

**IN THE INCOME TAX APPELLATE TRIBUNAL  
MUMBAI BENCH "A" MUMBAI**

**BEFORE SHRI OM PRAKASH KANT (ACCOUNTANT MEMBER)  
AND  
SHRI RAJ KUMAR CHAUHAN (JUDICIAL MEMBER)**

**ITA No. 3505/MUM/2025  
Assessment Year: 2020-21**

Antony Lara Enviro Solutions Pvt.  
Ltd.,  
A-59, Road No. 10, Wagle  
Industrial Estate,  
Thane-400604.  
**PAN NO. AAHCA 8528 P**  
**Appellant**

**Vs.**

PCIT, Thane-1,  
B Wing, Ashar IT Park, 6<sup>th</sup> floor,  
Road No. 16Z, Wagle Industrial  
Estate, Thane (West),  
Thane-400604.  
**Respondent**

Assessee by : Mr. Bhupendra Shah  
Revenue by : Mr. Rajesh Kumar Yadav, CIT-DR

Date of Hearing : 01/10/2025  
Date of pronouncement : 26/11/2025

**ORDER**

**PER OM PRAKASH KANT, AM**

This appeal by the assessee is directed against order dated 27.03.2025 passed by the Ld. Principal Commissioner of Income-tax – 1, Thane [in short ‘the Ld. PCIT’] for assessment year 2020-21, raising grounds as reproduced below:

*A) Grounds*

*1. In the facts of the case and in Law, the learned PCIT erred in invoking Section 263 to the case of the Appellant only by way of*



*change of opinion, without pointing out any error in the order of the A.O. and also by disregarding the detailed submissions dated 03-03-2025 made to him from time to time.*

*2. In the facts of the case and in Law, the Show Cause Notice & or order u/s 263 alleging errors and prejudice, itself is erroneous on many counts as follows.*

- In the facts of the case and in Law, the learned PCIT erred in invoking the provision of sec. 263 merely because he wants to take a view different from the one taken by the Assessing Officer and thereby changing the opinion of the Assessing Officer by his opinion.*
- In the facts of the case and in Law, the learned PCIT erred in overlooking the fact that once the issue of transition amount of Rs.41,40,28,675/- is scrutinized during the initial assessment year 2018-19 relevant to FY 2017-18, the scrutiny of the same issue in subsequent four years has no relevance as subsequent 1/5th additions in next 4 years originates from the transition amount of Rs.41,40,28,675/- in first financial year 2017-18,.*
- In the facts of the case and in Law, the learned PCIT erred in directing that he AO shall examine the submission of the Appellant made during the present proceedings and make necessary inquiries and verification in regard to the transition amount as referred to in section 115JB(2C) **and allowability of the claim of Rs. 8,28,05,735/- in the relevant year even though the same is claimed as per law only.***

*3. In the facts of the case and in Law, the learned PCIT has erred in passing the order u/s 263 by disregarding exhaustive details cited in the reply to show cause notice and thereby passing the order not tenable in law.*

**[B] Relief Prayed:**

*The appellant therefore prays to quash the order u/s 263 because PCIT had no proper jurisdiction to invoke provisions of revision and merely a change of opinion.*

2. Briefly stated, the material facts are that the assessment under section 143(3) of the Income-tax Act, 1961 (“the Act”) was completed on 09.09.2022, wherein the Assessing Officer accepted



the returned income of ₹1,42,62,650/- under the normal provisions and ₹75,70,83,250/- under the Minimum Alternate Tax (“MAT”) provisions as declared in the return filed on 01.02.2021.

3. The learned PCIT thereafter called for and examined the assessment records. On such examination, he formed the prima facie view that, in under the Schedule of Minimum Alternative Tax(MAT) computation forming part of the return, the assessee had included one-fifth of the “transition amount” contemplated under section 115JB(2C), amounting to ₹8,28,05,735/-, being one-fifth of ₹41,40,28,675/-. This transition amount pertained to adjustments required upon conversion to Ind-AS with effect from 01.04.2017.

3.1 According to the learned PCIT, the assessee had erroneously computed the transition amount by including adjustments relating to capital reserve and securities premium, whereas clause (iii) of the Explanation to section 115JB(2C) specifically mandates exclusion of capital reserve and securities premium from the computation of “other equity” adjustments. The learned PCIT further observed that no details or supporting material relating to MAT computation had been called for or examined during the original assessment proceedings. He, therefore, issued a show-cause notice dated 25.02.2025 proposing revision under section 263.

3.2 In response, the assessee contended that the transition amount of ₹41,40,28,675/- stood duly disclosed in the audited



financial statements for F.Y. 2017-18, as explained in Note 37B, and that such amount had been computed after excluding capital reserve and securities premium. The assessee further submitted that, following the assessment order for A.Y. 2018-19, one-fifth of the said amount had been consistently added to the book profit each year, including the impugned year. The essence of the assessee's plea was that the transition amount had been scrutinised in the initial year of Ind-AS adoption and, consequently, no further enquiry was warranted in the subsequent years, as the annual one-fifth adjustments merely emanated from the original figure.

3.3 The learned PCIT, however, was not persuaded. He observed that no inquiry whatsoever had been conducted by the Assessing Officer on this aspect during the assessment proceedings for the year under consideration. Invoking Explanation 2 to section 263—particularly clause (b)—he held that the assessment order was deemed to be erroneous insofar as it was prejudicial to the interests of the Revenue. He accordingly set aside the assessment order for the limited purpose of directing the Assessing Officer to examine the correctness of the transition amount and the resultant adjustment. The relevant finding of the Ld. CIT(A) is reproduced as under:

*“6. The Assessment order is required to be passed by making relevant enquiries and verification by the Assessing Officer. Explanation 2(b) makes it clear that any order passed allowing any relief without inquiring into the claim which should have been made by the Assessing Officer shall be deemed to be erroneous in*



*so far as it is prejudicial to the interests of the revenue. The claim of the assessee that once the issue of transition amount of Rs.41,40,28,675/- is scrutinized during the initial assessment year 2018-19 relevant to FY 2017-18, the scrutiny of the same issue in subsequent four years has no relevance as subsequent 1/5th additions in next 4 years originates from the transition amount of Rs.41,40,28,675/- in first financial year 2017-18, is not tenable as the AO has allowed the claim of Rs. 8,28,05,735/- without examining it during the assessment proceedings for the assessment year 2020-21, presently under consideration. As such, the case falls under Explanation 2(b) to Section 263 of the Act.*

*7. In view of above discussion, I have come to the conclusion that the assessment order dated 09/09/2022 passed u/s.143(3) r.ws.144B for the A.Y.2020-21 is erroneous in so far as it is prejudicial to the interest of the Revenue. The assessment order dated 09/09/2022 for A.Y.2020-21 is accordingly partly set aside for the limited purpose to examine the following issue(s) :-*

*8. The AO shall examine the submission of the assessee made during the present proceedings and make necessary inquiries and verification in regard to the transition amount as referred to in section 115JB(2C) and allowability of the claim of Rs. 8,28,05,735/- in the relevant year.”*

4. Before us, the learned counsel for the assessee placed on record a Paper Book comprising pages 1 to 120. Adverting to page 74 thereof, he drew our attention to the audit report furnished in Form No. 29B, wherein the auditor has certified the quantum of adjustment required to be made to the book profit under section 115JB of the Act pursuant to the adoption of Indian Accounting Standards (Ind-AS). The learned counsel further referred to the notice issued under section 142(1) of the Act dated 09.02.2022 and contended that all requisite particulars concerning the MAT computation, including the transition amount, were duly furnished before the Assessing Officer during the assessment proceedings.



4.1 He also invited our attention to the assessment order for A.Y. 2018-19, wherein the Assessing Officer had examined and accepted the computation of the transition amount arising on first-time adoption of Ind-AS. According to him, once the foundational transition amount had been scrutinised and accepted in the initial year, the consequential one-fifth adjustments in the subsequent years—being arithmetical apportionments flowing directly from the original figure—did not call for fresh verification year after year. He submitted that the assessment records for A.Y. 2018-19 were available before the Assessing Officer, and the assessee had also furnished all relevant details. Thus, in the factual matrix of the present case, there was neither omission nor failure on the part of the Assessing Officer so as to attract Explanation 2 to section 263. The assumption of revisional jurisdiction by the learned PCIT, he argued, was therefore wholly unwarranted.

4.2 On the other hand, the Ld. Department Representative (DR) relied on the order of the Ld. PCIT.

4.3 We have carefully considered the rival submissions and perused the material placed on record. The controversy that arises for our adjudication is a narrow one: whether, for the year under consideration, the Assessing Officer can be said to have failed to conduct the requisite inquiry regarding the inclusion of one-fifth of the transition amount—amounting to ₹8,28,05,735/—in the computation of



4.4 The learned PCIT has proceeded on the premise that the Assessing Officer omitted to verify whether the transition amount utilised for MAT purposes was computed after excluding capital reserve and securities premium, as mandated by clause (iii) of the Explanation to section 115JB(2C). It is on this perceived absence of inquiry that the jurisdiction under section 263 has been invoked by placing reliance on Explanation 2(b).

4.5 On the other hand, the assessee has consistently maintained that the transition amount was duly computed in accordance with Ind-AS requirements, after excluding capital reserve and securities premium, and that this very computation was subjected to detailed scrutiny in A.Y. 2018-19—the initial year of Ind-AS adoption. Once the transition amount was determined and accepted in that year, the consequential one-fifth apportionments for the subsequent four years were purely mechanical in nature and did not warrant a repetitive examination. The assessee further demonstrated that the Form No. 29B audit report, the Ind-AS transition workings, and the assessment order for A.Y. 2018-19 were all available before the Assessing Officer at the time of completing the assessment for the present year.

4.6 We find considerable merit in the submission of the assessee. The transition amount under section 115JB(2C) is a one-time computation arising on the date of first-time adoption of Ind-AS. Statutorily, only one-fifth of such amount is to be added to the book



profit in each of the four succeeding previous years. Once the foundational figure has been computed and examined in the first year—and, significantly, accepted by the Assessing Officer—there is no statutory warrant for a fresh determination of the very same amount in subsequent years. What remains in later years is merely arithmetical apportionment, not a fresh adjudication.

4.7 In the present case, the assessment order for A.Y. 2018-19, placed before us, clearly indicates that the transition amount of ₹41,40,28,675/- was scrutinised and accepted. The learned PCIT does not dispute this fact; his grievance is only that the Assessing Officer did not again verify the composition of the same transition amount in the year under consideration. In our considered opinion, such a view overlooks the settled principle that where a matter stands examined and accepted in the foundational year, the Assessing Officer cannot be faulted for not reopening or redetermining it in every succeeding year, particularly when the assessee has consistently followed the same computation mechanism and furnished all requisite particulars.

4.8 The computation of book profit, forming part of the return of income and reproduced below for clarity, shows that the one-fifth addition of ₹8,28,05,735/- was embedded in the accounting framework already subjected to audit under Form No. 29B:

**Schedule 9**  
**Minimum alternative tax**



New profit before tax as per P& L A/c		29,78,03,548
Less: Provision for Tax in P&L A/c		3,78,44,831
Net Profit after tax (A)		<u>25,99,58,717</u>
Additions		
Provision for Current Tax	8,41,11,175	
Transition Amount u/s 115JB(2C)	8,28,05,735	
Credits to other comprehensive income u/s 115JB(2A)(a)	<u>2,04,186</u>	
Total additions (B)		<u>16,71,21,096</u>
Deletions		
Deferred Tax credited to P&L a/c	4,62,66,344	
Withdrawal from reserve or provisions	<u>41,70,726</u>	
Total deletions (C)		<u>5,04,37,070</u>
Book Profit (A+B-C)		<u>37,66,42,743</u>
Mat on book profit		<u>6,96,78,907</u>
Mat with SC & Cess on book profit		<u>8,03,81,587</u>
Whether earning solely in Foreign Exchange in Intl. Financial Services Centre?	No	
Depreciation debited to P&L a/c (For 29B only)	20,63,909	
Policies, standards & methods used in accounts laid before AGM are followed in P&L a/c	Yes	

4.9 The Assessing Officer had the complete MAT computation, the audited financials, and the earlier assessment on record. The mere absence of a further inquiry, when all material was already available and the issue itself was derivative of an earlier year's accepted finding, cannot by itself render the assessment "erroneous" in the sense contemplated under section 263. As repeatedly held by the Hon'ble Supreme Court, the phrase "erroneous and prejudicial to the interests of the Revenue" must be understood in a manner consistent with the twin requirements of error and prejudice; it does not authorise the revisional authority to substitute its subjective degree of inquiry for that of the Assessing Officer when the latter's view is a plausible and legally sustainable one.



4.10 We therefore hold that the present case does not fall within the sweep of Explanation 2(b) to section 263. The foundational transition amount having been examined threadbare in A.Y. 2018-19, and the current year being merely a mechanical apportionment, the Assessing Officer cannot be said to have committed any error warranting revision.

5. In view of the foregoing discussion, we are of the considered opinion that the assumption of jurisdiction by the learned PCIT under section 263 is unwarranted. The impugned revisional order is accordingly set aside. The assessment order dated 09.09.2022 is restored.

6. The grounds of appeal raised by the assessee are allowed.

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

**Order pronounced in the open Court on 26/11/2025.**

**Sd/-**  
**(RAJ KUMAR CHAUHAN)**  
**JUDICIAL MEMBER**

**Sd/-**  
**(OM PRAKASH KANT)**  
**ACCOUNTANT MEMBER**

Mumbai;  
Dated: 26/11/2025  
Rahul Sharma, Sr. P.S.



**Copy of the Order forwarded to :**

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

//True Copy//

BY ORDER,

(Assistant Registrar)  
**ITAT, Mumbai**