sold the plant and machinery financed by them for a total consideration of Rs.2,40,00,000/- while adjusting the sale proceeds against the outstanding loan amounting to Rs.5,15,98,630/-. The contention of the assessee is that assessee was having WDV of the machinery of 1/4<sup>th</sup> of the value of the machinery at Rs.7,24,84,687/- and after adjusting of the notional value of the machinery equivalent to the loan outstanding in the books of accounts amounting to Rs.5,15,98,630/-, assessee has debited a loss of Rs.2.18 Crores in the Profit & Loss Account and therefore to be allowed as a business expenditure. However, the Ld. AO found that the WDV of the machinery is computed as per Companies Act and not in accordance with the provisions of the Income Tax Act while claiming a loss of Rs.2.18 Crores. The Ld.AO did not dispute the

short-term capital gains claimed by the assessee amounting to Rs.88,51,721/- as per the provisions of the Income Tax Act. Since the loss was computed as per the provisions of the Companies Act, we are of the considered view that it cannot be allowed as an expenditure under the provisions of the Income Tax Act as per section 50(2) of the Act. Accordingly, we are not inclined to accept the contention of the Ld.AR, thereby sustain the addition made by the Ld.AO. Accordingly, the ground raised by the assessee is dismissed.

9. In the result, appeal of the assessee is dismissed.

Order pronounced in the open court on 13<sup>th</sup> October, 2025.

Sd/-  
(रवीश सूद)

(RAVISH SOOD)

न्यायिक सदस्य/JUDICIAL MEMBER

Dated 13.10.2025

Giridhar, Sr.PS

Sd/-

(एस बालाकृष्णन)

(S. BALAKRISHNAN)

लेखा सदस्य/ACCOUNTANT MEMBER

आदेश की प्रतिलिपि अग्रेषित/ Copy of the order forwarded to:-

1. निर्धारिती/ The Assessee : M/s. MDR Cranes & Infrastructures Pvt. Ltd.,  
HIG-1, D.No. 49-58-4, Near Port Stadium, Green Park  
Colony, Visakhapatnam – 530003
2. राजस्व/ The Revenue : Asst. CIT –CIRCLE – 3(1)  
Income Tax Office, Infinity Tower, Shankaramatham  
Road, Visakhapatnam – 530016, Andhra Pradesh
3. The Principal Commissioner of Income Tax
4. विभागीयप्रतिनिधि, आयकरअपीलीयअधिकरण, विशाखापटणम /DR,ITAT, Visakhapatnam
5. The Commissioner of Income Tax
6. गार्डफ़ाईल / Guard file

आदेशानुसार / BY ORDER

Sr. Private Secretary  
ITAT, Visakhapatnam