

**IN THE INCOME TAX APPELLATE TRIBUNAL  
'A' BENCH : BANGALORE**

**BEFORE SHRI PRASHANT MAHARISHI, VICE PRESIDENT  
AND  
SHRI SOUNDARARAJAN K., JUDICIAL MEMBER**

<b>ITA No. 2976/Bang/2025</b>
<b>Assessment Year : 2013-14</b>

M/s. Excel Wirecut Inc., No. 87-F, Road No. 2, 1 <sup>st</sup> Phase, Jigani Industrial Area, Anekal Taluk, Bengaluru – 562 106. <b>PAN: AACFE4676J</b>	<b>Vs.</b>	The Assistant Commissioner of Income Tax, Circle – 6(1)(1), Bengaluru.
<b>APPELLANT</b>		<b>RESPONDENT</b>

Assessee by	:	Shri Yeshwanth Kumar, Advocate & Shri Vijay Kumar N, CA
Revenue by	:	Shri Balusamy .N, JCIT-DR

Date of Hearing	:	10-03-2026
Date of Pronouncement	:	03-06-2026

**ORDER**

**PER SOUNDARARAJAN K., JUDICIAL MEMBER**

This is an appeal filed by the assessee challenging the order of the NFAC, Delhi dated 04/11/2023 in respect of the A.Y. 2013-14.

**2.** The brief facts of the case are that the assessee is a partnership firm and engaged in the business of manufacturing engineering products and filed their return of income on 01/10/2013. The return was selected for scrutiny under CASS and notice u/s. 143(2) was issued on 04/09/2014. Thereafter notice u/s. 142(1) was issued. The assessee appeared and furnished the details called for by the AO. The AO based on the details

furnished by the assessee, had treated the unsecured loans as income u/s. 68 of the Act. Similarly, the bad debts as well as the difference in the loss of the exchange has been disallowed by the AO. The PF and ESI claim was also denied since the payment was made beyond the due date prescribed under the said Acts. Another disallowance u/s. 40(a)(ia) of the Act for the non-deduction of TDS was also made. In respect of the expenses incurred, the AO had estimated the 25% of the said expenses.

**3.** As against the said order, the assessee filed an appeal before the Ld.CIT(A). The Ld.CIT(A) had accepted the claim of the assessee insofar as addition made u/s. 68 of the Act. Insofar as the disallowance of the bad debts, the Ld.CIT(A) had confirmed the said disallowance. The loss in the difference in the exchange was also accepted by the Ld.CIT(A). The disallowance of the ESI and PF payments were also confirmed by the Ld.CIT(A). The disallowance of the interest amount u/s. 40(a)(ia) was also allowed by the Ld.CIT(A). In respect of the expenses disallowed by the AO, the Ld.CIT(A) had restricted the said disallowance to 10% of the expenses instead of 25%.

**4.** As against the said order, the assessee is in appeal before this Tribunal with a delay of 687 days. In support of the said delay, an application was also filed by the assessee in which the assessee had explained the reasons for the delay. The assessee had relied on the medical records and also the medical records of the daughter of one of the partner and therefore prayed to condone the said delay and decide the appeal on merits.

**5.** We have gone through the reasons given by the assessee in the application and also perused the medical records of the one of the partner as well as his daughter and on that basis, we are satisfied that the assessee was having valid reasons for not filing the appeal in time before this Tribunal. Therefore we are condoning the said delay and proceeded to decide the appeal on merits.

**6.** At the time of hearing, the Ld.AR submitted that the bad debts were written off in the books of assessee and therefore it is an eligible one for claiming deduction. Similarly, the assessee had incurred the various expenses but unfortunately the authorities had confirmed a portion of the said expenses as not allowable which is not correct. The Ld.AR also filed a paper book enclosing the supporting documents in respect of the bad debts as well as the expenses incurred by the assessee. The Ld.AR also submitted that the various documents enclosed in the paper book were already filed before the AO as well as before the Ld.CIT(A) but they have not considered the same and therefore prayed that the said records may be taken on file and the appeal may be allowed on that basis. The Ld.AR also relied on the judgment of the Hon'ble Supreme Court reported in (2010) 323 ITR 397 in the case of T.R.F. Ltd. vs. CIT in respect of the disallowance of the bad debts are concerned.

**7.** The Ld.DR submitted that the assessee had not established that the bad debts are written off in the books of the assessee and therefore the disallowance made by the AO is in order. Similarly, the assessee had not furnished the proofs for incurring the expenses and therefore the disallowance is in order.

**8.** We have heard the arguments of both sides and perused the materials available on record.

**9.** It is the case of the assessee in respect of the writing off of the bad debts from M/s. BEL Ltd. and M/s. Ecotech Machinery Pvt. Ltd. Sdr, the assessee had written off their bad debts as not recoverable by making proper book entries. The said facts were also placed before the lower authorities. The authorities had not accepted the claim on the sole ground that the copies of the ledger account of all the relevant parties were not furnished.

**10.** We have perused the paper book filed by the assessee and in page numbers 02 & 03 of the said paper book, the assessee had a ledger account

in respect of the bad debts in which the total amount in respect of the said parties were recorded and this amount has been credited which shows that the assessee had written off the dues from the said parties. The amended section 36(1)(vii) also does not insist for any proof from the borrower and it is enough if the assessee had written off the said dues in their books of accounts. Previously, the section mandates that the assessee should establish the fact that the debt becomes a bad debt which was now amended and therefore the assessee is entitled for deduction if the books of accounts shows the debt has been written off.

**11.** Further, the above said view was fortified by the judgment of the Hon'ble Supreme Court reported in (2010) 323 ITR 397 in the case of T.R.F. Ltd. vs. CIT wherein it was held that to obtain a deduction in relation to bad debts, it is not necessary for the assessee to establish that the debt, in fact, has become irrecoverable. It is enough if the bad debt is written off as irrecoverable in the accounts of the assessee.

**12.** In the facts of the present case, we find that the assessee had written off the said debts from the two entities and also written off the bad debts amounting to Rs. 81,783/- due from others and the assessee had also proved the said fact by producing the ledger account of the bad debts. In such circumstances, we are of the view that the assessee is entitled for deduction u/s. 36(1)(vii) of the Act on the bad debts written off by them.

**13.** Insofar the second issue of disallowance of the expenses are concerned, the AO had disallowed the 25% of the expenses on the ground that the assessee had not produced the vouchers / bills for verification of expenses in respect of transportation, transport charges and vehicle maintenance. On appeal, the Ld.CIT(A) had reduced the disallowance to 10% of the expenses. Both the authorities had arbitrarily disallowed the expenses without having any comparable data. For disallowing the 25% of the expenses, the AO had no data. Similarly, the Ld.CIT(A) also does not have any data to reduce it to 10% of the expenses. In such circumstances

the authorities cannot make the disallowance with some percentage. Therefore we are inclined to set aside the arbitrary addition made by the authorities as not sustainable and deleted the addition of 10% made towards the expenses.

**14.** We therefore set aside the order of the Ld.CIT(A) insofar as the above two issues are concerned and allow the appeal filed by the assessee.

**15.** In the result, the appeal filed by the assessee is allowed.

Order pronounced in the open court on 03<sup>rd</sup> June, 2026.

Sd/-  
(PRASHANT MAHARISHI)  
Vice President

Sd/-  
(SOUNDARARAJAN K.)  
Judicial Member

Bangalore,  
Dated, the 03<sup>rd</sup> June, 2026.  
/MS /

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|---------------|------------------------|
| 1. Appellant  | 2. Respondent          |
| 3. CIT        | 4. DR, ITAT, Bangalore |
| 5. Guard file | 6. CIT(A)              |

By order

Assistant Registrar,  
ITAT, Bangalore