



MAD HC: Order Wherein Findings/Reasons Are Not Supported By Documents/Data On Record Is Liable To Be Set Aside And Remitted Back To The Lower Authorities

Facts in brief

India Cements Ltd. (the assessee), engaged in the business of manufacturing of cement, filed its returns of income for AY 2003-2004 & AY 2004-05

Assessments were completed u/s 143(3) for both years and certain disallowances and additions were made by the AO in respect of interest accrued on advances to subsidiaries/associates not accrued by the assessee, claim for deduction of bad debts, deduction for accrued discount on deep discount bonds etc.

The CITA and the ITAT allowed all the claims for the reasons adduced by them in their respective orders.

Aggrieved by the order of ITAT the Revenue went in appeal before the Madras High Court.

Decision of the Honourable High Court

- The High Court, on a perusal of these orders came to the conclusion that the claims had been allowed without bringing on record relevant material and facts. Regarding non-charging of interest on advances to subsidiaries the High Court felt that if the financial condition was so bad, the principal amounts should have been written off and claimed as bad debts. Regarding claim for bad debts the High Court held that details of individual debtors were not produced and guidelines laid down by the Supreme Court in subsequent decisions in Southern Technologies and Vijaya Bank needed to be applied. Even as regards claim for discount on Deep Discount Bonds the High Court felt that the relevant material was not on record and that claims were allowed in vague and general terms

In the circumstances the findings of the CIT A and Income Tax Appellate Tribunal were set-aside by the Honourable High Court and matters for both the years were remitted back to the CIT A for fresh consideration of all the grounds raised in appeal before him

Citation:

The India Cements Ltd [TS-515-HC-2026(MAD)]

Our Comments

The decision of Honourable High Court has once again emphasised and brought into focus the significance of the proper submission of requisite documents/ papers substantiating the claims for deduction, proper justification for change in tax treatment of items of expenses/ income and disclosure of all the relevant facts before the AO and the lower authorities to facilitate the authorities to give their findings and help in arriving at appropriate decision.