

IN THE INCOME TAX APPELLATE TRIBUNAL , 'A' BENCH, CHENNAI

BEFORE SHRI V. DURGA RAO, JUDICIAL MEMBER
AND SHRI G. MANJUNATHA, ACCOUNTANT MEMBER

I.T.A. No. 1151/ Chny/ 2019
(Assessment Year: 2010-11)

M/s. Daeseung Autoparts India Pvt.Ltd 474, Mannur Village, Valarpuram P.O Sriperumbudur TK Kanchipuram Dist. PIN : 602 105	Vs	The Assistant Commissioner of Income Tax (OSD), Corporate Range-1, Chennai.
PAN: AAACD 5629D		
(Appellant)		(Respondent)

Appellant by	:	Mr. R.Sivaraman, Advocate
Respondent by	:	Mr. AR.V.Sreenivasan, Addl.CIT

Date of hearing	:	14.06.2022
Date of Pronouncement	:	13.07.2022

ORDER

PER G. MANJUNATHA, AM:

This appeal filed by the assessee is directed against order of the learned Commissioner of Income Tax (Appeals)-1, Chennai, dated 30.01.2019 and pertains to assessment year 2010-11.

2. The assessee has raised following grounds of appeal:-

"1. The Learned AO and the commissioner (Appeals) erred in denying the additional depreciation on the exchange rate fluctuation loss on new Plant and Machinery purchased during the earlier year.

2. The Learned AO and the Commissioner (Appeals) erred in ignoring the alternative claim of the appellant for

adding the subject forex loss to the block of assets for the purpose of claiming tax depreciation.”

3. Brief facts of the case are that the assessee company is engaged in the manufacture of automobile components filed its return of income for the assessment year 2010-11 on 06.10.2010 admitting total income of Rs. Nil. During financial year relevant to assessment year 2010-11, the assessee company claimed additional depreciation @ 20% u/s.32(1)(ia) of the Act, in respect of new plant and machinery purchased and put to use. As per facts brought on record by the Assessing Officer, the assessee claims to have purchased new plant and machinery amounting to Rs,15,14,14,515/-, which includes a sum of Rs.3,16,52,752/- being value of exchange rate fluctuation loss on plant and machinery purchased during earlier years prior to financial year 2009-10 and capitalized u/s.43A of the Act. The Assessing Officer has allowed depreciation on new plant & machinery acquired and installed during the year, however, rejected additional depreciation claimed on capitalization of exchange loss on plant & machinery purchased and installed during the earlier period. The assessee carried the matter in appeal before the

first appellate authority, but could not succeed. The learned CIT(A), for the reasons stated in his appellate order dated 30.11.2019 rejected arguments of the assessee and sustained additions made by the Assessing Officer towards additional depreciation claimed on capitalization of forex loss incurred on plant & machinery acquired and installed during earlier financial years. Aggrieved by the learned CIT(A) order, the assessee is in appeal before us.

4. The learned A.R. for the assessee submitted that the learned CIT(A) erred in denying additional depreciation on exchange rate fluctuation loss on new plant & machinery purchased during the earlier year, even though, as per provisions of section 43A of the Act, the assessee can capitalize exchange loss incurred on plant & machinery purchased from outside India. The learned A.R. for the assessee further referring to provisions of section 32(1)(iia) of the Act, submitted that as per said provisions, the assessee can claim additional depreciation on plant & machinery acquired and installed, if certain conditions are satisfied. In this case, the assessee has satisfied conditions prescribed

u/s.32(1)(iia) of the Act, and claimed depreciation @ 20% on new plant & machinery acquired and installed during the previous year. The Assessing Officer as well as the learned CIT(A) without appreciating facts has rejected claim of the assessee.

5. The learned D.R., on the other hand, supporting order of the learned CIT(A) submitted that as per provisions of section 32(1)(iia) of the Act, an assessee can claim additional depreciation in case any new plant & machinery was purchased and installed. In this case, the assessee has claimed additional depreciation on forex loss incurred for acquiring plant & machinery during earlier financial years and thus, the Assessing Officer has rightly disallowed additional depreciation and his order should be upheld.

6. We have heard both the parties, perused material available on record and gone through orders of the authorities below. There is no dispute with regard to fact that as per provisions of section 32(1)(iia) of the Act, in case of any new plant & machinery which has been acquired and installed after 31st day of March, 2005, by an assessee engaged in the

business of manufacture or production of any article or thing, a further sum equal to 20% of actual cost of such plant shall be allowed as deduction. From plain reading of above provisions, it is very clear that an eligible assessee can claim additional depreciation @ 20% on new plant & machinery purchased and installed during the year of purchase and installation of said plant & machinery. In this case, there is no dispute with regard to fact that the assessee has purchased new plant & machinery prior to financial year 2009-10 relevant to the assessment year 2010-11. The assessee had claimed additional depreciation contemplated u/s.32(1)(iia) of the Act, in subsequent financial year on capitalized value of forex loss incurred on plant & machinery purchased during earlier financial year. According to the assessee, loss incurred on foreign fluctuation loss incurred for acquisition of plant & machinery should be capitalized to cost of asset as per provisions of section 43A of the Act, and once loss incurred by the assessee goes to increase W.D.V of new plant & machinery, then, the assessee is entitled for additional depreciation as per provisions of section 32(1)(iia) of the Act.

7. We have gone through reasons given by the Assessing Officer to reject additional depreciation on capitalization of forex loss in light of provisions of section 32(1)(iia) of the Act, and we ourselves do not subscribe to the arguments advanced by the learned counsel for the assessee for simple reason that as per plain reading of section 32(1)(iia) of the Act, additional depreciation is allowed to an assessee, in case, any new plant & machinery which has been acquired and installed after 31st day of March, 2005 by an assessee engaged in the business of manufacture or production of any article or thing in the year of acquisition of said additional plant and machinery. In this case, the assessee has claimed additional depreciation as per provisions of section 32(1)(iia) of the Act, on capitalized value of forex loss incurred on acquisition of plant & machinery during earlier financial years by taking clue from provisions of section 43A of the Act. In our considered view, arguments of the assessee is misplaced, because as per provisions of section 32(1)(iia) of the Act, the assessee is entitled for additional depreciation only in the year of acquisition and installation of new plant & machinery, but not for subsequent financial years. Although, provisions of section 43A of the Act

allows capitalization of forex loss incurred on acquisition of plant & machinery outside India to cost of assets, but said additional cost can only be eligible for normal depreciation as per provisions of section 32(1) of the Act, but not for additional depreciation as contemplated under section 32(1)(ia) of the Act. Therefore, we are of the considered view that the assessee is not entitled for additional depreciation on capitalized portion of forex loss incurred on plant & machinery acquired and installed during earlier financial year for the impugned assessment year. The Assessing Officer as well as the learned CIT(A), after considering relevant facts has rightly rejected additional depreciation claimed on capitalized portion of forex loss. Hence, we are inclined to uphold findings of the learned CIT(A) and dismiss appeal filed by the assessee.

8. In the result, appeal filed by the assessee is dismissed.

Order pronounced in the open court on 13th July, 2022

Sd/-

Sd/-

(V.Durga Rao)
Judicial Member

(G.Manjunatha)
Accountant Member

Chennai,

Dated 13th July, 2022

DS

Copy to:

1. Appellant
2. Respondent
3. CIT(A)
4. CIT
5. DR
6. GF.