

IN THE INCOME TAX APPELLATE TRIBUNAL
Mumbai "D" Bench, Mumbai.

Before Shri Pawan Singh (JM) & Shri Omkareshwar Chidara (AM)

ITA No. 3604/MUM/2025 (Assessment Year : 2017-18)

DCIT-1(3)(1) Room No. 540 5 th Floor Aayakar Bhavan M.K. Road Mumbai-400 020.	Vs.	DSM Nutritional Products India Pvt. Ltd. 12 th Floor, Plot No. D-8 ABR Emerald, Street No. 16 MIDC, Ahdheri East Mumbai-400 093.
		PAN : AACCR3973J
Appellant		Respondent

Assessee by	:	Shri Ashish Daweshar, CA
Revenue by	:	Shri Annavarani Kasuri
Date of Hearing	:	04/08/2025
Date of pronouncement	:	03/11/2025

ORDER

Per Omkareshwar Chidara (AM) :-

In this case, the appellant company raised the following grounds of appeal :-

1. Whether on the facts and in the circumstances of the case and law the La CIT(A) erred in allowing depreciation and additional depreciation on Plant & Machinery, despite the assessee's failure to provide sufficient evidence to prove acquisition, capitalization, and put to use of assets as required under Sections 32 and 32(l)(iia) of the Act

2. Whether on the facts and in the circumstances of the case and law the Ld. CIT(A) erred in deleting the disallowance of depreciation and additional depreciation by relying solely on Note 13 of the assessee's Financial Statements.

3. Whether on the facts and in the circumstances of the case and law the Ld, CIT(A) erred in deleting the addition of rental income by accepting the assessee's explanation during the appellate proceedings ignoring the fact that the assessee failed to provide any details during the assessment proceedings.

2. Thus, the first ground relates to disallowance of depreciation on certain items relating to plant and machinery. From page No. 2 to 10 of the assessment order, it is observed that the Ld. AO asked for the details of

plant and machinery on which depreciation was claimed by the company. At para 4.3, the Ld. AO says that the appellant company had furnished the bills of fixed assets only for Rs. 4.76 crore only as against the additions to fixed assets made during this assessment year to the extent of Rs. 7.08 crore. Even these bills of Rs. 4.76 crore do not pertain to this assessment year, the Ld. AO observed. Again at para 5, page 10 of assessment order, it is observed that the Ld. AO made disallowance of depreciation/additional depreciation to the extent of Rs. 1.76 crore because the purchase invoices does not relate to this assessment year. Thus, an addition of Rs. 1.97 crore was made to the total income of appellant company by disallowing the depreciation. The main reason for disallowing the depreciation on various assets is that the appellant company did not furnish the reasons for claiming depreciation on the assets which were not acquired by the company during this year. At para 4.4 of assessment order, it was mentioned that the appellant company was given time to explain discrepancies till 18.12.2019 and since there is no reconciliation by appellant company, the disallowance to plant and machinery etc. was made.

3. Aggrieved by the additions made by Ld. AO, the appellant company filed an appeal with Ld. CIT(A). The Ld. CIT(A) has deleted the additions made by Ld. AO with the following observations at para 5.9, page 12 :-

“5.9 I have carefully examined the contentions of the appellant, the Asst Order and the submissions of the appellant before AO and the Financial Statements and Notes to Accounts. It is amply evident from the Note 13 Capital Work in Progress which is forming part of the Financial Statements which were already available with the AO at the time of the assessment order, the opening CWIP as on 31.3.2016 of Rs. 5.76 was reduced an amount of Rs. 2.34 crore as on 31.3.2017 which clearly indicated that the appellant has capitalised an amount of Rs. 5.71 cr which was included in opening CWIP was reduced indicating the 'date of put to use' of the asset as has been rightly claimed in terms of Section 32 of the Act”.

4. Aggrieved by the deletion of additions made with respect to depreciation, Revenue filed an appeal with the grounds of appeal mentioned in page No. 1 of this order.

5. During the hearing proceedings, the Ld. AR of the appellant company has filed a detailed paper book containing all the details of plant and machinery added in this year, added earlier year but capitalised in current year. The Ld. AR has also filed copies of all bills which were uploaded on the portal on 17.12.2019 and 20.12.2019 before passing the assessment order itself and the copies of screenshots were also submitted to ITAT. But, the same were not mentioned in the assessment order, the Ld. AR of appellant company pleaded. In view of the same, Ld. AR has requested the Bench to dismiss the appeal of Revenue.

6. The Ld. DR has argued that since the details were not submitted, the addition was correctly made and Ld. CIT(A) deleted the addition solely on the basis of Note 13 of capital work in progress.

7. Heard both sides. The Bench finds sufficient force in the pleadings of Ld. AR of appellant company for the following reasons :

- a) The screenshots produced by Ld. AR of appellant company shows that the reconciliation and explanation about assets acquired in earlier year and capitalized earlier, but brought to the "Assets Schedule" this year because the same were put to use in this year.
- b) The audited accounts and Note 13, capital work in progress, which was forming part of financial statement and the same was available with the Ld. AO at the time of assessment order. The Ld. CIT(A) has correctly observed that the opening work in progress as on 31.3.2016 was reduced and hence the appellant has correctly capitalized the assessment. Hence, even though the plant and machinery was purchased in earlier year, since it was put to use in this year and appellant has claimed the depreciation in this year. The assets were acquired in earlier year, but not claimed depreciation earlier because they were not put to use. In this year, the appellant company has put to use this plant and machinery and hence, the appellant company is entitled to depreciation. Same logic applies to the claim of additional depreciation. The Bench agrees with the adjudication of Ld. CIT(A) at para 5.13 of his appeal order that the appellant company acquired machinery earlier year, capitalized in earlier year but claimed the additional depreciation in this year since the same was put to use in the current year.

8. In view of the same, this ground of the Revenue's is dismissed.
9. The next addition made by the Ld. AO is that the rental income was not admitted. The Ld. CIT(A) deleted this addition by accepting the plea of appellant company that the rental income was grouped under the head, "Sale of Services" Schedule 19 and the same matches with the 26AS statement.
10. The Revenue is aggrieved and stated in the appeal before the ITAT that the appellant company has not submitted the details. The Ld. DR relied on grounds of appeal.
11. The Ld. AR has stated that the Ld. CIT(A) was shown the bifurcation of Schedule 19 where rental income was offered and the same is reflected in 26AS.
12. Heard both sides. There is sufficient force in the argument of Ld. AR of appellant company and also the findings of Ld. CIT(A) who confirmed that the rental income was already admitted and the same cannot be added once again. Since the rental income is reflected in 26AS and grouped in Schedule 9 accounts of appellant company, the addition made by Ld. AO is rightly deleted by Ld. CIT(A).
13. The appeal of Revenue is dismissed.

Order pronounced in the open Court on 03/11/2025.

Sd/-
(PAWAN SINGH)
JUDICIAL MEMBER

Sd/-
(OMKARESHWAR CHIDARA)
ACCOUNTANT MEMBER

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent.

3. CIT
4. DR, ITAT, Mumbai
5. Guard file.

//True Copy//

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BY ORDER,
(Assistant Registrar)
ITAT, Mumbai