

In case there was uncertainty of realizing debtors, additions could not be made

Summary – The High Court of Bombay in a recent case of Bechtel International Inc., (the Assessee) held that In case there was uncertainty of realizing debtors, additions could not be made

Facts

- The assessee-company filed a return of income and during the scrutiny assessment the Assessing Officer questioned the assessee about the non-inclusion of two amounts for which assessee had raised invoices, but not accounted for in its income.
- The Assessing Officer rejected the assessee's explanation that income had not accrued to the assessee and hence the bills were excluded and added amounts in question to assessee's taxable income.
- The Commissioner (Appeals) allowed part relief and the same was confirmed by Tribunal.

Held

- The HC agreed with the view of the Tribunal and found it as correct since the first bill was raised after the termination of the contract and the contracted party did not even accept the bill. With respect to the remaining bills, the HC agreed with the method of real income applied by Tribunal and held that in view of the real income theory, no tax can be levied on the assessee at the relevant time.
- In the result, the revenue's appeal is dismissed.