

Provision made for bad debt in the books allowable as deduction under section 36(1)(vii)

Summary – The Mumbai ITAT in a recent case of State Bank of India., (the Assessee) held that Provision made for bad debt in the books allowable as deduction under section 36(1)(vii)

Facts

- The assessee made provision for bad debts and claimed same as allowable deduction under section 36(1)(vii). The Assessing Officer allowed the claim of the assessee.
- The Principal Commissioner while invoking section 263 rendered the order passed by the Assessing Officer erroneous and prejudicial to the interest of revenue.
- On the assessee's appeal to the Tribunal:

Held

- The Tribunal noted that in the instant case, the said amount had been debited to the profit and loss account and also stands reduced from the loans and advances as appearing on the asset side of the balance sheet.
- The power to exercise *suo motu* revision in terms of section 263(1) cannot be exercised where two views are possible and one view has been adopted by the Assessing Officer.
- In the present case since two views are possible and one view has been adopted by the Assessing Officer, this reason alone would not be sufficient to exercise powers under section 263 by the Commissioner.
- The Tribunal thus set aside the order under section 263 passed by the Principal Commissioner.