

आयकर अपीलीय अधिकरण
दिल्ली पीठ "सी", दिल्ली
श्री विकास अवस्थी, न्यायिक सदस्य एवं
श्री ब्रजेश कुमार सिंह, लेखाकार सदस्य के समक्ष
IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH "C", DELHI
BEFORE SHRI VIKAS AWASTHY, JUDICIAL MEMBER &
SHRI BRAJESH KUMAR SINGH, ACCOUNTANT MEMBER

आअसं.3211/दिल्ली/2025(नि.व. 2010-11)
ITA No.3211/DEL/2025 (A.Y.2010-11)

Income Tax Officer,
Ward-6(1), R. No.380 C, Third Floor, CR Building,
ITO, Delhi 110002 अपीलार्थी/Appellant

बनाम Vs.

Continental Construction Ltd.,
28, Continental House, Nehru Place,
Delhi 110019
PAN: AAACC-2309-Rप्रतिवादी/Respondent

अपीलार्थी द्वारा/ Appellant by: Shri Rajesh Chandra, CIT-DR
प्रतिवादीद्वारा/ Respondent by: S/Shri M.P Rastogi, Advocate & K. K Pandey
सुनवाई की तिथि/ Date of hearing : 04/02/2026
घोषणा की तिथि/ Date of pronouncement : 04/02/2026

आदेश/ORDER

PER VIKAS AWASTHY, JM:

This appeal by the Revenue is directed against the order of Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi [in short 'the CIT(A)'] dated 07.03.2025, for AY 2010-11.

2. The Revenue in appeal has assailed the order of CIT(A) in deleting the addition of Rs.57,44,86,933/- on account of writing off of interest on deferred dues from Iraq.

3. The facts of the case in brief, as emanating from the records are: The assessee company was engaged in the business of civil contracting and was also a partner in a joint venture under the name and style of *M/s Continental Foundation Joint Venture*. The assessee was primarily executing civil construction projects in Iraq and Libya since 1976. Consequent to Gulf War, the situation in Iraq deteriorated significantly, resulting in substantial losses to the assessee, as no amounts were received in respect of the projects executed for the Government of Iraq. The assessee had taken a comprehensive insurance cover under "Construction Works Policy" (CWP) covering all risks and ensuring payment of contractual dues. The said policy was issued by the Export Credit Guarantee Corporation Ltd. (ECGC), a body set up by the Government of India under the Ministry of Commerce. As per the terms of CWP, delay in payment of contractual dues beyond 120 days by Iraq was required to be indemnified by ECGC. Consequent to default by Iraq, the assessee along with other Indian contractors operating in Iraq approached ECGC for settlement of their claims. Considering magnitude of the claims and quantum of dues recoverable from the Government of Iraq, ECGC found it difficult to honour its commitments due to inadequacy of financial resources. Thereafter, a Deferred Payment Agreement (DPA) was entered into between the Government of India and the Government of Iraq, whereby foreign currency dues were deferred and were payable in instalments with effect from 01.01.1983, in the nature of supply of crude oil to the Government of India, instead of cash payments to the contractors. The DPAs were entered on year-on-year basis. As per the terms of the DPA, the assessee was entitled to interest on the receivables at LIBOR rates. These agreements were renewed annually up to the year 1990. Thereafter, no further DPA or renewal thereof was executed. The assessee, however, continued to account for interest at

LIBOR rates in anticipation of renewal of the DPA in future and offered the same to tax up to 31.03.2012. The accumulated interest of Rs.574.48 million accrued on deferred receivables from Iraq for the period from Assessment Year 1991-92 to 2002-03 was duly credited to the Profit and Loss Account and offered to tax. Subsequently, due to prolonged non-recovery of the interest dues and considering the post-war economic developments in Iraq, the assessee treated the outstanding interest as irrecoverable and wrote off the same during the period relevant to Assessment Year 2010-11. The Assessing Officer, while framing the assessment, disallowed claim on the ground that the assessee had not furnished documentary evidence to substantiate contract agreement with Govt. of Iraq and to establish that the amount written off pertained to deferred dues from Iraq. Aggrieved by the assessment order dated 31.12.2017, the assessee preferred an appeal before the CIT(A). The CIT(A), after examining the facts and following the judgment of Hon'ble Supreme Court of India in *TRF Ltd. v. CIT*, (323 ITR 397), deleted the addition made by Assessing Officer. Hence, the present appeal by the Revenue.

4. Shri Rajesh Chandra, representing the department strongly defended the assessment order and prayed for reversing findings of the CIT(A) in deleting the addition. The Id. DR reiterated observations made by the AO for disallowing writing off of interest on deferred dues from Iraq.

5. Per contra, Shri M.P. Rastogi, learned counsel appearing on behalf of the assessee, supported the impugned order and prayed for dismissing appeal of the Revenue. He submitted that for Assessment Years 1992-93 to 2002-03, the assessee had offered interest income to tax in its returns of income. This fact has not been disputed by the AO. Therefore, there was no dispute regarding accrual of

interest on outstanding payments from Iraq and Libya. He further contended that the only requirement of section 36(1)(vii) of the Act is that the amount should be written off as irrecoverable in the books of account, the assessee is not required to establish that the debt has actually become bad.

6. We have heard the submissions made by rival sides and have examined the orders of authorities below. The issue before us lies in a narrow compass, i.e., allowability of assessee's claim of bad debts written off. The assessee has written off irrecoverable interest aggregating to Rs.574.48 million, which had accrued on outstanding payments for civil projects executed by assessee in Iraq and Libya. Due to prolonged non-recovery, the interest accumulated over the years had become irrecoverable. The Assessing Officer has not disputed the fact that the assessee has offered such interest income to tax in its return of income for Assessment Years 1992-93 to 2002-03. Therefore, there is no reason to doubt that the assessee had executed civil contracts in Iraq and Libya, the dues of which remained outstanding. The provisions of section 36(1)(vii) of the Act are unambiguous as regards to the manner of writing off of bad debts. It is sufficient if the amount is written off in the books of account. There is no requirement to prove that the debt has in fact become irrecoverable. The Hon'ble Apex Court in the case of TRF Ltd. vs CIT (supra) unequivocal manner has explained this legal position. The CIT(A) after having examined facts of the case has followed the ratio laid down in the case of TRF Ltd. vs CIT (supra) and has deleted the addition. The Revenue has not been able to show any infirmity in findings of the CIT(A) on this issue. We find the CIT(A) in a well-reasoned order has deleted the addition. Ergo, we see no reason to interfere with findings of the CIT(A) on this issue, hence, the same are upheld.

7. In the result, appeal of the Revenue is dismissed being devoid of any merit.

Order pronounced in the open court on Wednesday the 04th day of February, 2026.

Sd/-

(BRAJESH KUMAR SINGH)

लेखाकार सदस्य/ACCOUNTANT MEMBER

दिल्ली / Delhi, दिनांक/Dated 10/02/2026

Sd/-

(VIKAS AWASTHY)

न्यायिक सदस्य/JUDICIAL MEMBER

NV/-

प्रतिलिपि अग्रेषितCopy of the Order forwarded to :

1. अपीलार्थी/The Appellant ,
2. प्रतिवादी/ The Respondent.
3. The PCIT
4. विभागीय प्रतिनिधि, आय.अपी.अधि., दिल्ली /DR, ITAT, दिल्ली
5. गार्ड फाइल/Guard file.

BY ORDER,

//True Copy//

(Asstt. Registrar) ITAT, DELHI