

No depreciation allowable in case WDV of asset is NIL or the block of asset ceases to exist on last date of previous year

Summary – The Mumbai ITAT in a recent case of Aramark India (P.) Ltd., (the Assessee) held that no depreciation is allowable in case WDV of asset is NIL or the block of asset ceases to exist on last date of previous year

Facts

- The assessee's case was selected for scrutiny and a disallowance of depreciation on goodwill was made by AO.
- On appeal, the Commissioner (Appeals) confirmed addition made by the Assessing Officer.
- On appeal to the Tribunal:

Held

- The ITAT held that while there is no doubt with regard to the allowability of depreciation on goodwill being any other business or commercial rights of similar nature under section 32(1), the question before the Assessing Officer was whether depreciation on goodwill claimed by the assessee is allowable or not when such goodwill ceased to exist in the books of account during the relevant financial year.
- In order to claim depreciation, the assessee should fulfil three conditions, as per which, the assessee should be owner of the asset, the asset should be used for the purpose of business and the block of assets should exist to claim depreciation.
- In the present case the assessee has fully written off goodwill in the books of account and the asset ceased to exist in the books of account on the last date of the previous year. Therefore, the assessee is not getting any enduring benefit from such assets and the question of depreciation on such non-existing asset does not arise.
- The Assessing Officer as well the Commissioner (Appeals), after considering relevant facts, has rightly disallowed depreciation claimed on non-existing asset being goodwill.