



* IN THE HIGH COURT OF DELHI AT NEW DELHI

+ ITA 1219/2006

COMMISSIONER OF INCOME TAX Appellant

Through Ms. P.L. Bansal

versus

M/S EICHER LTD Respondent

Through Ms. Kavita Jha

CORAM:

HON'BLE MR. JUSTICE MADAN B. LOKUR

HON'BLE MR. JUSTICE VIPIN SANGHI

ORDER

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29.08.2006

The Revenue is aggrieved by an order dated 27th January, 2006 passed by the Income Tax Appellate Tribunal, Delhi Bench "C" in ITA No. 3968/D/02 relevant for the assessment year 1999-2000.

The only question that has arisen is with regard to the decision of the Assessing Officer in adding the amount being the provision made by



the Assessee for bad and doubtful debts for the purposes of increasing book profits under Section 115JA of the Income Tax Act. We find from the assessment order that the Assessing Officer has given absolutely no reason for increasing the book profits.

Be that as it may, before the Commissioner of Income Tax (Appeals) the Assessee contended that the book profits could not be increased in the manner as has been done by the Assessing Officer because of Explanation (c) under Section 115JA(2) of the Act. This explanation reads as follows:

"For the purposes of this section, "book profit" means the net profit as shown in the profit and loss account for the relevant previous year prepared under sub-section (2), as increased by-

(a) xxx xxx xxx

(b) xxx xxx xxx

(c) *the amount or amounts set aside to provisions made for meeting liabilities, other than ascertained liabilities;*

(d) xxx xxx xxx

(e) xxx xxx xxx

(f) xxx xxx xxx"



A bare perusal of the above Explanation (c) makes it clear that the increase shall be of the amount or amounts set aside for meeting liabilities other than ascertained liabilities. In the present case, there does not appear to be any dispute about the fact that liability was ascertained. Ex facie, therefore, Explanation (c) is not applicable.

The CIT (A) also considered the provisions of Part III of Schedule VI to the Companies Act, which defines the term "provision". Clause 7(1)(b) thereof defines "provision" to mean any amount written off or retained, inter alia by way of providing for any known liability of which the amount cannot be determined with substantial accuracy.

So far as the present case is concerned, the accuracy has been determined fully, or at least there is no controversy about it. In any event, the occasion for resorting to the provisions of the Companies Act does not arise, since in our opinion, a reading of Explanation (c) of Section 115JA(2) of the Income Tax Act itself is very clear. The CIT(A)



allowed the appeal of the Assessee and that was upheld by the Tribunal in the impugned order.

In view of our discussion above, while commending the view of the CIT (A), we do not find that the Tribunal has taken an unreasonable view.

On the contrary, this view is justified from a plain reading of the Statute. We are of the opinion that no substantial question of law arises for our consideration.

Dismissed.

A handwritten signature in black ink, appearing to read 'Madan Lokur'.

MADAN B. LOKUR, J

A handwritten signature in black ink, appearing to read 'Vipin Sanghi'.

VIPIN SANGHI, J

AUGUST 29, 2006

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