आयकर अपीलीय अधिकरण, **'बी' न्यायपीठ, चेन्नई।**

IN THE INCOME TAX APPELLATE TRIBUNAL
'B' BENCH: CHENNAI

श्री मनु कुमार गिरि, न्यायिक सदस्य एवं श्री एस. आर. रघुनाथा, लेखा सदस्य के समक्ष
BEFORE SHRI MANU KUMAR GIRI, JUDICIAL MEMBER AND
SHRI S.R.RAGHUNATHA, ACCOUNTANT MEMBER

आयकर अपील सं./**ITA No 781/Chny/2025**

निर्धारण वर्ष**/Assessment Year: 2018-19**

Truhome Finance Limited (earlier known as Shriram Housing Finance Limited), Door No. 5, Old No 11, Shrinivasa Towers, 1st Fr. Alwarpet, Teynampet, 2nd Lane, Cenotaph Road, Chennai-600018 [**PAN: AAPCS 3213 D]**	**v.**	The ITO, Corporate Ward 3(1), Chennai-600034
(अपीलार्थी**/Appellant)**		**(**प्रत्यर्थी**/Respondent)**

अपीलार्थी की ओर से//Assessee by	:	Mr. S.P. Chidambaram, Advocate
प्रत्यर्थी की ओर से /Respondent by	:	Mr. Shiva Srinivas, CIT
सुनवाई की तारीख/Date of Hearing	:	26.11.2025
घोषणाकीतारीख /Date of Pronouncement	:	23.02.2026

आदेश **/ O R D E R**

PER MANU KUMAR GIRI, Judicial Member:

This appeal challenges the revision order issued u/s. 263 of the Act on 31.03.2024 by the Principal Commissioner of Income-tax, Chennai-3 [LD.PCIT], for the Assessment Year 2018-19.

2. At the outset, there is a delay of 290 days in filing the present appeal. The Assessee has submitted a detailed affidavit explaining the reasons for the delay, stating that there was a change in the company's management due to an acquisition. Consequently, during

the process of due diligence and completion of related formalities, the filing of the appeal was delayed. As the Assessee has demonstrated sufficient cause, the delay is condoned and the appeal is admitted for adjudication.

3. The Assessee has raised the following grounds of appeal:

> *"1. On the facts and in the circumstances of the case and in law, the Ld. Pr. CIT erred in passing an order u/s. 263 setting aside the assessment order dated 24 May 2021 passed u/s. 143(3) r.w.s. 144B of the Act by the Assessing Officer on the ground that the order is erroneous and prejudicial to the interest of the revenue.*
>
> *2. On the facts and in the circumstances of the case and in law, the Ld. Pr. CIT erred in holding that the assessment order dated 24 May 2021 passed u/s. 143(3) r.w.s. 144B of the Act is as erroneous and prejudicial to the interest of the revenue on account of lack of enquiry by the Assessing Officer, without appreciating that the Assessing Officer had not only made inquiries but also considered the detailed submissions made by the Appellant during the course of assessment proceedings, before passing the said order."*

4. The brief facts of the case are that the assessee filed its return of income for Assessment Year 2018-19 on 29.09.2018, declaring a total income of Rs.38,13,33,450/-. Subsequently, a revised return was filed on 28.03.2019 declaring a total income of Rs.37,76,28,370/-. The case was selected for scrutiny under CASS, and the assessment was completed u/s. 143(3) read with Section 144B of the Income-tax Act, 1961 (hereinafter referred to as "the Act") on 24.05.2021, determining the total income at Rs.39,61,67,139/-.

Thereafter, the LD.PCIT issued a show cause notice u/s. 263 of the Act dated 12.02.2024, which is reproduced below:

(i) In your case, the assessment for the A.Y.2018-19 was completed u/s 143(3) read with sections 144B on 24.05.2021 by determining the total income at Rs. 39,61,67,139.

(ii) The records related to the assessment were perused and it is seen that, in the Note 22 of the Annual Accounts for the FY 17-18, an amount of Rs. 8,44,45,000/- was written off as Bad debts in the Profit & Loss Account. The same was allowed as deduction in the scrutiny assessment for the AY 2018-19 also.

(iii) As per proviso to Sec 36(1)(vii) read with sub-section (2) of that section, in the case of an assessee to which clause (viia) of Section 36 applies, the amount of thededuction relating to any such debt or part thereof shall be limited to the amount by which such debt or part thereof exceeds the credit balance in the provision for bad and doubtful debts account made under that clause.

(iv) It is seen that you had created a provision of Rs. 2,25,80,736/- u/s. 36(1)(viia)(d) and the same was allowed as deduction for Assessment Year 2017-18. Thus the your claim of bad debts for AY 18-19 should have been restricted to Rs.6,18,64,264/- (Rs. 8,44,45,000/- minus Rs. 2,25,80,736/-). The Assessing Officer has failed to verify whether the condition specified in clause (d) of sub-section (2) of Section 36 was satisfied before allowing the claim of deduction u/s 36(vii) of the Income-tax Act, 1961.

(v). Further, in the Computation sheet enclosed in the ITMR, it was seen that an amount of Rs. 4,32,90,914/- was deducted from the profits and gains of the business stating that "excess provision of last year written back". In your submissions, it was stated that in FY 16-17 (AY 17-18), the amount of Rs. 4,32,90,914/- was added back to the profits and gains of business for that year as it related to excess provision of expenses and hence that amount is deducted for the FY 17-18 (AY 18-19). However, without verifying the claim of the assessee, the Assessing Officer has allowed the deduction of the amount while computing the total income for the AY 2018-19.

(vi). Thus, the Assessing Officer has without making proper enquiries or verification which should have been made, has passed the assessment order. In view of the above, the order passed u/s. 143(3) r.w.s 143(3A) & 143(3B) of the Act on 28.09.2021 by the Assessing Officer is erroneous and prejudicial to the interest of revenue in terms of clause (a) of Explanation 2 under sub-section(1) of section 263. Hence, this is fit case for initiating proceedings u/s 263 of the Income-tax Act, 1961.

(vii). You are therefore requested to show cause as to why the assessment order passed u/s 143(3) read with section 144B of the Income-tax Act, 1961 on 24.05.2021 for the A.Y.2018-19 should not be treated as erroneous and

prejudicial to the Interest of Revenue and to be revised u/s 263 of the Income-tax Act, 1961."

5. Thus, the Ld. PCIT proposed to make adjustments in respect of the two issues referred to in clauses (iv) and (v) above. In response to the notice issued u/s. 263 of the Act, the Assessee filed written submissions dated 20.02.2024, contending that the Ld. PCIT had erroneously assumed jurisdiction u/s. 263 of the Act. The Assessee relied upon various judicial precedents and submitted that, while passing the original assessment order u/s. 143(3) read with Section 144B of the Income-tax Act, 1961, the Assessing Officer had raised detailed questionnaires and queries concerning both the issues sought to be revised.The chronological events and written submissions of the Assessee are recorded at pages 4 to 17 of the CIT's order. However, while the Ld. PCIT accepted the Assessee's contentions regarding the issue of "excess provisions of last year written back," the contentions relating to the disallowance u/s. 36(1)(vii) were rejected, and it was held as under:

"10.5 The conjoint reading of provisions of Section 36(1)(viia)(d), 36(1)(vii) and 36(2) with Memorandum clearly explains that the provisions for bad debt is to be created and credited to one provision account to the extent of deduction u/s. 36(1)(viia)(d) to avail the benefit of the provisions of section 36(1)(viia)(d). Further, the amount ofdeduction available is restricted by the provisions of Section 36(1)(vii) and 36(2).Due to this restriction the amount of deduction available u/s. 36(1)(viia)(d) will bereduced by the amount of the actual bad debt written off as irrecoverable in the booksof accounts as it will be debited to one account created for purpose of section36(1)(viia)(d) and balance will be carried forward to next year . If the amount ofactual bad debt written off is more than the provisions created in accordance with36(1)(viia)(d) then excess of actual bad debt written off over and above creditbalance available in aforesaid provisions account will be allowed in accordance with36(vii) and credit balance available will be

nil . The amount of the credit balanceavailable in provision for bad debt created u/s.36(1)(viia)(d) will be carried forward innext year for the purpose of setting off of actual bad debt written off in books ofaccount in next year. In this case the assessee has not restricted the provisions forbad debts.

10.6 In Catholic Syrian Bank Ltd v. CIT [TS-91-S-2012], the Hon'ble Supreme Courtwhile holding that i) the provisions of section 36(1)(vii) and section 36(1)(viia) of theIncome-tax Act, 1961 are distinct and independent items of deduction and operate intheir respective field has further held that ii) the proviso to section 36(1)(vii) of the Actwould operate where the provisions of section 36(1)(viia) of the Act are applicableand that the actual write off of bad debts would be limited to excess of the amountwritten off over the amount of the provision which had already been allowed u/s 36(1) (viia).

10.2.7 Considering the above, the Assessing Officer is directed to verify theclaim of the assessee and disallow the portion which is relatable and already beenclaimed u/s. 36(1)(viia) of the Income-tax Act, 1961.

11. The above foregoing shows that there is a failure of the Assessing Officer tocause necessary enquiries and also to apply law properly makes the order dated24.05.2021 as erroneous and prejudicial to the interests of revenue as per clause (a)and clause (b) of Explanation 2 to Section 263 of the Income-tax Act, 1961 andtherefore, the order requires revision u/s. 263 of the Income-tax Act, 1961."

The Assessee is now in appeal before us.

6. The learned Authorised Representative (Ld. AR) for the Assessee submitted that the NFAC, vide notice dated 06.03.2021 and show cause notice dated 13.04.2021, had conducted specific enquiries regarding the claim of "excess provision of expenses written back" and the deduction claimed u/s. 36(1)(viia). The Assessee furnished the requisite details in its reply dated 09.03.2021. In the said reply, the Assessee also explained the claim relating to provisions written back from earlier years and the provision for bad and doubtful debts

claimed u/s. 36(1)(viia)(d).Accordingly, the ld. AR contended that the Assessing Officer, while completing the assessment, had duly verified these details and, after considering the material furnished by the Assessee, arrived at a conscious conclusion that no addition u/s. 36(1)(viia) was warranted. Therefore, it was argued that since the Assessing Officer had conducted proper enquiry, the assessment order cannot be revised on the ground of alleged inadequate enquiry.

7. On the other hand, the ld. CIT-DR relied upon the impugned order of the ld.PCIT and strongly supported the reasoning set out therein.

8. We have considered the rival submissions and perused the record, including the order of the ld.PCIT and the Assessee's submissions. The primary issue to be examined is whether the original order sought to be revised is erroneous and/or prejudicial to the Revenue.It is observed that during the course of the scrutiny assessment, the Assessing Officer made enquiries regarding the provision for bad debts, and the Assessee promptly furnished the requisite details. In fact, in the show cause notice dated 13.04.2021 (pages 7 and 8 of the SCN) issued during the assessment proceedings, the AO noted as follows:

> *"1) With respect to provision against standard assets and excess provision of last year Written back, the treatment of the said amount has not been accounted for in the income side of the P and L statement. Further, as the provisions are already allowed as a deduction to the Assessee u/s. 36(1)(viia), therefore the reversal of the deductions thereof cannot be claimed by the Assessee.*

> *"4) With respect to the provisions against bad and doubtful assets allowed up to 5% of the total income come the assessee has not provided documentary evidence regarding whether the provision made in Note- 22 of the financial statement has*

been disallowed by the Assessee before considering the allowability of section 36(1)(viia). Therefore, these deductions are not allowed."

9. From the above queries and the discussions during the course of the scrutiny assessment, it is evident that an enquiry was made regarding the deduction u/s. 36(1)(viia). The key question for our consideration is whether such enquiry was sufficient or inadequate, and whether an allegedly inadequate enquiry can justify revising an assessment order.In our view, as long as an enquiry has been conducted during the assessment proceedings, it cannot be disregarded simply because it is considered inadequate by the ld. PCIT in hindsight. The adequacy or scope of the enquiry, even if not to the extent now perceived by the ld.PCIT, does not, by itself, render the assessment order erroneous or invalid. We also note that the Assessing Officer undertook the necessary enquiries for completing the assessment and finalized the assessment after making appropriate adjustments. Therefore, the assessment order cannot be revised on the ground of "lack of enquiry." The ld.PCIT erred in revising the assessment on this basis.However, while rejecting the revision on this limited ground, it is still necessary to examine whether the deduction claimed by the Assessee is in accordance with law, to ensure that the assessment did not allow a deduction that is otherwise not permissible under the Act.

The legal issue concerning the allowance of deduction has now been settled by the Supreme Court in the case of Catholic Syrian Bank, which held that any deduction already allowed in a previous year must be adjusted while computing the deduction u/s. 36(1)(viia) in subsequent assessment years. In the instant case, the deduction allowed in Assessment Year 2017-18 was not adjusted while

computing the deduction u/s. 36(1)(viia) for the subject assessment year. As a result, the deduction was allowed in full during the assessment proceedings, which is prejudicial to the Revenue. Accordingly, the ld. PCIT was correct in revising the order to this extent. Therefore, the AO, while completing the assessment, erred in law by not restricting the quantum of deduction already allowed in Assessment Year 2017-18. Consequently, we hold that the revision by the ld. PCIT to restrict the deduction u/s.36(1)(viia) is in accordance with law. The Assessee's argument on this issue is, therefore, rejected.

10. In the result, appeal of the assessee is dismissed.

Order pronounced on the day of 23rd February 2026, in Chennai.

Sd/-	**Sd/-**
(एस. आर. रघुनाथा)	**(मनु कुमार गिरि)**
(S.R.RAGHUNATHA)	**(MANU KUMAR GIRI)**
लेखा सदस्य**/ACCOUNTANT MEMBER**	न्यायिक सदस्य**/JUDICIAL MEMBER**

चेन्नई/Chennai,
दिनांक/Dated: 23rd February 2026.

SNDP, Sr. PS
आदेश की प्रतिलिपि अग्रेषित**/Copy to:**

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT, Chennai / Madurai / Salem / Coimbatore.
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF