

**IN THE INCOME TAX APPELLATE TRIBUNAL  
"DB" BENCH, COCHIN**

**SHRI INTURI RAMA RAO, ACCOUNTANT MEMBER  
SHRI RAHUL CHAUDHARY, JUDICIAL MEMBER**

**ITA No.542/COCH/2025  
(Assessment Year:2014-2015)**

**Dy. Commissioner of Income Tax**

Ayakar Bhavan, Shakthan,  
Thampuran Nagar, Thrissur, Thrissur  
Kerala- 680006

..... **Appellant**

Vs

**The CSB Bank Ltd**

ST. Thomas College Road,  
Thrissur, Thrissur, Kerala- 680020  
[PAN: AABCT0024D]

..... **Respondent**

**Appearance**

For the Appellant/Assessee : Shri Satish Modi, CA  
For the Respondent/Department : Shri. Sanjit Kumar Das, CIT DR

**Date**

Conclusion of hearing : 20.08.2025  
Pronouncement of order : 30.10.2025

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**ORDER**

**Per Rahul Chaudhary, Judicial Member:**

1. The present appeal preferred by the Revenue is directed against the order, dated 25/03/2025, passed by National Faceless Appeal Centre (NFAC), Delhi [hereinafter referred to as 'the **NFAC**'] under Section 250 of the Income Tax Act, 1961 [hereinafter referred to as 'the **Act**'] whereby the Ld. CIT(A) had partly allowed the appeal against the Assessment Order, dated 16/03/2022, passed under Section 147 read with Section 144B of the Act for the Assessment Year 2014-2015.
- 1.1. The appeal preferred by the Revenue was delayed by 60 days. We have heard both the sides on application for condonation of delay. The Hon'ble Supreme Court had, in the case of **Collector of Land**

**Acquisition Vs. Mst. Katiji & others AIR 1987 1353 (SC)**, held that the substantial justice should prevail over technical considerations. Refusing to condone delay can result in a meritorious matter being thrown out at the very threshold. As against this, when delay is condoned, the highest that can happen is that a cause would be decided on merits after hearing the parties. As per the affidavit filed by the Revenue in support of the application seeking condonation of delay, the delay was neither intentional nor due to negligence but was occasion on account multiple charges with heavy work load being handled by the assessing officer concerned at the relevant time. Therefore, we are of the view that the Revenue was prevented by reasonable cause from filing appeal within the prescribed time and that no benefit would have accrued to the Revenue by delaying filing of the present appeal. Therefore, in view of the judgment of the Hon'ble Supreme Court in the case of Collector of Land Acquisition Vs. Mst. Katiji & others (supra), we condone the delay of 60 days in filing the present appeal and proceed to examine the grounds raised in the present appeal.

2. The Revenue has raised following grounds of appeal :

"1. *The order of the Commissioner of Income Tax (Appeals), National Faceless Appeal Centre [NFAC], New Delhi in DIN and Order No. DIN ITBA/APLS/S/250/2024-25/1074993866(1) dated 25.03.2025 against assessment Order u/s.147 r.w.s 260 of the Income tax Act, 1961 for the Assessment. Year 2013-14 is erroneous in law, facts and circumstances of the case.*

2 *The assessment was completed by an addition on the Book Profit.*

*That the amount set aside to provisions made for meeting liabilities, other than ascertained liabilities are to be added to the profit shown in the profit and loss account. Therefore, there is a shortfall in computation of book profit to the tune of Rs: 57.57 crore.*

*The learned CIT(A) NFAC, New Delhi held that appellant has*

*rightly debited the provisions of bad and doubtful debts in profit and loss account, simultaneously also reduce loans and advances or the debtors from the asset side of the balance sheet to the extent of the corresponding amount. Consequently, at the end of the year, the amount of loans and advances/debtors is shown as net of provisions for bad debt. Therefore, question of disallowance u/s. 115JB of the Income tax Act does not arise. Therefore, disallowance of provisions of bad and doubtful debts to the extent of Rs. 57.57 crores is deleted.*

3. *The CIT(A) has erred on the following points while deleting the Book profit enhancement consequent to bad and doubtful debt the extent of Rs. 57.57 crores.*
  - 3.1. *Vijaya Bank decision is applicable only for normal Income and not MAT Income [Minimum Alternate Tax, u/s.115JB of the Income tax Act]*
  - 3.2. *For Minimum Alternate Tax [u/s.115JB of the Income tax Act] calculation, Rs.57.57 Crore is not applicable as it is a provision and not bad debts written off and all provisions charged to profit and loss have to be added back.*
  - 3.3. *As per Financials of assessee the charge to profit and loss account was provision created and computation of book profit u/s 115 JB of the Act does not permit this as deduction.*
  - 3.4. *Further this is actually provision claimed as bad debt by Vijaya Bank decision not accepted by Hon'ble Kerala high Court itself as the same issue was set aside to the Hon'ble ITAT to examine whether provision can be treated ad bad debts wrote off in the case of South Indian Bank, AY 2012-13. Kerala HC decision was on 8th, July, 2024 in ITA NO. 165 OF 2019 against the order/judgment dated 22.03.2019 in ITA NO.215 OF 2018 OF I.T.A.TRIBUNAL, COCHIN BENCH*

*[i] The decision in the SIB was as below;*

*"17. In the light of the discussions in the previous paragraphs of this judgment, we answer the substantial questions of law raised in these appeals as follows:*

- 1. I.T.A.No.165 of 2019: We answer all the questions in favour of the assessee and against the revenue.*
- 2. I.T.A No.26 of 2020: We answer questions 1 and 2 in*

*favour of the assessee and against the revenue. However, Questions 3 and 4 are answered against the assessee and in favour of the revenue. Question No.5 (as below in para [ii]) is not answered in the light of the remand made by us to the Appellate Tribunal, for deciding the issue of entitlement of the assessee to the benefit of deduction under Section 36(1)(vii) of the Act.*

*[ii] The question No.5 as per the Order is as below;*

*"5. Whether in the light of the decision of the Hon'ble Supreme Court in Vijaya Bank v. CIT reported in (2010) 323 ITR 166 the Appellant is in any event entitled to deduction of the provision for doubtful debts made even under Section 36(1)(vii)?"*

*4. In view of the above, CIT (A) is not acceptable and Second appeal is preferred in this issue."*

3. The relevant facts in brief are that the Assessee, a banking company, filed original return of income for the Assessment Year 2014-2015 declaring 'Nil' income on 27/09/2014, and thereafter, filed a revised return of income declaring 'Nil' income on 08/07/2015. The case of the Assessee was selected for scrutiny and Assessment Order under Section 143(3) of the Act was passed on 20/12/2016 assessing total income of the Assessee at (-)INR.85,54,79,970/- after making addition of INR.12,09,000/-. Thereafter, reassessment proceedings were initiated in the case of the Assessee which culminated into passing of the Assessment Order, dated 28/07/2023, passed under Section 143(3) read with Section 147 of the Act making the following additions/disallowance:

(a) Addition of INR.38.24 Crores (under normal provisions): The Assessing Officer observed that the as per the details of movement of NPA provisions furnished by the Assessee, amount of NPA written off was only INR.21.38 Crores whereas the Assessee had claimed deduction of INR.59.62 Crores as bad debts written under Section 36(1)(vii) of the Act. Therefore, the differential amount of INR.38.24 Crores

*[INR.59.62 Crores Less INR.21.38 Crores]* was added by the Assessing Officer.

- (b) Addition of INR.15.29 Crores (under normal provisions): The Assessing Officer noted that INR.74.91 Crores has been shown as the provision created for bad debts. However, as per the computation of income the provision was INR.59.62 Crores. Therefore, the Assessing Officer was of the view that excess deduction has been claimed for INR.15.29 Crores *[INR.74.91 Crores Less INR.59.62 Crores]*
- (c) Enhancement of Book Profits by INR.57.57 Crores (under MAT provisions) by invoking the provisions contained in Section 115JB(2) of the Act read with Explanation 1 thereto.
4. Being aggrieved, the Assessee instituted appeal before the CIT(A) on 26/08/2023, inter alia, challenging the enhancement of Book Profits by INR.57.57 Crores. The CIT(A) granted relief to the Assessee vide impugned Order, dated 25/03/2025 and overturned the decision of the Assessing Officer to enhance Book Profits by INR.57.57 Crores holding that question of applicability of the provisions of Section 115JB of the Act did not arise in the facts and circumstances of the present case. The Assessee had rightly debited the Provisions for Bad & Doubtful Debts in the Profit & Loss Account, and had simultaneously reduced Loans & Advances/Debtors from the asset side of the balance sheet to the extent of such corresponding amount. As a result, the Loans & Advances/Debtors of the Assessee as at the end of the relevant previous year were shown as net of 'provisions for doubtful debt' in the balance sheet of the relevant previous year, and simultaneously the Loans & Advances/Debtors on the asset side in the balance sheet as at the end of the relevant previous year stood reduced by the corresponding amount.

5. Being aggrieved the Revenue has preferred the present appeal before the Tribunal on the grounds reproduced in paragraph 2 above.
6. We have heard both the sides, perused the material on record and given thoughtful consideration to the rival submissions.
  - 6.1. During the course of hearing the Learned Authorised Representative for the Assessee had placed reliance upon the decision of the Co-ordinate Bench of the Tribunal in the case of **Deputy Commissioner of Income Tax Circle – 3, Kolkata Vs. Peerless General Finance and Investment Co. Ltd. [2021] 126 taxmann.com 79, dated 03/12/2020**. On perusal of the same we find that the Tribunal had, after making reference of the judgment of the Hon'ble High Courts and the Hon'ble Supreme Court on the issue under consideration, concluded that if an assessee debits an amount of doubtful debt to the Profit & Loss Account and simultaneously obliterate such provision from its account by reducing the corresponding amount from the Loans & Advances/Debtors on the asset side of the balance sheet and consequently, at the end of the year shows the Loans & Advances/Debtors on the asset side of the balance sheet are shown as net of the provision for bad debt, it would amount to an actual write-off and such actual write-off would not attract Clause (i) of the Explanation to Section 115JB(2) of the Act. Further, It was also observed that Clauses (i) to the Explanations in Section 115JB of the Act, was introduced with retrospective effect to overcome the judgment of the Hon'ble Supreme Court in case of CIT v. HCL Comnet Systems & Services Ltd. 305 ITR 409 (SC) which it was held that Clause (c) of Explanation would apply if the amount is set aside as a provision and such provision is made for meeting a liability (other than ascertained liability), and the same does not cover a provision made for a debt which is receivable by the

assessee. The provision for bad and doubtful debts which is made to cover up probable diminution in the value of the asset, cannot be said to be a provision for liability because even if the debt is not recoverable, no liability could be fastened on the assessee. The relevant extract of the aforesaid decision of the Tribunal in the case of **Peerless General Finance and Investment Co. Ltd. (supra)** reads as under:

**"7. We note that the Ld. CIT(A) has correctly held that while computing book profit, provision for diminution in value of investments and provision for non-performing asset, since were not liabilities, clause "(c)" in Explanation (1) to sub-section (2) of section 115JB of the Act was not attracted. And hence, he rightly directed the AO not to add back these amounts to the book profit. However, the question now before us is whether clause (i) of Explanation (1) to sub-section (2) of section 115JB of the Act could be attracted in the facts of this case. We note that sub-clause (i) of Explanation (1) to section 115JB of the Act has been inserted by the Finance Act, 2009, with retrospective effect from 1-4-2001 and it is noted pertains to the amounts set aside as provision for diminution in value of any assets. In this case, we note that the admitted fact is that assessee has shown provision for diminution in value of investment to the tune of Rs. 29,81,59,433/- and provision for NPA amounting to Rs. 19,57,60,485/- which was debited to the P&L Account. And since both the amounts are in respect of investments and asset (non-performing assets) pertained to the asset item in the Balance Sheet, so, per-se clause (i) of Explanation (1) of section 115JB of the Act is attracted. However, the assessee's case is that though these two items have been shown as provision "it is not a provision but it is actual write off", therefore, clause (i) of Explanation (1) to sub-section (2) of section 115JB of the Act is not applicable and for urging so, the assessee has relied on the decision of the Hon'ble Gujarat High Court in the case of Vodafone Essar Gujarat Ltd. (supra) wherein the Hon'ble High Court while deciding a similar issue had held as under:**

**"13. Thus, the Supreme Court in case of HCL Comnet Systems & Services Ltd. (supra) held that clause (c) of the explanation would apply to the debt payable by the assessee. In such a case, if the amount is set aside as a provision and provision is made for meeting a liability other than ascertained liability, clause (c) would come into force and such provision would be added in computation of book profit for the purpose of 115JA of the**

**Act. This clause, however, would not cover a provision made for a debt which is receivable by the assessee. It was observed that the provision for bad and doubtful debts which is made to cover up probable diminution in the value of the asset, cannot be said to be a provision for liability because even if the debt is not recoverable, no liability could be fastened on the assessee.**

**14. To overcome such view of the Supreme Court, the Revenue added clauses (g) and (i) to the explanations in section 115JA and 115JB of the Act respectively with retrospective effect.** With such addition now the book profit for the purpose of section 115JB of the Act would be increased by the amount or amounts set aside as provisions for diminution in the value of any asset. The explanatory note for introduction of such amendment clarified that the new clause (i) was inserted "so as to provide that if any provision for diminution in the value of any asset has been debited to the profit and loss account, it shall be added to the net profit as shown in the profit and loss account for the purpose of computation of book profit." This legislative change thus was clearly necessitated on account of the judgment of the Supreme Court in case of HCL Comnet Systems & Services Ltd. (supra) holding that under clause(c) to the explanation any provision for bad or doubtful debts for diminution in the value of any asset cannot be added to the book profit of the assessee.

15. This Court in Deepak Nitrite Ltd. (supra), as noted, held that in view of such statutory change, the decision of Supreme Court in case of HCL Comnet Systems & Services Ltd. (supra), would allow the Revenue to make such addition. Delhi High Court in case of CIT v. ILPEA Paramount (P.) Ltd. [2010] 192 Taxman 65/[2011] 336 ITR 54 had come to similar conclusion. Seen from this light and in this context, the decision in case of Deepak Nitrite Ltd. (supra), lays down the correct proposition.

16. We may however, appreciate the 'implication of the ratio laid down by the Supreme Court in case of Vijaya Bank (supra), on the true interpretation of clause(i) to the explanation 1 and the decisions of Karnataka High Court in cases of Yokogawa India Ltd. (supra) and Kirloskar Systems Ltd. (supra). Vijaya Bank (supra) was a case arising under section 36(1)(vii) of the Act. The assessee before the Supreme Court was bank. The issue considered by the Supreme Court was whether it was imperative for the assessee bank to close the individual account of each of its debtors in its books or a mere reduction in the loans and advances or debtors on the asset side of its balance sheet to the extent of the provision for bad debt, would be sufficient to constitute a write-off. In this context, the Supreme Court considered the issue as to the manner in which the actual write off takes place under the accounting principle. It was noticed that prior to 1-4-1989 amendment in section 36(1)(vii), even the provision for the bad debt could be treated as write off.

After 1.4.1989 however, a mere provision for bad debt would not be entitled to deduction under section 36(1)(vii) of the Act. In context of such statutory change, the Supreme Court referred to the decision in case of *Southern Technologies Ltd. v. Jt. CIT [2010] 320 ITR 577/187 Taxman 346*, in which the following observations were made:

"Prior to April, 1, 1989, the law, as it then stood, took the view that even in cases in which the assessee(s) makes only a provision in its accounts for bad debts and interest thereon and even though the amount is not actually written off by debiting the profit and loss account of the assessee and crediting the amount to the account of the debtor, the assessee was still entitled to deduction under section 36(1)(vii). (See *CIT v. Jawala Prasad Tiwari [1953] 24 ITR 537 (Born.)* and *Vithaldas H Dhanjibjai Bardanwala v. CIT [1981] 130 ITR 95 (Guj.)*) Such state of law prevailed up to and including the assessment year 1988-89. However, by insertion (with effect from April 1, 1989) of a new Explanation in section 36(1)(vii), it has been clarified that any bad debt written off as irrecoverable in the account of the assessee will not include any provision for bad and doubtful debt made in the accounts of the assessee. The said amendment indicates that before April 1, 1989, even a provision could be treated as a write off. However, after April 1, 1989, a distinct dichotomy is brought in by way of the said Explanation to section 36(1)(vii). Consequently, after April 1, 1989, a mere provision for bad debt would not be entitled to deduction under section 36(1)(vii). To understand the above dichotomy, one must understand 'how to write off. If an assessee debits an amount of doubtful debt to the profit and loss account and credits the asset account like sundry debtor's account, it would constitute a write off of an actual debt. However, if an assessee debits 'provision for doubtful debt' to the profit and loss account and makes a corresponding credit to the 'current liabilities and provisions' on the liabilities side of the balance-sheet, then it would constitute a provision for doubtful debt. In the latter case, the assessee would not be entitled to deduction after April 1, 1989."

17. The Supreme Court (in *Vijaya Bank*) further observed as under:

"7. One point needs to be clarified. According to Shri Bishwajit Bhattacharya, learned Additional Solicitor General appearing for the Department, the view expressed by the Gujarat High Court in the case of *Vithaldas H. Dhanjibhai Bardanwala [supra]* was prior to the insertion of the Explanation vide Finance Act, 2001, with effect from 1st April, 1989, hence, that law is no more a good law. According to the learned counsel, in view of the insertion of the said Explanation in Section 36(1)(vii) with effect from 1st April, 1989, a mere debit of the impugned amount of bad debt

*to the Profit and Loss Account would not amount to actual write off. According to him, the Explanation makes it very clear that there is a dichotomy between actual write off on the one hand and a provision for bad and doubtful debt on the other. He submitted that a mere debit to the Profit and Loss Account would constitute a provision for bad and doubtful debt, it would not constitute actual write off and that was the very reason why the Explanation stood inserted. According to him, prior to Finance Act, 2001, many assessee used to take the benefit of deduction under section 36(1)(vii) of 1961 Act by merely debiting the impugned bad debt to the Profit and Loss Account and, therefore, the Parliament stepped in by way of Explanation to say that mere reduction of profits by debiting the amount to the Profit and Loss Account per se would not constitute actual write off. To this extent, we agree with the contentions of Shri Bhattacharya. However, as stated by the Tribunal, in the present case, besides debiting the Profit and Loss Account and creating a provision for bad and doubtful debt, - the assessee-Bank. had correspondingly/simultaneously obliterated the said provision from it's accounts by reducing the corresponding amount from Loans and Advances/debtors on the asset side of the Balance Sheet and. end of the year, the figure in the loans and advances or the debtors on the asset side of the Balance Sheet was shown as net of the provision "for impugned bad debt". In the judgment of the Gujarat High Court in the case of Vithaldas H Dhanjibhai Bardanwala [supra]. A mere debit to the Profit and Loss Account was sufficient to constitute actual write off whereas, after the explanation, the assessee(s) is now required not only to debit the Profit and Loss Account but simultaneously also reduce loans and advances or the debtors from the asset side of the Balance Sheet to the corresponding amount so that, at the end of the year, the amount of loans and advances/debtors is shown as net of provisions for impugned bad debt. This aspect is lost sight of by the High Court in it's impugned judgement. In the circumstances, we hold, on the first question, that the assessee was entitled to the benefit of deduction under section 36(1)(vii) of 1961 Act as there was an actual write off by the assessee in it's Books, as indicated above."*

18. *It can thus be seen that in case of Southern Technologies Ltd. (supra), the Supreme Court explained that if an assessee debits an amount of doubtful debt to the Profit and Loss account and credits the asset account like sundry debtor's account, it would constitute a write-off of an actual debt. On the other hand, if an assessee debits provision for doubtful debt to the Profit and Loss account and makes a corresponding credit to the current liabilities and provisions on the liabilities side of the balance sheet, then it would constitute a provision for doubtful debt and in such a case after 1-4-1989, the assessee could claim no deduction under section 36(1)(vii) of the Act.*

19. *This principle was further clarified in case of Vijaya Bank (supra) by observing that in case on hand, the assessee besides debiting the profit and loss account and creating a provision for bad and doubtful debt, had simultaneously obliterated the said provision from its accounts by reducing the corresponding amount from loans and advances/debtors on the asset side of the balance sheet and consequently, at the end of the year, the figure of loans and advances or the debtors on the asset side of the balance sheet was shown as net of the provision for bad debt. Thereafter, the Supreme Court rejecting the Revenue's contention that for the bank to take benefit of section 36(1)(vii), must close the account of the debtors, decided the question in favour of the assessee.*
20. **Above decision of Supreme Court in case of Southern Technologies Ltd. (supra) and Vijaya Bank (supra) thus bring out a clear distinction between a case where the assessee may make a provision for doubtful debt and a case where the assessee after creating such a provision for bad and doubtful debt by debiting in Profit and Loss account also simultaneously removes such provision from its account by reducing the corresponding amount from the loans and advances on the asset side of the balance sheet. The later would be an instance of write-off and not a mere provision.**
21. Karnataka High Court in case of Yokogawa India Ltd. (supra) applying such principle found that case on hand was one of a debt which was an amount receivable by the assessee and not any liability payable by the assessee and observed that clause (c) of the explanation to section 115JA/115JB, would not apply. In context of applicability of clause (i) to the explanation, relying on the decision of Supreme Court in case of Vijaya Bank (supra), the Court observed that there is a dichotomy between actual write off and provision for bad and doubtful debt. A mere debit to the Profit and Loss account would constitute a bad and doubtful debt but it would not constitute actual write-off. However, if simultaneously such amount is obliterated from the accounts by reducing corresponding loans and advances on the asset side, the same would amount to a write off. It was concluded as under:
- " .... Therefore, after the Explanation the assessee is now required not only to debit the P &L A/c but simultaneously also reduce the loans and advances or the debtors from the assets side of the balance sheet to the extent of the corresponding amount so that, at the end of the year, the amount of loans and advances/debtors is shown as net of the provisions for the impugned bad debt. Therefore, in the first place if the bad debt or doubtful debt is reduced from the loans and advances or the debtors from the assets side of the balance sheet the Explanation to s.115JA or JB is not at all attracted."

22. In case of Kirloskar Systems Ltd. (supra), the Karnataka High Court adopted the same principle.
23. **By way of culmination of above judicial pronouncements and statutory provisions, the situation that arises is that prior to the introduction of clause (i) to the explanation to section 115JB, as held by the Supreme Court in case of HCL Comnet Systems & Services Ltd. (supra), the then existing clause (c) did not cover a case where the assessee made a provision for bad or doubtful debt. With insertion of clause (i) to the explanation with retrospective effect, any amount or amounts set aside for provision for diminution in the value of the asset made by the assessee, would be added back for computation of book profit under section 115JB of the Act. However, if this was not a mere provision made by the assessee by merely debiting the Profit and Loss Account and crediting the provision for bad and doubtful debt, but by simultaneously obliterating such provision from its accounts by reducing the corresponding amount from the loans and advances on the asset side of the balance sheet and consequently, at the end of the year showing the loans and advances on the asset side of the balance sheet as net of the provision for bad debt, it would amount to a write off and such actual write off would not be hit by clause (i) of the explanation to section 115JB. The judgment in case of Deepak Nitrite Ltd. (supra) fell in the former category whereas from the brief discussion available in the judgment it appears that case of Indian Petrochemicals Corpn. Ltd. (supra), fell in the later category.**
24. Viewed from this angle and subject to the observations and clarifications made above, in our view, there is no conflict between the two judgments and both operate in different fields. Reference is answered accordingly."
8. We note that in the above judgment, the Hon'ble High Court has considered the following judgments:
- i. CIT v. Deepak Nitrite Ltd. [Tax Appeal No. 1918 of 2009, dated 17-8-2011] (para 4)
  - ii. CIT v. HCL Comnet Systems & Services Ltd. [2008] 174 Taxman 118/305 ITR 409 (SC)
  - iii. CIT v. Indian Petrochemicals Corpn. Ltd. [2016] 74 taxmann.com 163 (Guj.) (para 4),
  - iv. CIT v. Yokogawa India Ltd. [2012] 17 taxmann.com 15/204 Taxman 305 (Kar.) (para 4),
  - v. CIT v. Kirloskar Systems Ltd. [2013] 40 taxmann.com 124/[2014] 220 Taxman 1 (Kar.) (para 4),
  - vi. Vijaya Bank v. CIT [2010] 323 ITR 166/190 Taxman 257

(SC) (para 4),

vii. CIT v. ILPEA Paramount (P.) Ltd. [2010] 192 Taxman 65/[2011] 336 ITR 54 (Delhi) (para 15) and

viii. Southern Technologies Ltd. v. Jt. CIT [2010] 320 ITR 577/187 Taxman 346 (SC) (para 16).

9. We note that after considering the aforesaid judgments rendered in the above case laws, the Hon'ble High Court of Gujarat held that if the provision for diminution in value of investment is not a mere provision made by the assessee by merely debiting the profit and loss account and makes a credit to the "current liabilities and provisions" on the liabilities side of the balance sheet, then it would constitute provision for bad and doubtful debt, but if an assessee debits an amount of doubtful debt to the profit and loss account and simultaneously obliterate such provision from its account by reducing the corresponding amount from the loans and advances on the asset side of the balance sheet and consequently, at the end of the year shows the loans and advances on the asset side of the balance sheet as net of the provision for bad debt, it would amount to an actual write off and such actual write off would not attract clause (i) of the Explanation to sub-section (2) of section 115JB of the Act.

10 to 14. xx xx

15. Thus, we note from page 34 of paper book that the provision for NPA of Rs.19,57,60,485/- was debited from the profit and loss account and this was simultaneously reduced from corresponding asset side as follows:

Opening accumulated provision in respect of bad debt	2564.11	(page 36)
Add: provision created in AY 2001-02	195.76	(Page 2 & 36)
	2759.87	
Less: Write back of provision	139.34	(Page 36, 2 & 26)
Closing accumulated provision	2620.53	

16. The Ld. AR explained that this write back of the provision of Rs. 139.34 million was credited to the P&L Account under the head 'Miscellaneous Income' and drew our attention to page 2 and 26 of the paper book to show that total provision for diminution in investment and loans and advances being no longer required is Rs. 451.41 million which break up (Diminution in investment is Rs. 312.07 million and provision for non-performing assets is Rs. 139.34 million and total is Rs. 451.41 million) (supra). We note that the closing balance of Rs. 2620.53 million was reduced from Schedule 7- Loans and Advances of the audited accounts in this regard, refer page 36 of paper book. The Provision of Rs. 195.76

million created during the year was debited in the Profit and Loss A/c for the year and Provision written back during the year amounting to Rs. 139.34 million was credited in the Profit and Loss A/c. **This clearly suggests that not only a mere 'Provision for Non-Performing Assets was created by the assessee by debiting the Profit and Loss account but simultaneously the corresponding amount from Loans and Advances' shown on the Asset side of the Balance Sheet was also reduced/adjusted. In other words, the 'Loans and Advances' were recorded in the books as net of provision. Thus, in view of the above facts, the said Provision for diminution in non-performing assets would amount to an actual write off of Provision from the Assets side and therefore would not get attracted by clause (1) of the Explanation to sub-section (2) of section 115JB of the Act as held by the Hon'ble Gujarat High Court in the case of Vodafone Essar Gujarat Ltd. (supra) since the Assets side of the Balance Sheet has also been accordingly reduced in the present case of the assessee. Thus, we note that the accumulated closing provision of Rs. 2620.53 million was reduced from the current assets, loans and advances which are evident from page 36 of the paper book, which we find to be correct. Thus, the said provision of Rs. 195.76 million was an actual write off and, therefore, it does not attract clause (i) of Explanation (1) of section 115JB of the Act. And, therefore, the assessee succeeds and the question of law forwarded by the Hon'ble High Court is answered in favour of assessee and consequently the action of Ld. CIT(A) on this issue is confirmed on the ground discussed supra.**

17. *In the result, the appeal of revenue is dismissed."* (Emphasis Supplied)

7. We are of the view that the above decision of the Tribunal applies to the facts of the present case. In the present case we find that the CIT(A) has returned a findings that in the present case the Assessee had made Provision for Bad & Doubtful Debt by debiting the Profit & Loss Account for the relevant previous year. Simultaneously, the amount of Loans & Advances/Debtors depicted on the asset side in the Balance Sheet was reduced by the corresponding amount and as a result the amount of Loans & Advances/Debtors were shown at net

of provisions at the close of the relevant previous year. Thus, the provisions account stood obliterated. Therefore, the provisions contained in Explanation 1(c) & 1(i) to Section 115JB(2) of the Act would not be attracted in the facts of the present case. The Revenue has failed to bring on record any material to controvert the aforesaid position. Therefore, we do not find any infirmity in the order passed by the Ld. CIT(A). Accordingly, we decline to interfere with the order passed by the CIT(A) and all the grounds raised by the Revenue are dismissed.

8. In result the appeal preferred by the Revenue is dismissed.

Order pronounced on 30.10.2025.

**Sd/-**  
**(Inturi Rama Rao)**  
**Accountant Member**

**Sd/-**  
**(Rahul Chaudhary)**  
**Judicial Member**

मुंबई Mumbai; दिनांक Dated : 30.10.2025

*Milan,LDC*

**आदेश की प्रतिलिपि अग्रेषित/Copy of the Order forwarded to :**

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. आयकर आयुक्त/ The CIT
4. प्रधान आयकर आयुक्त / Pr.CIT
5. विभागीय प्रतिनिधि ,आयकर अपीलीय अधिकरण ,मुंबई / DR,  
ITAT, Mumbai
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

सत्यापित प्रति //True Copy//

उप/सहायक पंजीकार / (Dy./Asstt. Registrar)  
आयकर अपीलीय अधिकरण, मुंबई / ITAT, Mumbai