



आयकर अपीलिय अधिकरण, राजकोट न्यायपीठ, राजकोट।

**IN THE INCOME TAX APPELLATE TRIBUNAL, "SMC"
RAJKOT BENCH, RAJKOT**

BEFORE DR. ARJUN LAL SAINI, ACCOUNTANT MEMBER

आयकर अपीलसं./ITA No.390/RJT/2025
निर्धारणवर्ष / Assessment Year: (2018-19)
(Hybrid Hearing)

Apex Irrigation, Sur.No. 270, Plot No.4 B/H, Maruti Petrol Pump, National Highway, 8- B, Shaper, Rajkot – 360026 (Guj)	Vs.	The Income Tax Officer Ward1(1)(1) Rajkot - 360001
स्थायीलेखासं./जीआइआरसं./PAN/GIR No.: AAJFA4917D		
(Assessee)		(Respondent)

Assessee by : Shri Brijesh Parekh, Ld. AR
Respondent by : Shri Abhimanyu Singh Yadav, Ld. Sr. DR
Date of Hearing : 18/09/2025
Date of Pronouncement : 24/11/2025

आदेश / ORDER

Per, Dr. Arjun Lal Saini AM:

Captioned appeal filed by the assessee, pertaining to Assessment Year 2018-19, is directed against the order passed under section 250 of the Income Tax Act, 1961 (hereinafter referred to as "the Act") by National Faceless Appeal Centre (NFAC), Delhi/Commissioner of Income-tax (Appeals), dated 18/02/2025, which in turn arises out of an order passed by the Assessing Officer dated 24/03/2021, u/s 143(3) read with section 143(3A) & 143(3B) of the Income Tax Act, 1961.



2. Grounds of appeal raised by the assessee are as follows:

1. The Ld. AO erred in law and on facts in making an addition of Rs.4,97,182/- being the duty draw back, pertaining to AY 2018-19 offer to tax in the subsequent year when the same was receipts and the facts and circumstances of the case it is contended that the regular method of accounting adopted for reconciling income from duty draw back when the same was actually received ought not to be disturb more particularly, when the assessee has been following the same since the numbers of year, and the actual receipts of duty drawback is not certain till the time it is received.

2. Without prejudice if the amount of duty drawback of Rs.4,97,182/- for AY 2018-19 i.e; the year under appeal, direction may kindly be given to deduct an equal amount in the subsequent year, where it has been offered to tax.

3. The appeal filed by the assessee is barred by limitation by 40 days. The assessee has moved a petition requesting the Bench to condone of delay. The learned Counsel adverted my attention to the reasons for condonation of delay before this Tribunal and urged for a benign view and sought condonation of delay of 40 days in filing the appeal before the Tribunal. However, learned DR for the revenue opposed the prayer of the assessee for condonation of delay. A perusal of the reasons and sufficient cause explained by the Id. Counsel for the assessee, gives me an impression of existence of mitigating circumstances to enable me to exercise my discretion in favour of the assessee. Accordingly, the delay is condoned in filing the appeal.

4. Succinctly, the factual panorama of the case is that assessee before us is a Partnership Firm and has filed e-return of income for assessment year (A.Y.) 2018-19, on 26/10/2018, declaring total income at Rs. 5,60,289/-. The assessee firm is engaged in manufacturing of plastic product during the year under consideration. The return of income filed by the assessee on 26/10/2018 has been selected for scrutiny to examine the following issues, Viz: (i). Duty Drawback (ii). ICDS compliance and adjustment. The notice u/s. 143(2) of the Income Tax



Act, 1961 had been issued on 22/09/2019 through ITBA to the assessee's registered e-mail id. Subsequently for assessment proceedings, notice u/s 142(1) of the Act, along with questionnaire issued on 19/11/2020 and 22/12/2020 through ITBA and served to the assessee's registered e-mail id. In compliance to above notice, the assessee has furnished reply and documents on 28/12/2020 online. The information/ documents furnished have been examined by the assessing officer. As for the facts narrated by the lower authorities, the substantive ground of appeal is against the addition of duty drawback income for assessment year (AY) 2018-19 to the extent of 4,97,182/-. On examination of the information/documents furnished by the assessee, during the assessment proceedings, the assessing officer noted that as per ITS data, the total duty drawback available to the assessee was Rs. 15,70,775/-, whereas the assessee had declared the same at Rs. 10,73,593/- in its income tax return (ITR). Accordingly, the difference amount of duty drawback at Rs. 4,97,182/-(15,70,775-10,73,593) was treated by the assessing officer, as income from other source and added to total income of the assessee.

5. Aggrieved by the order of the assessing officer, the assessee carried the matter in appeal before the learned CIT(A), who has confirmed the action of the assessing officer. The ld.CIT(A) held that duty drawback received by the assessee is taxable on accrual basis and as it is not disputed that an amount of Rs. 15,70,775/-, being duty drawback, was claimed and sanctioned during the relevant assessment year (A.Y.) 2018-19, in the assessee's case, hence, ld.CIT(A) based on these facts, upheld the addition made by the assessing officer.

6. Aggrieved by the order of ld.CIT(A), the assessee is in further appeal before this Tribunal.



7. Shri Brijesh Parekh, Learned Counsel for the assessee begins by pointing out that assessee had submitted during the assessment proceedings, as well as, during the appellate proceedings before the Id.CIT(A), the detailed working of the Duty Drawback claimed in return and sample supplementary documents specifically declaring the duty drawback amount. The Id.Counsel pointed out that the benefit received during the assessment year under consideration, on such exports of such products, that is, Duty Drawback income of Rs. 10,73,593/- was recognized on cash basis as per doctrine of prudence and general trade practice and upon which there is no Revenue loss to the department. The assessee is following such accounting policy of recognizing duty drawback on receipt basis since inception, therefore, addition sustained by the learned CIT(A) may be deleted.

8. On the other hand, the Ld. DR for the Revenue has primarily reiterated the stand taken by the Assessing Officer, which we have already noted in our earlier para and is not being repeated for the sake of brevity.

9. I have heard both the parties and carefully gone through the submission put forth on behalf of the assessee along with the documents furnished and the case laws relied upon, and perused the fact of the case including the findings of the Id CIT(A) and other materials brought on record. I note that the assessee is a partnership- firm engaged in manufacturing of plastic product and has filed e-return of income for assessment year (A.Y.) 2018-19 on 26/10/2018, declaring total income at Rs. 5,60,289/-. It is the contention of Id.Counsel for the assessee, that the above difference arose, as assessee had recognized duty drawback income of Rs. 10,73,593/-, on cash basis as per doctrine of prudence and general trade practice and upon which there is no Revenue loss to the department. I note that the substantive ground of appeal is against the addition of duty drawback income



for AY 2018-19 to the extent of 4,97,182/- (Rs.15,70,775- Rs.10,73,593). From the facts it is evident that while the assessee has not disputed the receipt of duty drawback of Rs. 15,70,775/- the difference in duty drawback offered as income by the assessee vis a vis the information available with the Department is on account of the method of accounting adopted. The assessee has offered the same on receipt basis instead of accrual basis and hence had recognized only an amount of Rs. 10,73,593/- on cash basis for the relevant assessment year (A.Y) 2018-19.

10. I note that the assessee's entitlement to duty drawback arises under the Customs, Central Excise Duties and Service Tax Drawback (Amendment) Rules, 2006. The assessee has adopted a sound and consistent accounting policy of recognizing duty drawback on cash receipt basis in accordance with the doctrine of prudence and general trade practice. The assessee submitted before the lower authorities, the supporting documents, including the ledger of duty drawback received during the year and sample shipping bills, to establish that the total duty drawback benefit received during the year was Rs. 10,73,593/-. Hence, I find that there is no loss to the revenue in adopting the cash basis for recognizing duty drawback receipts, as the assessee has been following such method, since its beginning, hence following the concepts of consistency, I find that method adopted by the assessee is fair, to recognize such item in its books of accounts. For that, reliance is placed on the judgement of Hon`ble High Court of Bombay in the case of CIT vs. Matchwell Electricals (1) Ltd., (2002), wherein, Hon`ble Court held that export duty drawback and cash assistance from the Government is assessable in the hands of the assessee on a receipt basis and not on an accrual basis. The same ratio was upheld by the Hon`ble Supreme Court in the case of



CIT vs Citibank N.A., (1994) 208 ITR 930 (Bom). Therefore, considering these facts and circumstances, I delete, the addition of Rs. 4,97,182/- and allow the appeal of the assessee.

11. In the result, appeal find by the assessee, is allowed.

Order pronounced in the open court on 24 / 11/ 2025.

**Sd/-
(Dr. Arjun Lal Saini)
Accountant Member**

Rajkot

//True Copy//

दिनांक/ Date: 24/11/2025

Copy of the Order forwarded to

1. The Assessee
2. The Respondent
3. The CIT(A)
4. Pr. CIT
5. DR/AR, ITAT, Rajkot
6. Guard File

By Order

Assistant Registrar/Sr. PS/PS
ITAT, Rajkot