

**IN THE INCOME TAX APPELLATE TRIBUNAL
“D” BENCH MUMBAI**

**BEFORE SHRI SAKTIJIT DEY, VICE PRESIDENT &
SHRI MAKARAND VASANT MAHADEOKAR, ACCOUNTANT MEMBER**

**ITA No. 6698/Mum/2025
(Assessment Year: 2018-19)**

Repro India Limited 11 th Floor, B wing, Sun Paradise Business Plaza, Senapati Bapat Marg, Lower Parel, Mumbai- 400 013	Vs.	National Faceless Assessment Centre (Circle) – 8(1)(1)/CIT(A), Aayakar Bhavan, Mumbai – 400 020
PAN/GIR No. AAACR0379J		
(Applicant)		(Respondent)

Assessee by	Shri Vijay Mehta (Virtually present) and Shri Mayur Kisnadwala (Physically present), Ld. ARs
Revenue by	Shri Umashankar Prasad, Ld. DR

Date of Hearing	23.02.2026
Date of Pronouncement	25.02.2026

आदेश / ORDER

PER MAKARAND VASANT MAHADEOKAR, AM:

This appeal by the assessee is directed against the order dated 25.09.2025 passed by the Commissioner of Income-tax (Appeals), National Faceless Appeal Centre, Delhi [hereinafter referred to as “CIT(A)”], under section 250 of the Income-tax Act,

1961[hereinafter referred to as “the Act”], arising from the assessment order dated 09.06.2021 passed under section 143(3) read with section 144B of the Act for Assessment Year 2018–19.

Facts of the Case

2. The assessee filed its return of income on 25.10.2018 declaring total income at Rs. NIL and reporting current year losses to be carried forward amounting to Rs. 10,68,34,325/-. The case was selected for limited scrutiny under the E-Assessment Scheme, 2019. The Assessing Officer completed assessment by making addition of Rs. 35,79,78,081/-.

3. Before the CIT(A), the assessee challenged the additions and also raised issues relating to MAT credit and set-off of brought forward unabsorbed depreciation. The CIT(A) partly allowed the appeal by directing re-computation of income on certain computational aspects, while confirming the substantive additions.

4. Aggrieved by the order of CIT(A) the assessee is in appeal before us raising following grounds of appeal:

1. *The CIT(A) has erred in upholding the addition of Rs. 71,85,261/- made by the Assessing Officer on account of profit on sale of asset as per books of accounts.*
2. *The CIT(A) has erred in upholding the addition of Rs. 35,07,92,820/- (consisting of Rs. 19,13,61,566/- being reversal of provision for bad debts and Rs. 15,94,31,254/- being bad debts written off) made by the Assessing Officer.*

3. *The CIT(A) has erred in upholding the assessment order passed u/s. 143(3) of the Act which is illegal, bad in law and in violation of principles of natural justice.*

The appellant craves leave to add to, amend, alter or delete all or any of the foregoing grounds of appeal.

The assessee also filed following additional grounds of appeal:

1. *The CIT(A) has erred in not adjudicating the additional grounds of appeal raised by the assessee vide its letter dated 23.05.2024 in respect of non-grant of MAT credit of Rs. 16,57,03,298/- to be set off against Income tax liability determined by Assessing Officer.*
5. Since the learned Authorised Representative (AR) did not press the aforesaid additional ground during the course of hearing, the same is not being considered for adjudication.
6. The effective grounds before us relate to:
 1. Addition of Rs. 71,85,261/- on account of profit on sale of fixed assets.
 2. Addition of Rs. 35,07,92,820/- comprising:
 - a. Rs. 19,13,61,566/- being reversal of provision for bad debts; and
 - b. Rs. 15,94,31,254/- being bad debts written off.
7. During assessment proceedings, the Assessing Officer observed that the assessee had claimed deduction of Rs. 35,79,78,081/- under the head "Any other amount allowable as deduction". On further examination, it was noted that the amount included:

- i. Rs. 19,13,61,566/- being reversal of provision for bad debts,
- ii. Rs. 15,94,31,254/- being bad debts written off, and
- iii. Rs. 71,85,261/- being profit on sale of fixed assets.

8. The Assessing Officer required the assessee to furnish complete details in respect of the deduction claimed, including the exact nature of the deduction, the relevant provisions of the Act under which such claim was made, and documentary evidence to establish that the provision for doubtful debts had been disallowed in earlier years. In response, the assessee submitted that the provision for doubtful debts had been disallowed in earlier years and, therefore, upon reversal, the same was reduced from business income to avoid double taxation. It was further submitted that the bad debts written off were allowable under the provisions of the Act.

9. The Assessing Officer issued a show cause notice dated 26.05.2021, requiring the assessee to submit the response by 02.06.2021. The Assessing Officer, however, observed that the assessee failed to furnish evidence establishing in which year the provision for doubtful debts had been disallowed and that no satisfactory documentary evidence was produced to substantiate the claim. Accordingly, the claim of Rs. 35,79,78,081/- was disallowed and added to the income of the assessee. The total income was computed at Rs. 25,11,43,756/-, and penalty proceedings under section 270A of the Act were initiated.

10. Before the CIT(A), the assessee reiterated that the reversal of provision for doubtful debts could not be subjected to tax again if the original provision had already been disallowed in earlier years. It was further contended that the bad debts written off were allowable in accordance with the provisions of law. The assessee also raised a grievance that adequate opportunity had not been granted during the course of assessment proceedings.

11. The CIT(A) examined the assessment records and observed that notices under section 142(1) as well as a show cause notice dated 26.05.2021 had been issued and that the assessee had filed a reply dated 31.05.2021. On this basis, the plea alleging violation of principles of natural justice was rejected. On merits, the CIT(A) recorded that the assessee had not furnished cogent documentary evidence to establish that the provision for doubtful debts had in fact been disallowed in earlier years. It was accordingly held that the Assessing Officer was justified in disallowing the claim of Rs. 35,79,78,081/- and the addition was confirmed.

12. Aggrieved by the order of the CIT(A), the assessee preferred this appeal before us raising grounds as detailed above.

13. During the course of hearing, the learned AR elaborated the submission regarding profit on sale of fixed assets by referring to the details placed in the paper book at page 66 and page 4. Referring to the summary titled "Summary of Profit on Sale of Fixed Asset (A.Y. 2018-19)" placed at page 66 of the paper book, the learned AR pointed out that the profit of Rs. 71,85,261/-

represented book profit computed category-wise by comparing the written down value as per books with the sale value of the respective assets. The statement reflected the gross block, accumulated depreciation, written down value and sale value for various categories such as plant and machinery, office equipment, computers, buildings and other assets. The aggregate of the category-wise surplus resulted in a book profit of Rs. 71,85,261/-.The learned AR further referred to page 4 of the paper book, being the depreciation schedule as per the Income-tax Act. From the said schedule, it was pointed out that while computing depreciation under the Act, the sale value of the assets amounting to Rs. 2,59,70,930/- was reduced from the block of assets in accordance with section 43(6). The depreciation was thereafter computed on the adjusted written down value of the block.

14. The learned AR submitted that once the sale consideration had already been reduced from the block of assets and depreciation computed accordingly under the statutory block concept, the separate book profit of Rs. 71,85,261/- could not again be brought to tax. According to the learned AR, the addition made by the Assessing Officer proceeds on a misconception by treating book profit as taxable income independent of the block mechanism under the Act.

15. The learned AR further invited our attention to the show cause notice dated 26.05.2021, forming part of the paper book. Referring specifically to the tabular portion of the show cause

notice under the head “Any other amount allowable as deduction”, the learned AR pointed out that in the column titled “Observations/Remarks”, the entry against “Profit on Sale of Assets” amounting to Rs. 71,85,261/- was expressly marked as “Allowable”. It was submitted that the said show cause notice clearly recorded the Assessing Officer’s prima facie conclusion that the amount of Rs. 71,85,261/- representing profit on sale of assets was allowable. The learned AR contended that despite having recorded such a categorical observation in the show cause notice itself, the Assessing Officer ultimately proceeded to disallow the entire claim of Rs. 35,79,78,081/- in the final assessment order without assigning any independent reasoning for departing from his own earlier finding recorded in the show cause notice. According to the learned AR, the assessment order does not contain any discussion demonstrating reconsideration of the specific issue of profit on sale of assets after having accepted it as allowable in the show cause notice. It was thus submitted that the addition on this count is not only contrary to the material on record but is also inconsistent with the Assessing Officer’s own recorded observation in the show cause notice.

16. Now advertent to the remaining components of the addition, namely (i) Rs. 19,13,61,566/- being reversal of provision for bad and doubtful debts and (ii) Rs. 15,94,31,254/- being bad debts written off, the learned AR submitted that the issue arose solely on account of first-time adoption of Ind AS by the assessee for the year ended 31.03.2018. It was explained that upon transition

from IGAAP to Ind AS, the provision for bad and doubtful debts was required to be recomputed in accordance with the Expected Credit Loss methodology prescribed under Ind AS. The learned AR drew our attention to the comparative position of provision as per IGAAP and Ind AS as under:

Particulars	As on 01.04.2016	As on 31.03.2017
<i>Provision as per IGAAP</i>	<i>Rs. 65,68,71,000/-</i>	<i>Rs. 68,20,23,000/-</i>
<i>Provision as per Ind AS</i>	<i>Rs. 7,51,32,070/-</i>	<i>Rs. 3,70,71,443/-</i>

17. It was submitted that as a result of the above restatement, the provision required under Ind AS was substantially lower than that carried under IGAAP. Consequently, the differential amount resulted in a restatement impact which was required to be adjusted in accordance with Ind AS 101 relating to first-time adoption.

18. The learned AR further referred to the reconciliation placed before the CIT(A), which was tabulated as under:

Impact of Ind AS Restatement

Particulars	Amount (Rs.)
<i>Provision for Bad & Doubtful Debt as per Ind AS for the year ended 31.03.2018</i>	<i>33,12,30,000/-</i>
<i>Provision for Bad & Doubtful Debt as per Ind AS for the year ended 31.03.2017</i>	<i>68,20,23,000/-</i>
<i>Difference due to restatement</i>	<i>(35,07,93,000/-)</i>

<i>Reversal of Provision of Doubtful Debt (credited in P&L Account)</i>	(19,13,61,566/-)
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19. It was thus contended that the amount of Rs. 19,13,61,566/- credited to the Profit and Loss Account represented the net reversal effect on account of transition adjustments and not income generated during the relevant previous year. The adjustment was made through retained earnings in conformity with Ind AS 101, which mandates that transitional adjustments be recognized in opening reserves at the beginning of the first Ind AS reporting period.

20. The learned AR further clarified that in the Income Tax Return for F.Y. 2017-18, an inadvertent presentation error occurred whereby Rs. 35,07,92,820/- was shown as write back of provision and Rs. 15,94,31,254/- as bad debts written off, instead of reflecting the correct net figure of Rs. 19,13,61,566/- that was actually credited to the Profit and Loss Account. It was submitted that Rs. 19,13,61,566/- represented the net write-back after considering bad debts written off of Rs. 15,94,31,254/-. Accordingly, it was argued that the addition proceeded on an erroneous appreciation of the accounting treatment and that the said amount did not constitute taxable income of the year under consideration.

21. The learned AR further invited our attention to the tabulated portion of the show cause notice, submitting that the Assessing Officer had specifically recorded the particulars of the reversal of

provision and bad debts written off therein. It was pointed out that in the said table forming part of the show cause notice, the Assessing Officer had explicitly referred to the amounts under the head “Any other amount allowable as deduction” and had set out the figures relating to reversal of provision and bad debts written off. The learned AR submitted that this itself demonstrates that the Assessing Officer was fully conscious of the nature of the claim and the break-up thereof at the stage of issuing the show cause notice. Despite the assessee having furnished a detailed reply within the time granted up to 02.06.2021 at 23:59 hours, explaining the Ind AS transition impact and reconciliation of figures, the final assessment order proceeded to disallow the entire amount without specifically dealing with the explanation already on record.

22. The learned AR further invited our attention to the reply filed in response to the show cause notice dated 26.05.2021, which was submitted on 31.05.2021 through the e-filing portal, and also to the Press Release issued by the Central Board of Direct Taxes dated 20.05.2021 regarding non-availability of e-filing services from 01.06.2021 to 06.06.2021 on account of migration to the new portal. It was submitted that the said Press Release clearly provided that during the blackout period, no new compliance dates would be fixed and any hearing or compliance requiring submissions on the new system would be scheduled only after the said period. The learned AR contended that despite the above position, no further effective opportunity of hearing was

granted after the blackout window. It was pointed out that the Assessing Officer did not fix any hearing subsequent to restoration of the portal services and, on the contrary, proceeded to pass the assessment order within the very period when the e-filing services were stated to be unavailable.

23. The learned AR further submitted that the CIT(A) also failed to properly appreciate and adjudicate the detailed submissions and documentary evidences placed before him. It was contended that despite the assessee having furnished reconciliation statements, Ind AS restatement details, tabulated workings and explanatory notes, the CIT(A) did not examine the same in a reasoned manner. The learned AR submitted that the impugned appellate order merely proceeds to affirm the conclusions of the Assessing Officer without independently dealing with the factual reconciliation and accounting explanations on record.

24. The learned AR drew our attention to the audited financial statements for the year ended 31.03.2018, the Notes to Accounts, and the relevant ledger extracts placed in the paper book, and explained the accounting treatment of reversal of provision for doubtful debts amounting to Rs. 19,13,61,566/- which is reflected as Rs. 1,913.62 lakhs in the financial statements. Referring to the “Notes to Financial Statements”, the learned AR pointed out that under the movement schedule of impairment loss, the following figures are disclosed:

- i. Balance as at April 1, 2016 – 6,568.71 lakhs
- ii. Impairment loss recognised – 251.52 lakhs

- iii. Balance as at March 31, 2017 – 6,820.23 lakhs
- iv. Utilisation of provision – (1,594.31) lakhs
- v. Reversal of excess provision – (1,913.62) lakhs
- vi. Balance as at March 31, 2018 – 3,312.30 lakhs

25. It was submitted that the amount of Rs. 1,913.62 lakhs represent reversal of excess provision pursuant to remeasurement of expected credit loss under Ind AS. The said amount is credited to the Statement of Profit and Loss under the head “Other Income” as “Reversal of provision for doubtful debts”, which is evident from Note 26 forming part of the financial statements.

26. The learned AR further referred to the ledger accounts of “Provision for Bad & Doubtful Debts” and demonstrated that on 31.03.2018, the entry passed was:

Provision for Doubtful Debts A/c ... Dr

To Profit & Loss A/c

(Being reversal of excess expected credit loss provision credited to P&L)

27. The amount debited to the provision account and credited to the Profit and Loss Account was Rs. 19,13,61,566/-, which corresponds to Rs. 1,913.62 lakhs as disclosed in the financial statements.

28. The learned AR also distinguished this from the separate transaction of bad debts actually written off amounting to Rs. 15,94,31,434/-, which was recorded through the entry:

Bad Debts A/c ... Dr

To Trade Receivables A/c

(Being bad debts actually written off)

29. Further, bad debts were adjusted against the existing provision through transfer entries, as reflected in the ledger extracts. It was further submitted that the aggregate of the party-wise bad debts written off tallies with the ledger extract and the journal entry reflecting Rs. 15,94,31,434/- in the books. The slight arithmetical variation, if any, was explained as rounding adjustment in financial statement presentation in lakhs.

30. Thus, it was explained that the reversal of Rs. 19,13,61,566/- is duly supported by:

- i. Movement schedule in Notes to Financial Statements.
- ii. Disclosure in "Other Income" in the Statement of Profit and Loss.
- iii. Ledger account of Provision for Bad & Doubtful Debts.
- iv. Corresponding journal entries passed on 31.03.2018.

31. According to the learned AR, the accounting presentation is consistent across the financial statements and ledger records, and the figure of Rs. 19,13,61,566/- represents only the reversal

of excess provision on remeasurement under Ind AS and not any fresh income generated during the year.

32. The learned Departmental Representative (DR), on the other hand, supported the orders of the Assessing Officer as well as the CIT(A). It was submitted that the Assessing Officer had examined the issue on the basis of material available on record during assessment proceedings and had rightly made the addition in the absence of complete reconciliation and supporting documentary evidence. The learned DR specifically pointed out that the documents placed in the paper book at Sr. Nos. 5 to 10, including detailed ledger extracts, movement schedule of provision for doubtful debts, party-wise break-up of bad debts written off, and corresponding journal entries, were not furnished before the Assessing Officer during the course of assessment proceedings. According to the learned DR, these documents constitute additional evidences which require verification at the end of the Assessing Officer.

33. It was therefore contended that if the Bench is inclined to consider these documents, the matter may be restored to the file of the Assessing Officer for proper examination and verification of the reconciliations, accounting treatment under Ind AS, and the tax implications thereof, in accordance with law.

34. We have carefully considered the rival submissions, perused the material placed on record including the assessment order, the order of the CIT(A), the paper book filed before us, the audited financial statements and the ledger extracts. The effective

grounds for adjudication relate to (i) addition of Rs. 71,85,261/- on account of profit on sale of fixed assets, and (ii) addition of Rs. 35,07,92,820/- comprising reversal of provision for bad debts and bad debts written off.

Ground No.1 - Addition of Rs. 71,85,261/- on account of profit on sale of fixed assets

35. From the material placed before us, it is evident that the said amount represents surplus as per books computed category-wise by comparing book written down value with sale consideration. It is also borne out from the depreciation schedule under the Act that the sale consideration of Rs. 2,59,70,930/- has been reduced from the relevant block of assets in accordance with section 43(6), and depreciation has been computed on the reduced block value.

36. Under the statutory scheme of block of assets, once the sale consideration is reduced from the block and depreciation is computed accordingly, no separate taxation of book surplus can arise unless specifically provided under the Act. The Assessing Officer has not demonstrated that the conditions of section 50 were attracted or that the block ceased to exist so as to warrant computation of capital gains.

37. Further, the show cause notice dated 26.05.2021 placed before us records, in the tabular remarks column, the entry against "Profit on Sale of Assets" as "Allowable". The assessment

order does not contain any independent reasoning for departing from the prima facie view so recorded.

38. In the absence of any statutory basis for taxing book surplus independently of the block mechanism, and in view of the reduction of sale consideration from the block as per section 43(6), we find merit in the contention of the assessee. Accordingly, the addition of Rs. 71,85,261/- is deleted.

Ground No. 2 - Addition of Rs. 35,07,92,820/- comprising Rs. 19,13,61,566/- being reversal of provision for bad debts and Rs. 15,94,31,254/- being bad debts written off.

39. The core dispute on this issue is factual in nature. We have reconsidered the material on record in light of the specific clarification that the addition relating to reversal of provision for doubtful debts of Rs. 19,13,61,566/- is liable to be adjudicated on merits, whereas only the issue relating to bad debts written off of Rs. 15,94,31,254/- requires limited verification.

40. From the audited financial statements, movement schedule of impairment loss, ledger extracts and journal entries placed before us, the following factual position emerges:

- i. The amount of Rs. 19,13,61,566/- represents "Reversal of excess provision" pursuant to remeasurement under Ind AS upon first-time adoption.
- ii. The movement schedule in the Notes to Financial Statements clearly discloses:

- a. Balance as at 01.04.2016 – 6,568.71 lakhs
 - b. Balance as at 31.03.2017 – 6,820.23 lakhs
 - c. Utilisation – (1,594.31) lakhs
 - d. Reversal of excess provision – (1,913.62) lakhs
 - e. Balance as at 31.03.2018 – 3,312.30 lakhs
- iii. The amount of Rs. 1,913.62 lakhs correspond to Rs. 19,13,61,566/-.

41. The addition was made solely on the ground that the assessee had not furnished evidence to establish that the provision had been disallowed in earlier years. However, what has been brought to tax by the Assessing Officer is the entire reversal amount without examining the character of the original provision, the transition impact under Ind AS 101, and whether the amount represents merely an accounting restatement rather than income arising during the year. The material placed before us demonstrates that the reversal is part of transitional remeasurement under Ind AS and forms part of accounting adjustment to provision balances. There is no finding by the Assessing Officer that any deduction was allowed in earlier years in respect of the same provision which is now being reversed. In absence of such finding and in view of the documentary evidence placed on record establishing the accounting nature of the reversal, the addition of Rs. 19,13,61,566/- cannot be sustained.

Accordingly, the addition of Rs. 19,13,61,566/- being reversal of provision for bad debts is deleted.

42. As regards the bad debts written off, the assessee has placed on record party-wise list of trade receivables written off, ledger extracts showing debit to Bad Debts A/c and credit to respective Trade Receivables A/c and adjustment entries against Provision for Doubtful Debts. The dispute on this component is essentially factual and requires verification as to -

- i. Whether the bad debts aggregating to Rs. 15,94,31,254/- have been actually written off in the books of account.
- ii. Whether the corresponding trade receivable accounts have been credited.
- iii. Whether the write off is supported by ledger entries and reconciles with financial statements.

43. Since the detailed party-wise break-up and certain ledger extracts were not examined by the Assessing Officer during assessment proceedings, and the learned DR has specifically raised this aspect, we deem it appropriate to restore this limited issue to the file of the Assessing Officer. The Assessing Officer shall verify the actual write off in the books, corresponding credit to respective trade receivable accounts as per the party-wise list and reconciliation with audited financial statements. The remand is strictly confined to the above limited verification. The Assessing Officer shall not revisit the issue of reversal of provision for doubtful debts which stands decided in favour of the assessee.

Reasonable opportunity of being heard shall be granted to the assessee.

44. Accordingly, the addition of Rs. 15,94,31,254/- being bad debts written off is restored to the file of the Assessing Officer for limited verification as indicated above.

45. In the result the appeal of the assessee is partly allowed.

Order pronounced in the open court on 25.02.2026.

Sd/-
(SAKTIJIT DEY)
VICE PRESIDENT

Sd/-
(MAKARAND VASANT MAHADEOKAR)
ACCOUNTANT MEMBER

Mumbai, Dated 25/02/2026
Dhananjay, Sr.PS

आदेश की प्रतिलिपि अग्रेषित / Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / The CIT(A)
4. आयकर आयुक्त (अपील) / Concerned CIT
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, मुंबई / DR, ITAT, Mumbai
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

सत्यापित प्रति //True Copy//

1.

उप/सहायक पंजीकार (Asst. Registrar)
आयकर अपीलीय अधिकरण, मुंबई / ITAT, Mumbai