

**IN THE INCOME TAX APPELLATE TRIBUNAL  
"B" BENCH, AHMEDABAD**

**BEFORE SHRI WASEEM AHMED, ACCOUNTANT MEMBER  
AND SHRI T.R. SENTHIL KUMAR, JUDICIAL MEMBER**

**ITA No. 1316/Ahd/2016  
Assessment Year : 2007-08**

Integra Engineering India Ltd., (Formerly known as Schlafhorst Engineering (India) Ltd.), Post Box No.55, Chandrapura Village, Halol, Dist; Panchmahal- 389350, PAN : AABCS 8347 Q	Vs	Asstt. Commissioner of Income-tax, Circle-4, Baroda
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<b>अपीलार्थी/ (Appellant)</b>		<b>प्रत्यर्थी/ (Respondent)</b>
Assessee by :		Shri Yogesh Shah, AR
Revenue by :		Shri Sudhendu Das, CIT-DR

सुनवाई की तारीख/Date of Hearing : 09/05/2023  
घोषणा की तारीख /Date of Pronouncement: 12/05/2023

**आदेश/O R D E R**

**PER WASEEM AHMED, AM :**

This appeal filed by the assessee is directed against the order of the learned Commissioner of Income-tax (Appeals)-2, Vadodara [hereinafter referred to as "CIT(A)" for short] dated 02.02.2016 passed under section 250(6) of the Income Tax Act, 1961 [hereinafter referred to as "the Act" for short] for the Assessment Year (AY) 2007-08.

2. The appeal is arising out of the order recalled by the ITAT in the miscellaneous application No. 24/AHD/2023 for the purpose of the adjudication of ground No. 3 only which is reproduced as under:

*"3. The learned CIT(A) has erred in disallowing the amount of bad debts written off of Rs.69,33,446/- by holding that the appellant had not written off the same in its books of accounts. It is submitted that it be so held now and the deduction as claimed be allowed.*

*3.1 It is submitted that such amounts are already written off against the amount of debtors and hence the same falls in the ratio of Supreme Court*

*decision in case of T.R.F. Limited vs. CIT (2010) 323 ITR 397 and the same should be allowed accordingly. It is submitted that it be so held now and the deduction as claimed be allowed."*

3. The solitary issue raised by the assessee is that the learned CIT(A) erred in confirming the disallowance made by the AO on account of bad debts written off for ₹ 69,33,446.00 on the reasoning that it has not been written off in the books of accounts.

4. The necessary facts arising from the order of the authorities below are that the assessee in the present case is a limited company and engaged in the business of manufacturing and selling textile machinery, spares, and job work. The assessee in the year under consideration has written off bad debts of ₹ 36,75,000 in the profit and loss account. The assessee, likewise, has also written off the bad debts amounting to ₹ 69,33,446.00 in the computation of income by adjusting the provision for the bad debts created in the earlier year. Thus, the assessee in effect has claimed the deduction of ₹1,06,00,000.00 on account of bad debts. But the AO disallowed the same on the reasoning that the assessee has not placed on record the efforts made by it for the recovery of the alleged bad debts. Accordingly, the AO disallowed the same and added to the total income of the assessee.

5. Aggrieved the assessee preferred an appeal to the learned CIT(A) who partly allowed the ground of appeal of the assessee by observing as under:

*"Ground Nos. 3 & 3.1 pertain to disallowance of bad debts claimed at Rs.1,06,00,000/-. It is noticed that appellant has claimed a sum of Rs.36,75,000/- as bad debt written off in the profit and loss account and balance amount of Rs.69,33,446/- was claimed in the computation of income. The amount of bad debt was disallowed by the Assessing Officer since the assessee has failed to establish that the debt has actually become bad or not.*

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*However, now the issue has been finally settled by the decision of Hon'ble Supreme Court in the case of T.R.F. Ltd. Vs. CIT (2010) 323 ITR 397 wherein it has been held that for claiming bad debt, it is enough if bad debt is written off as irrecoverable in the account of assessee. Undisputedly, the assessee has actually written off bad debt to the extent of Rs.36,75,000/- only as is evident from the profit and loss account. Balance amount has not been actually written off in the books of account. Therefore, respectfully following the decision of Hon'ble Supreme Court, the Assessing Officer has directed to allow claim of bad debt of Rs.36,75,000/- only and balance amount is confirmed. Thus appellant, succeeds partly in respect of Ground Nos. 3 & 3.1."*

6. Being aggrieved by the order of the learned CIT(A), the assessee is in appeal before us.

7. The learned AR before us filed paper books running from pages 1 to 377 and contended that the assessee has created provision for bad debts amounting to Rs. 69,33,446.00 in the earlier year in the profit and loss account which was disallowed and added back to the total income of the assessee. However, the assessee in the year under consideration has written off the bad debts amounting to ₹ 1,06,00,000.00 which was partly adjusted against the provision for bad debts of Rs. 69,33,446.00 and the balance amount of ₹36,75,000.00 was debited in the profit and loss account. According to the learned AR the adjustment of bad debts against the provision represents written off the bad debts and therefore the learned CIT(A) on the wrong assumption of facts has concluded that the bad debts were not actually written off. The learned AR in support of his contention has drawn our attention on the relevant page of the financial statements of the assessee placed on page 38 of the paper book.

8. On the contrary, the learned DR vehemently supported the order of the authorities below.

9. We have heard the rival contentions of both the parties and perused the materials available on record. From the preceding discussion, we note that the AO has made the disallowance of the deduction claimed by the assessee for ₹1.06 crores for the bad debts on the ground that the assessee has not put any effort into the recovery of such bad debts. However, the learned CIT(A) was not satisfied with the reasoning given by the AO for the purpose of the disallowance. As such, the learned CIT(A) observed that it was not necessary for the assessee to put any efforts into the recovery of bad debts for claiming the deduction. As such, writing off the bad debts in the books of accounts is sufficient for claiming the deduction. But the learned CIT(A) concluded that the assessee has not written off bad debts to the tune of Rs. 69,33,446.00 in the books of accounts and therefore, he disallowed the same. We are not in agreement with the finding of the learned CIT(A) on the reasoning that the assessee has not written of the bad debts amounting to ₹ Rs. 69,33,446.00 against the provision for the bad debts which has already suffered the tax. This fact can be verified from the submission of the assessee before the Id. CIT(A) which is reproduced as under:

<i>Particulars</i>	<i>Amount (Rs.)</i>
<i>Total amount of bad debts written off</i>	<i>1,06,07,826</i>
<i>Less: Bad debts written off against the provision made for bad and doubtful debts in an earlier year</i>	<i>69,33,446</i>
<i>(Provision for bad and doubtful debts was made and offered for taxation in assessment year 2002-03</i>	
<i>Balance amount of bad debts written off in the Profit and Loss Account</i>	<i>36,74,380</i>

10. Any adjustment made by the assessee on account of the bad debts against the provisions created in the earlier year amounts to actual writing off the bad Debts in the books of accounts. Thus, the assessee cannot be denied the benefit for the bad debts merely on the reasoning that such bad

debts were not claimed in the profit and loss account but adjusted against the provision of bad debts. Admittedly, the provision was created by the assessee in the earlier year out of the profit and loss account. Thus, any adjustment against such provision for bad and doubtful debts amounts to actual writing off the bad debts. Thus, we set aside the finding of the learned CIT(A) and direct the AO to delete the addition made by him. Hence the ground of appeal of the assessee is allowed.

11. In the result, the appeal of the assessee is allowed.

Order pronounced in the open Court on 12<sup>th</sup> May 2023 at Ahmedabad.

Sd/-

**(T.R. SENTHIL KUMAR)**  
**JUDICIAL MEMBER**

Ahmedabad, Dated 12/05/2023

Sd/-

**(WASEEM AHMED)**  
**ACCOUNTANT MEMBER**

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

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

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आदेशानुसार/ BY ORDER,

सहायक पंजीकार (Asstt. Registrar)  
आयकर अपीलीय अधिकरण  
ITAT, Ahmedabad