

**IN THE INCOME TAX APPELLATE TRIBUNAL
“C” BENCH, DELHI**

**BEFORE SHRI ANUBHAV SHARMA, JUDICIAL MEMBER &
SHRI AMITABH SHUKLA, ACCOUNTANT MEMBER**

**ITA No.3055/Del/2025
(Assessment Year:2020-21)**

DCIT Room No. 348, E-2, ARA Centre, Jhandewalan Extn. New Delhi – 110055	Vs.	Omax Autos Ltd. B-26, Institutional Area Sector – 32, Gurgaon, Haryana – 122001
स्थायीलेखासं./जीआइआरसं./PAN/GIR No: AAACO2190C		
Appellant	..	Respondent

Appellant by :	Sh. Rohit Jain, Adv. Ms. Somya Jain, Adv.
Respondent by :	Sh. Mukesh Kumar Jha, CIT, DR

Date of Hearing	16.12.2025
Date of Pronouncement	14.01.2026

ORDER

PER ANUBHAV SHARMA, JM:

This appeal is preferred by the Revenue against the order dated 10.01.2025 of the Ld. CIT(A)-29, New Delhi (hereinafter referred as Ld. First Appellate Authority or in short Ld. ‘FAA’) in Appeals No: CIT(A),

Delhi-29 10556/2019-20 arising out of the order dated 23.09.2022 u/s 143(3) of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') passed by the ACIT, Central Circle-27 for AY: 2020-21.

2. The assessee, a company incorporated under the provisions of the Companies Act, 1956, is engaged in the business of manufacturing Auto & Non-Auto components in India and specializes in sheet metal components, tubular components and machined components and for the relevant assessment year, the assessee filed return of income on 15.02.2021 declaring income of Rs.26,89,05,610/-. The said return was selected for complete scrutiny assessment which culminated into passing of assessment order dated 23.09.2022 issued under section 143(3) of the Income Tax Act, 1961 (the Act'), assessing total income at Rs. 1,25,74,38,095/-.

3. Aggrieved, the assessee filed appeal before CIT(A) which was partly allowed vide order dated 10.01.2025 and for which revenue is in appeal and raised following grounds;

“1. Whether Ld. CIT(A) has erred in deleting the disallowance made on account of unverified deduction amounting to Rs. 58,16,56,473/-
Ground

2. Whether Ld. CIT(A) has erred in deleting the disallowances on account of unexplained and unverified expenses on account of Trade advances written off amounting to Rs. 13,47,90,887/- ground.
 3. Whether Ld. CIT(A) has erred in deleting the disallowances on account of unexplained and unverified expenses on account of bad debts written off amounting to Rs. 2,25,98,900/-.
 4. Whether Ld. CIT(A) has erred in deleting the disallowances on account of unexplained and unverified expenses on account of inventory written off amount to Rs. 4,25,00,000/-Ground.
 5. Whether Ld. CIT(A) has erred in deleting the Long Term Capital gain on sale of land amounting to Rs. 2,85,78,348/-Ground.
 6. Whether Ld. CIT(A) has erred in deleting the disallowances on account of unexplained and unverified expenses on account of other borrowings costs amounting to Rs. 86,90,000/-Ground.
4. Extensive written submissions were filed by the Id. AR and same have all the relevant facts and only contention of Id. DR was that Rule 46A for admitting additional evidences was not followed. Same shall be addressed at appropriate as we intend to first consider issues and relevant evidences.
5. The **first ground** arising out of appeal of revenue concern disallowance on account of unverified deduction of Rs.58,16,56,473/-which comprises deductions on account gain on sale of assets and written off bad debt pertaining to diesel locomotive works Varanasi. The AO has disallowed the deduction alleging that deduction was unverified since the AO failed to

substantiate the claim with document evidences. The AO observed that the said ground had been reduced in the computation of income and reached conclusion that the amounts had not been offered for taxation under any head of income.

6. Ld. AR has explained that in the computation of income, the aforesaid gains of Rs.48.49 cr (on sale of assets to HEMA) and Rs.9.31 cr (on sale of assets to other parties), having been earned on sale of depreciable assets, were reduced from the income and were offered to tax as under:

- Gain on sale of depreciable assets were reduced from / adjusted in the block of assets in accordance with provisions of section 43(6) of the Act;
- Long term capital gain on sale of land to HEMA were offered to tax in accordance with the provision of section 45 of the Act (explained in Ground of Appeal No. 5 infra).

6. Then, during the First Appellate proceedings assessee had furnished following additional evidences:

- ✓ Copy of Agreement for sale of assets entered into with HEMA

- ✓ Copy of Sale Deed executed with HEMA for sale of land
- ✓ Copy of reconciliation of depreciable assets and other assets sold during the year

7. On the aforesaid documents being submitted as additional evidence, the assessing officer sent 1st, remand report on 04.12.2024, wherein, after verifying the additional documents and the submissions made by the assessee, no adverse remark/ comments were offered on sale made to HEMA. The assessing officer only objected to the admission of additional evidence for not having been filed during assessment proceedings. Relevant extract of the remand report issued on this issue is reproduced as under:

“COMMENTS OF AO

8.12 The written submission filed by the assessee as also discussed above has been perused carefully. It is seen that the assessee has submitted relevant information in form of Audited Financials of the company for AY 2020-21 and sale of the assets to HEMA are verified through the Agreement to sale dated 22.05.2019. Also, the assessee has furnished details of the transactions relating to sale of assets to other parties other than HEMA. However, the assessee has not submitted the details of sale of Plant And Machinery amounting to Rs. 9,47,68,095/- to various other parties other than HEMA as additional evidence before Ld. CIT(A).

8.13 On perusal of books of accounts/ ledgers vis-à-vis the written submission of the assessee, and also on perusal of Audited Depreciation chart filed by the assessee for AY 2020-21, it is seen that the treatment of sale of asset has been

shown by the assessee as per the provisions of Income Tax Act. As per Income Tax provisions the profit on sale of depreciable assets are not taxable as revenue receipts, and the gross sale proceeds are required to be deducted from the WDV of the Block of asset which in this case is Buildings and Plant and Machinery. The assessee has deducted the same from the depreciation chart as appearing from the depreciation chart (as per ITR) produced above in reference to the same.

8.14 Moreover, on perusal of the assessment order, it is seen that the assessee did not file complete information and documents at time of assessment proceedings, which it has produced before the Ld. CIT(A) at time of appellate proceedings. The assessment order in the matter has been passed by stating that:

"In absence of documentary evidence as mentioned above and the noncompliance on the assessee's part it is not possible to identify whether the sale consideration of fixed assets sold by M/s Omax Autos Ltd to a company namely M/s Hema Engineering Industries Ltd has been correctly shown in books of accounts and is allowable as deduction."

8.15 Therefore, since these details were not submitted by the assessee at the time of assessment proceedings even after being provided with sufficient opportunities, the evidences may not be admitted." (emphasis supplied)

8. The assessing officer however, in respect of sale made to parties other than HEMA, submitted that assessee did not furnish detail of sale of plant and machinery. Accordingly, in the rejoinder to remand report filed on 13.12.2024, the assessee submitted item-wise detail of plant and machinery sold to parties other than HEMA. In the 2nd remand report dated 26.12.2024,

the assessing officer, after verifying the details of sale made to other parties, categorically observed that sale was duly reflected in the books of accounts, income arising therefrom was offered to tax, and while computing depreciation for the purpose of the Act, the sale was duly reduced from the WDV of the block. Though the assessing officer held that no discrepancy was found, however objected to the admission of additional evidence for not having been filed during assessment proceedings.

7. In regard to write off bad debt pertaining to diesel locomotive work Varanasi the assessing officer denied deduction claimed in respect of bad debts written off aggregating to Rs.35,52,770/- on the limited ground that the appellant failed to submit details in respect of aforesaid write offs. Accordingly, in order to rebut the allegation made and in support of its claim, the assessee placed on record the following documents as additional evidence:

- ✓ Copy of intimations issued by DLW for cancellation of PO;
- ✓ Copy of ledger account of DLW in the books of the assessee

9. In the remand report dated 04.12.2024, the assessing officer, after verifying the documents submitted and submission made, did not offer any

remarks on the claim of deduction. Relevant extract of the remand report is reproduced as under;

"COMMENT'S OF AO

11.5 The documents submitted by the assessee as produced above, and the written submission filed by the assessee have been perused. The assessee has written of the amounts receivable from the Diesel Locomotive Works, Varanasi mentioned above. It is also seen from ledgers submitted by the assessee that the parties are debtor to whom the sales were made by the assessee. The assessee has corroborated the transaction amounting to Rs.35,51,540/- (Rs.31,95,098-Rs.4,56,442/- held with Diesel Locomotive Works, Varanasi by producing the intimation letter issued to the assessee on different dates 12.01.2018 and 27.12.2017. The assessee has furnished copies of ledgers and working of bad debts written off substantiating the same.

11.6 However, it is imperative to note that these details were not submitted by the assessee at the time of assessment proceedings even after being provided with sufficient opportunities. Hence, the evidences may not be admitted."

(emphasis supplied)

10. The CIT(A), following the aforesaid observations made in the remand report allowed the deduction claimed by the assessee. Thus it comes up that on verification of the documents filed as additional evidence, the assessing officer duly recorded that the claim of deduction was substantiated.

12. Even otherwise, it is a settled law that for claiming deduction for bad debts in accordance with provisions of section 36(1)(vii) of the Act, it is not necessary for the assessee to establish that the debt, in fact, has become irrecoverable; it is enough if the bad debt is written off as irrecoverable in the accounts of the assessee [refer T.R.F. Ltd. vs. CIT: 323 ITR 397 (SC); CBDT Circular No.-12 of 2016 dated 30.05.2016].

13. The next ground of appeal of the revenue is **ground No. 2** with regard to disallowance of trade advances written off. In the assessment order, the assessing officer denied deduction claimed in respect of write-off of trade advances aggregating to Rs.13,47,90,887 on the limited ground that the appellant failed to submit details in respect of aforesaid write offs. Accordingly, in order to rebut the allegation made and in support of its claim, the assessee placed on record the following documents as additional evidence:

- ✓ Copy of ledgers of Ancillary companies in the books of Appellant showing written off entries;
- ✓ Copies of declarations of the ancillary companies;

- ✓ Copies of Financial Statement of the ancillary companies and ledgers of assessee company in the books of Ancillary companies showing writing off entries;
- ✓ Copy of Ledger of Deposit showing written off entries pertaining to DHBVN in the books of assessee company

16. In the remand report dated 04.12.2024, the assessing officer, after verifying the documents submitted and submission made, did not offer any remarks on the claim of deduction. Relevant extract of the remand report is reproduced as under;

“COMMENTS OF AO

9.5 The documents submitted by the assessee as produced above, and the written submission filed by the assessee have been perused. The assessee has written of the tooling advances to the ancillary entities in its books of accounts. Also, ancillary entities have recorded these transactions of written of advances received by them from assessee in their respective books of accounts, against which the ledgers and confirmation have been produced by the assessee. With regard to security advance to DHBVN, the assessee has only submitted copy of ledger of Deposit showing outstanding receivables and corresponding written off entries.

9.6 However, it is imperative to note that these details were not submitted by the assessee at the time of assessment proceedings even after being provided with sufficient opportunities. Hence, the evidences may not be admitted.”

(emphasis supplied)

17. Thus following the aforesaid observations made in the remand report, the CIT(A) allowed the deduction claimed by the assessee. Thus on

verification of the documents filed as additional evidence, the assessing officer duly noted that the advance was written off in the books of both, the assessee and ancillary companies.

18. Even otherwise, considering that the advance was no longer receivable due to closure of plants and consequent business with ancillary companies and was duly written off in the books of the assessee, the deduction claimed in respect of write off of advances was rightly allowed.

19. **Ground No. 3** of the appeal of revenue arises out of addition on account of bad debt written off. In this regard, it comes from the submissions that when Indian Railways grant contracts/ tenders to companies, the contract value is decided based on the value of Purchase of Order (PO). As per Indian Railways rule, an adjustment is made on the PO price with respect to fall or increase in the cost of raw material as per a price adjustment formula. The assessee had entered into a contract with the Railway Board [Contract No.RS(S)/51/2019/7701/1/11943] for manufacturing, supply and installation of stainless steel benches. A copy of the contract is placed herewith at pages 215-236 of PB Vol. II. The said contract provides the price adjustment formula at 'Annexure F' placed at page 234 of PB Vol.II. Thus following the

formula in the contract the assessee recognized the revenue on the basis of initial PO price of Rs. 399.59 per kg of supplies to be made. However, due to fall in the price of the raw material, the PO price was adjusted by Rs.38.97 per kg to arrive at final price of Rs. 360.62 per kg. Due to such fall in price, the final price paid by railway was reduced, thereby resulting in short recovery of Rs. 1.05 crores. A statement showing calculation of price adjustment, as per formula provided in the contract entered with Indian Railways, aggregating to Rs. 1.05 crore is placed at pages 237-242 of PB Vol. II.

20. As with respect to the write off amounting to Rs. 30.27 lakh (i.e., more than 13% of the total), recoverable from Caparo Engineering India Pvt. Ltd. ('CEIPL'), it is was submitted by Id. AR that the said amount had remained outstanding since 2009 against total billings of Rs.1,60,66,325/-.In this regard, the assessee had repeatedly issued demand notices to CEIPL, however, none of the notices elicited any response. Owing to the continued non-payment, the assessee was compelled to institute a summary suit for recovery of the said amount in May 2015. Despite pursuing the suit over several years, the management could not secure any reasonable assurance

regarding the recoverability of the disputed sum. Consequently, the amount was deemed irrecoverable and was written off in the books as bad debt. Then recently, during FY 2023-24 CEIPL and assessee agreed to a full and final settlement of the recovery matter and accordingly CEIPL paid Rs.21,00,000/- to the assessee. This was duly recognized as 'other income' in the books of accounts for the current year and offered to tax under section 41(4) of the Act in the return of income for AY 2024-25. A copy of the Settlement Order dated 08.08.2023 passed by the Court along with ledger in the books of accounts showing the recovered amount as Rs.21,00,000/- as 'other income' is placed at pages 268-269 of PB Vol. II.

21. Ld. AR pointed out in submissions that the amount written off with respect to the above two companies comprises nearly 60% of the total write-offs. As for the remaining parties, the debts were long outstanding and were no longer recoverable from the customers. Accordingly, since the debts were no longer recoverable, the assessee wrote off the aforesaid debts in its books of accounts and claimed a deduction of Rs.2,25,98,900 in the computation of income.

22. We find that in the assessment order, the assessing officer disallowed the deduction of bad debts on the limited ground that the assessee failed to furnish details and documentary evidences in respect of the aforesaid expenses. In order to rebut the aforesaid argument and support its claim, the assessee during the appellate proceedings, furnished the following document as additional evidence;

- ✓ Copy of Contract No. RS(S)/51/2019/7701/1/11943 entered between assessee and Railway Board, Government of India for manufacturing supply and installation of stainless steel benches;
- ✓ A statement showing calculation of price adjustment, as per formula provided in the contract entered with Indian Railways, aggregating to Rs. 1.05 crore;
- ✓ Copies of invoices issued by the assessee to Indian Railways Board on sample basis;
- ✓ Copy of Ledgers showing written off entries with various vendors of Indian Railways;
- ✓ Copy of Settlement order dated 08.08.2023 passed by the Court in favour of the assessee along with screenshot of entry in the books of

- accounts showing the recovered amount as Rs. 21,00,000/- as 'Misc Reciept Income';
- ✓ Copy of bad debt calculation sheet and screenshot of writting off entries of Rs. 2.25crores in the books of assessee;
 - ✓ Copy of Ledgers of all the vendors, in the books of accounts of the assessee, showing the outstanding receivables and corresponding entryies) of written off.

23. In the remand report dated 04.12.2024, the assessing officer, after verifying the additional documents and the submissions made by the assessee, did not offer any adverse remark/comment as under;

"COMMENTS OF AO

10.6 The documents submitted by the assessee as produced above, and the written submission filed by the assessee have been perused. The assessee has written off the amounts receivable from the entities 14 entities as mentioned above. It is also seen from ledgers submitted by the assessee that the parties are debtors to whom the sales were made by the assessee. The assessee has corroborated the major transactions held with Indian Railway Board and Coparo Engineering India Pvt. Ltd. by producing the agreement executed with Railway Board and relevant court order in case of Coparo Engg. India Pvt. Ltd. The

assessee has furnished only copies of ledgers and working of debts written off of all the other parties in support of the same.

10.7 However, it is imperative to note that these details were not submitted by the assessee at the time of assessment proceedings even after being provided with sufficient opportunities. Hence, the evidences may not be admitted." (emphasis supplied)

24. Thus following the aforesaid observations made in the remand report, the CIT(A) allowed the deduction claimed by the assessee. It can be appreciated that on verification of the documents filed as additional evidence, the assessing officer did not offer any adverse remarks on the claim of deduction.

25. Even otherwise, considering that the debts were no longer receivable and were duly written off in the books of the assessee, the deduction claimed in respect of write off of advances was rightly allowed.

26. **Ground no. 4** of the appeal of revenue concerns addition on account of inventory written off. Ld AR has submitted that due to the commercial unfeasibility of both the Speedomax Unit and Sprocket Unit, the assessee was constrained to close the aforesaid two plants/units that were exclusively

manufacturing for HMCL. However, some of the stock that was made as per the specifications of HMCL had become unsaleable as the same could not have been sold to HMCL in view of the non-compete agreement with HEMA. Such inventory could also not have been sold to other customers since it was being manufactured as per the specification of the products of HMCL. As a result, the said stock was realizable at a price less than its cost price. Accordingly, in compliance with IND AS 2, the management of the assessee-company recognized the unrealizable loss of Rs.4,25,00,000/- (being approximately 75% of the stock value) accrued to the assessee on the basis of management estimate of inventory relating to the aforesaid two units lying in the inventory. Details of inventory written off is placed here before us at pages 725-749 of PB Vol. III.

27. In the assessment order, the assessing officer disallowed the deduction claimed on account of inventory write off on the limited ground that the assessee failed to furnish details and documentary evidences in respect of the aforesaid expenses. In order to rebut the aforesaid argument and support its claim, the assessee during the appellate proceedings, furnished the following document as additional evidence:

✓ Detail of inventory written off/ recorded at realizable value

28. In the remand report dated 04.12.2024, the assessing officer, after verifying the additional documents and the submissions made by the assessee, did not offer any adverse remark/ comment as under:

“COMMENTS OF AO

13.4 On perusal of the documents like quotations from the vendors provided by the assessee, it is seen that the assessee has taken the inventory at market value/ realizable value or Cost whichever is lower. The loss was recorded pursuant to closure of plant/ units such loss was reduced from the Profits from sale of Plant & Machinery, building to HEMA and was forming part of 'Net Exceptional Income' of Rs.39,57,50,000/- which is recorded in the computation produced in preceding paras. It is also verified from the tax audit report that the assessee has been following the same accounting policy and the same has not been challenged in any assessment year by the revenue.

13.3 However, it is imperative to note that these details were not submitted by the assessee at the time of assessment proceedings even after being provided with sufficient opportunities. Hence, the evidences may not be admitted.”

29. On a consideration of the aforesaid, it can be appreciated that after due verification of the documents filed as additional evidence and detailed submissions made, the assessing officer did not draw any adverse inference thereby accepting the correctness of the claim of the assessee.

30. Even otherwise, the aforesaid treatment undertaken by the assessee was in accordance with IND AS 2 which provided for recording of inventory at the cost or net realizable value, whichever is lower. In the present case, since the inventory, having been manufactured as per the specification of HMCL, could not be easily sold to other vendors, the same was recorded at net realizable value.

31. **Ground No. 5** of the appeal of revenue arises out of addition on account of LTCG on sale of land. In the assessment order, the assessing officer however, reduced the book value of "building" amounting to Rs. 35,21,652/-, from total sales consideration of Rs. 10.36 crores to arrive at the sale consideration of Rs. 10 crores pertaining to land. Ld. AR has submitted that the assessing officer failed to appreciate that the consideration payable in respect of sale of land was duly adjusted in the WDV of the block of asset. In deed such action of the assessing officer in attributing higher sales

consideration towards the sale of land, to the extent it has already been reduced from the Building's block of asset by the assessee, leads to double taxation of the said amount, both as capital gain and reduced claim of depreciation. If the assessing officer had any doubt on the value of sale consideration attributable to the land by the assessee while calculating the returned capital gain on the sale of land, the assessing officer must have exercised the power of referring the valuations to the Valuation Officer. However, in the facts of the present case, the assessing officer made no such reference and an arbitrary value was assigned to sale consideration attributable to land.

32. Before the CIT(A), the assessee duly submitted copy of the valuation report obtained from registered valuer showing the respective fair market values) of Land and Building sold during the year consideration (available at pages 776-781 of PB Vol III.

33. In the remand report dated 04.12.2024, the assessing officer, after verifying the valuation report issued by the registered valuer, did not offer any adverse remark/ comment as under:

“COMMENTS OF AO

14.6 On perusal of books of accounts/ ledgers vis-a-vis the written submission of the assessee, and also on perusal of Audited Depreciation chart filed by the assessee for AY 2020-21, it is seen that the treatment of sale of asset has been shown by the assessee as per the provisions of Income Tax Act. Moreover, as per Income Tax provisions the profit on sale of depreciable assets are not taxable as revenue receipts and the gross sale proceeds amounting to Rs.3.21 Crores was required to be deducted from the WDV of the Block of asset which in this case is Buildings. The details of the same have been discussed and the chart has been produced in the preceding paras of this report in reference to the same.

14.7 It is also observed that the valuer valued the land at Rs. 7.14 crore and building at Rs.3.21 crore dated 04.04.2019, the sale consideration against sale of building is to be reduced from block of assets which the assessee has reduced in the depreciation chart, and the profit from sale of land has been shown as Long Term Capital Gain by the assessee in computation itself. Further, it is also verified from the Tax Audit Report that that the block of building as on closing of year, i.e. 31.03.2020 was Rs. 28,99,39,670/- which is after sale of building Rs.3.21 crores.

14.8 However, it is imperative to note that these details were not submitted by the assessee at the time of assessment proceedings even after being provided with sufficient opportunities. Hence, the evidences may not be admitted.”

34. Thus it only following the aforesaid observations made in the remand report, the CIT(A) allowed the deduction claimed by the assessee as in the remand report, the assessing officer has accepted the claim of the assessee.

35. Even otherwise, it is settled law that the valuation adopted by an assessee for the purpose of negotiating the sale price of the property and for calculating capital gains thereon on the basis of report of certified valuer/expert must be accepted and no addition can be made without raising any doubts on the genuineness of the said report or referring the matter to the Valuation Officer [refer CIT vs. Ajax Products Ltd. [1965] 55 ITR 741 (SC); PCIT vs. Cinestaan Entertainment Pvt. Ltd. [ITA 1007/2019& CM APPL. 54134/2019] (SC); CIT vs. Bharti Cellular Ltd. [2010] 330ITR 239 (SC).

36. **Ground No. 6** concerns disallowance on account of other borrowing cost expenses. During the year under consideration, the assessee requested its bank(s) to issue various bank guarantees to lenders including the Pradeshiya Industrial & Investment Corporation of U.P.Limited (PICUP) which granted assessee interest free loan] and other businesses.To provide such guarantees, banks charged the assessee with bank guarantee fee besides other banking

charges. Copy of statement showing the details of expenditure incurred under the head of other borrowing cost is provided at pages 782-785 of PB Vol. III. Consequently, the assessee incurred expenditure on account of other borrowing costs of Rs. 86.90Lakhs and the same was recorded in the Audited Financial Statements under the head 'Finance Cost'. A breakup of the aforesaid expense is filed as under:

Sr. No.	Particulars	Amount
1	Paid bank guarantee charges to IndusInd Bank through current bank account No. 650014031420 for providing bank guarantee to PICUP	31,87,434
2	Paid bank guarantee charges for providing bank guarantee to other lenders/creditors	28,17,525/-
3	Bank charges paid to HDFC bank & Indian Bank	26,84,928/-
	Total	86,89,887/-

Copy of the aforesaid bank charges in the ledger account in the books of the assessee is filed at pages 786-850 of PB Vol. III. Further, copy of the relevant extract of the bank statement highlighting the debit entries of bank charges/ fees paid by the assessee is filed at pages 851-946 of PB Vol. III.

37. In the assessment order, the assessing officer disallowed the deduction claimed on account of other borrowing costs on the sole ground that the

assessee failed to furnish details and documentary evidences in respect of the aforesaid expenses. In order to rebut the aforesaid argument and support its claim, the assessee during the appellate proceedings, furnished the following document as additional evidence:

- ✓ Copy of relevant extract of the bank statement highlighting the debit entries of bank charges/ bank guarantee fee paid by the assessee company.

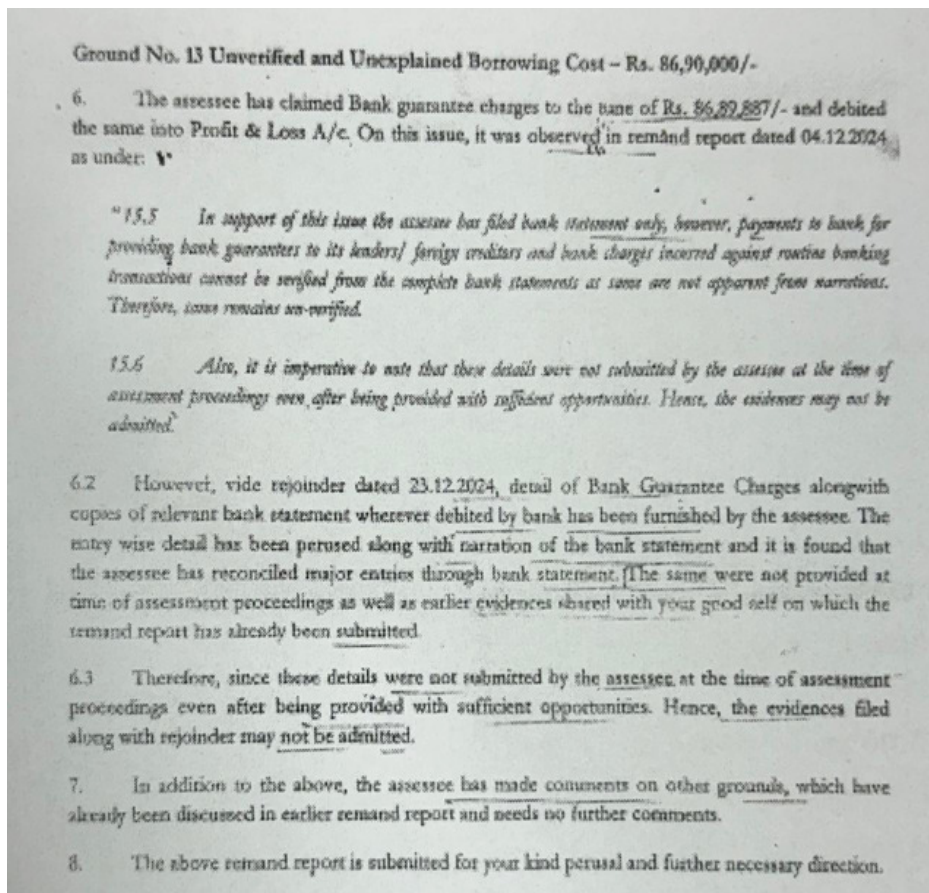
38. In the remand report dated 04.12.2024, the assessing officer held that the bank guarantee charges could not be verified:

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15.5 In support of this issue the assessee has filed bank statement only, however, payments to bank for providing bank guarantees of its lenders/ foreign creditors and bank charges incurred against routine banking transactions cannot be verified from the complete bank statements as same are not apparent from narrations. Therefore, same remains un-verified.

15.6 Also, it is imperative to note that these details were not submitted by the assessee at the time of assessment proceedings even after being provided with sufficient opportunities. Hence the evidences may not be admitted.”

39. Accordingly, in the rejoinder to remand report, the assessee duly placed on record copies of ledger account of bank charges accounts totaling to Rs.86,90,000. Thus in the 2nd remand report dated 26.12.2024, the assessing officer, after verifying the details submitted, did not offer any adverse remarks on the claim of the assessee. Relevant extracts of the 2nd remand report are reproduced as under:



40. Thus it is only after following the aforesaid observations recorded in the remand reports), the CIT(A) allowed the claim of the assessee after AO filed second report verifying the documents submitted in support of the claim and the assessing officer was satisfied with the correctness of the deduction claimed inasmuch as no remarks were offered.

41. Even otherwise, it is settled law that bank guarantee fees/ bank charges incurred for the purpose of business is a revenue expenditure and is allowable as a deduction [refer CIT vs. Sivakami Mills Ltd. (1993) 11 SCC 283; Haryana State Road & Bridges Development Corporation Ltd. vs. CIT, Panchkula [2016] 75 taxmann.com 104; J. K. Synthetics Ltd. vs. Commissioner of Income-tax[2015] 55 taxmann.com 254 (Allahabad); Vikram Mills Ltd. vs. Commissioner of Income-tax[1999] 107 Taxman 344 (Gujarat); L & I SUCG JV CC 27 vs. Additional Commissioner of Income-tax [2019] 109 taxmann.com 529 (Delhi - Trib.)].

42. On the basis of discussion, we find that the contention of ld. DR about non-compliance of Rule 46A and his reliance on the decision of CIT vs. Kanpur Coal Syndicate (1964) 53 ITR 225 to contend that where a

mandatory requirement of Rule 46A are not complied the order Id. First Appellate Authority is vitiated and that principle of judicial discipline and non acceptance of additional evidence without examination leads to make the impugned order of CIT(A) erroneous has no substance. Our observation on the basis of extensive submissions raised by the Id. AR is that AO was given all the reasonable opportunity to address the additional evidences and before us not an iota of facts are cited which would show that any of the evidences filed as additional evidences needed any other form of verification and remand report was insufficient to let Id. CIT(A) consider the issue and give conclusive findings.

43. Consequently we find no substance in the grounds of appeal and the appeal of revenue is dismissed.

Order pronounced in the open court on 14.01.2026

Sd/-
(Amitabh Shukla)
ACCOUNTANT MEMBER

Sd/-
(Anubhav Sharma)
JUDICIAL MEMBER

Dated 14.01.2026
Rohit, Sr. PS

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR
ITAT NEW DELHI