

Sec 115JB (MAT Provisions) not applicable to Actual write off, even when mentioned as provision in P&L: ITAT

Corrtech Energy Ltd Vs. DCIT (ITA No.1261/Ahd/2019)

Facts:

1. The assessee-company in its Profit and Loss Account had debited Rs.6,03,098/- and Rs.31,00,000/- on account of provision for doubtful debts and provision for diminution in value of investment respectively. Both these provisions, according to the AO, were liable to be added for the purpose of computation of book profit under Section 115JB of the Income Tax Act.
2. The AO also made a reference to amendment made to Sec115JB by the Finance Act, 2009, with retrospective effect from 01.04.2001, whereby it was made clear that the amounts set aside as provision for diminution in value of the asset was required to be added to the book profit.
3. The assessee contended that it was not the case of mere provision made by the assessee for doubtful debts and diminution in the value of investment but such provision was actually reduced from the corresponding amounts of debts and investments as appearing on the asset side of the balance-sheet. So these provisions are actual write offs and not hit by the clauses of Explanation to Sec 115JB.

ITAT Ahmedabad held as below:

1. The provision made for doubtful debts as well as for diminution in the value of investment was reduced by the assessee from the corresponding amount of trade receivables and investments as reflected in the balance-sheet at the end of the year.
2. So we hold, respectfully following the decision of the Hon'ble Gujarat High Court in the case of Vodafone Essar Gujarat Ltd [2017] (397 ITR 55), that it is not merely a case of provision but an actual write off which would not be hit by clause (i) of Explanation to Section 115 JB of the Act.

3. We accordingly delete both the additions made by the AO to the book profit of the assessee-company under Section 115JB on account of provision for doubtful debts and provision for diminution in the value of investment.