

**IN THE INCOME TAX APPELLATE TRIBUNAL "D" BENCH, MUMBAI**  
**BEFORE SHRI SAKTIJIT DEY, VICE PRESIDENT AND**  
**SHRI MAKARAND VASANT MAHADEOKAR, ACCOUNTANT MEMBER**

ITA No. 6246/Mum/2025  
(Assessment Year: 2021-22)

DCIT-2(3)(1) Room No. 552, 5 <sup>th</sup> Floor, Aayakar Bhavan, Mumbai	Vs.	DBS Bank India Limited 1 <sup>st</sup> Floor, Express Towers, Nariman Point, Mumbai-400 021
PAN/GIR No. AAGCD 5838 A		
<b>(Appellant)</b>	:	<b>(Respondent)</b>

<b>Appellant by</b>	:	Shri Fenil Bhatt
<b>Respondent by</b>	:	Shri Annavam Kosuri

<b>Date of Hearing</b>	:	10.02.2026
<b>Date of Pronouncement</b>	:	13.02.2026

ORDER

Per Saktijit Dey, Vice President:

Captioned appeal by the department, arises out of order dated 08.07.2025 of Additional Commissioner of Income Tax (Addl. CIT for short), Kolkata, pertaining to assessment year (A.Y. for short) 2021-22.

2. Substantive grounds raised by the Department are as under:

1. *"Whether on the facts and in the circumstances of the case and in law, the Ld.CIT(A) is correct in holding the power in quashing the adjustment made u/s 143(1)(a) of the Act merely on the ground that prior intimation for adjustment was not given to the assessee. In doing the Ld.CIT(A) failed to appreciate that the intimation could not have been quashed merely on a procedural irregularity?"*

2. *"Whether on the facts and in the circumstances of the case and in law, the Ld.CIT(A) is correct in quashing the adjustment made u/s 143(1)(a) of the Act, disregarding the fact that the consequential grounds no. 2 to 6 were adjudicated on merits, thus, adjudication in ground no 1 becomes contradictory to the adjudication in ground no. 2 to 6 and resulting in deletion of adjustment of Rs. 2,88,06,410/-?"*

3. As could be seen from the grounds raised, the grievance of the department is with regard to deletion of adjustment made of Rs.2,88,06,410/- by the Centralized Processing

Centre ('CPC' for short) while processing assessee's return of income u/s. 143(1) of the Act.

4. Briefly, the facts are, the assessee is a banking company and a wholly owned subsidiary of DBS Bank Ltd., Singapore. The assessee carries on its banking business in India in terms with the guidelines issued by RBI and is covered under Banking Regulation Act, 1949. For the assessment year under dispute, the assessee had filed its return of income on 14.03.2022, declaring nil income. While processing the return of income, the CPC made certain adjustments, one amongst them being an amount of Rs.2,88,06,410/-, representing bad debt recovered and added to the business income alleging inconsistency between the return of income and audit report.

5. Contesting the adjustment made in the intimation issued u/s. 143(1)(a) of the Act, the assessee filed an appeal before ld. first appellate authority.

6. In course of proceedings before ld. first appellate authority, the assessee contested the adjustment/additions on two counts. Firstly, it was the say of the assessee that without issuing a show cause notice, proposing the adjustment in terms with the proviso under section 143(1)(a) of the Act, the CPC could not have gone ahead to make the adjustments straight away. The second contention of the assessee was, the bad debts recovered was duly credited to the profit and loss account and was offered as income. Therefore, further addition of the same amount would amount to duplication of addition.

7. After due examination of submissions made by the assessee, in the context of facts and materials on record, ld. first appellate authority found substantial merit in them. He held, the CPC could not have made the adjustment without issuing a prior show cause

notice to the assessee. Even on merits, ld. first appellate authority deleted the addition having found that the bad debt recovered has been recognized in the profit and loss account.

8. We have heard Shri Annavam Kosuri, learned Senior AR appearing for the department and Shri Fenil Bhatt, ld. Counsel appearing for the assessee. At the outset, it needs to be examined, whether the CPC could have made the disputed adjustment without issuing a prior show cause notice to the assessee. In this context, reference can be made to the provisions contained u/s. 143(1)(a) of the Act. As per the first proviso to s. 143(1)(a) of the Act, it is provided that no adjustment shall be made in terms with clause (i) to (vi) of s. 143(1)(a) of the Act unless an intimation is given to the assessee of such adjustment. The second proviso u/s. 143(1)(a) of the Act provides that before making any adjustment, the response received from the assessee, if any, shall have to be considered. Thus, a reading of the statutory provisions, as noted above, clearly demonstrate compliance with the principles of rules of natural justice before making any adjustment. In the facts of the present appeal, the department, even at this stage, has failed to factually demonstrate that before making the adjustment in the intimation issued u/s. 143(1)(a) of the Act, the CPC had issued any intimation to the assessee in terms with the first proviso to section 143(1)(a) of the Act enabling the assessee to submit its response. That being the factual position on record, we do not find any infirmity in the decision of ld. first appellate authority in deleting the adjustment.

9. Having held so, for the sake of completeness, we deem it appropriate to deal the issue on merits as well. It is a fact on record that in the year under consideration, the assessee had recovered an amount of Rs.2,88,06,410/- towards bad bets written off earlier. It is the say of the assessee that the amount so recovered was credited to the profit and loss

account of the year under consideration and offered as income. Upon examination of financial statements of the assessee for the year under consideration, we are convinced with submissions made by the assessee. On a query from the bench to demonstrate that the amount in dispute was credited to the profit and loss account, the assessee has furnished the break up with reference to Schedule 14 and Schedule 17 to the profit and loss account of the financial statement, as under:

**DBS Bank India Limited**  
**Assessment Year 2021-22**  
**Department's Appeal ITA 6246/MUM/2025**

**Reconciliation of Misc Income in Schedule 14 - Other Income**

Particulars	Amount (in Rs.)	Amount (in Rs.)
<b>E-LVB</b>		
<b>BAD DEBTS RECOVERY</b>	<b>24,898,170</b>	
NOTICE PERIOD PAY	1,410,802	
REBATE RECEIVED FROM NOSTRO	233,174	
JDL AGRI-MISC INCOME	22,984,599	
JDL NON AGRI-MISC INCOME	4,143,934	
MISC. INCOME	48,311,468	
OTHER INCOME	2,522,078	
ADVISING CHRG OF EXP LC-OFLS	51,920	
ADVISING CHRG OF EXP LC-OFLU	34,220	
<i>Sub-Total (A)</i>		<i>104,590,364</i>
<b>DBIL</b>		
Dividend Income	242,589	
Other Income	11,155,186	
Misc Non-Fee Based Income	362,826	
Penalty charges	49,788	
<i>Sub-Total (B)</i>		<i>11,810,390</i>
<b>Total (A) + (B)</b>		<b>116,400,755</b>

**Reconciliation of Provision for Non Performing Assets / Write offs in Schedule 17 - Provisions & Contingenci**

Particulars	Amount (in Rs.)	Amount (in Rs.)
<b>E-LVB</b>		
Provision for Non Performing Assets	82,372,000	
<i>Sub-total (A)</i>		<i>82,372,000</i>
<b>DBIL</b>		
NPA Provision	451,636,798	
FITL- Movement form FITL to NPA	-85,569,986	
Write Off out of Provision	205,689,660	
<b>Bad debts Recovery</b>	<b>-3,908,237</b>	
Other Recovery	-16,333,036	
Fresh FITL	22,598,569	
<i>Sub-total (B)</i>		<i>574,113,768</i>
<b>Total (A) + (B)</b>		<b>656,485,768</b>

11. Barring negligible difference in the break up of miscellaneous income as per schedule 14 of financial statement, we have not found any major difference. In fact, in the audit report also the auditor has clearly stated that the bad debt recovered is recognized in the profit and loss account. Nothing contrary has been brought to our notice by the department. In view of the aforesaid, we do not find any valid reason to interfere with the decision of Id. first appellate authority on the issue, hence, grounds are dismissed.

12. In the result, the appeal is dismissed.

*Order pronounced in the open court on 13.02.2026*

Sd/-

(Makarand V Mahadeokar)  
Accountant Member

Mumbai; Dated : 13.02.2026

Roshani, Sr. PS

**Copy of the Order forwarded to :**

1. The Appellant
2. The Respondent
3. The CIT(A)
4. CIT - concerned
5. DR, ITAT, Mumbai
6. Guard File

Sd/-

(Saktijit Dey)  
Vice President

BY ORDER,

(Dy./Asstt. Registrar)  
ITAT, Mumbai