

For computing general reserve the Balance of P&L A/c couldn't be included

Summary – The Mumbai ITAT in a recent case of LIC Housing Finance Ltd., (the Assessee) held that for computing general reserve the Balance of P&L A/c couldn't be included

Facts

- The assessee-company was eligible for deduction under section 36(1)(viii) on creation and maintenance of special reserve.
- The Tribunal held that general reserve could not include the balance in the profit and loss account.
- Petition by the assessee.

Held

- The ITAT stated that the point to be determined is that whether the term general reserve as used in the proviso to section 36(1)(vii) would include the balance standing in profit and loss account or not.
- The ITAT held that the expression used in the proviso are quite clear which mandates the inclusion of only the general reserves and nothing else. Therefore, the arguments raised by the assessee, in this regard could not be accepted and the balances in share premium account, profit & loss account and special reserve account could not be included while computing the general reserves.