IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 15.03.2021

CORAM :

The Honourable Mr.Justice T.S.SIVAGNANAM
and
The Honourable Ms.Justice R.N.MANJULA

Tax Case Appeal No.188 of 2021

The Commissioner of Income Tax,
Chennai. ...Appellant

Vs

M/s.Amco Batteries Ltd.,
803, Addison Building,
Anna Salai,
Chennai - 600 002. ...Respondent

APPEAL under Section 260A of the Income Tax Act, 1961 against the order dated 22.12.2020 made in ITA.No.3155/Chny/2019 on the file of the Income Tax Appellate Tribunal, Madras 'B' Bench, Chennai for the assessment year 2010-11 & against the order dt 12/09/19 made in ITA.No.179/17-18/CIT(A)-4/AY 2010-11 & against the order dt-30/3/13 made in GIR/PAN AX-7131 AABCA1726F on the file of the Deputy(CIT)Company Circle-1(1) Chennai for the assessment year 2010-11

For Appellant :Mrs.R.Hemalatha, SSC

For Respondent:Mr.R.Vijayaraghavan
for M/s.Subbaraya Aiyar Padmanabhan

JUDGMENT

(Delivered by T.S.Sivagnanam,J)

This appeal filed by the Revenue under Section 260A of the Income Tax Act, 1961 ('the Act' for brevity) is directed against the order dated 22.12.2020 made in ITA.No.3155/Chny/2019 on the file of the Income Tax Appellate Tribunal, Madras 'B' Bench, Chennai ('the Tribunal' for brevity) for assessment year 2010-11.

2. The Revenue has raised the following substantial questions of law for consideration:

"1. Whether on the facts and in the circumstances of the case, the Tribunal was right in allowing provisions for warranty, without appreciating the fact that the claim made by the assessee was only after comparing the previous year records which was not done on a scientific basis?

2. Is not the reasoning and finding of the Tribunal bad by allowing provisions for warranty which was exorbitantly high when compared with historical trend of expenditure incurred towards warranty in the past and Assessee had not rationally explained the steep increase based on cogent evidence for supporting its claim?

3. Whether the Tribunal ought to have applied the decision of the Apex Court in the case of Rotork Control Ltd Vs CIT wherein it was clearly held that expenditure was allowable provided the provisions created was to be scientifically established which is not the case on hand as no details nor evidences were produced by the Assessee to substantiate its claim?"

3. We have heard heard Mrs.R.Hemalatha, learned Senior Standing Counsel for the appellant-Revenue and Mr.R.Vijayaraghavan, learned counsel for the respondent-assessee.

4. The short question involved in this appeal is whether the provision made by the assessee has been done in a scientific manner and whether it has followed the conditions stipulated by the Hon'ble Supreme Court in the case of *Rotork Controls India Pvt. Ltd. Vs. CIT [314 ITR 62].*

5. It is the submission of the learned Senior Standing Counsel appearing for the appellant that the Hon'ble Division Bench of this Court in the case of *Renowned Auto Products Mfrs. Ltd. Vs. ITO [(2013) 40 taxmann.com 13]* had held that provision was made on an ad-hoc basis without adopting any scientific method contrary to the law laid down in the Hon'ble Supreme Court in the case of *Rotork Controls India Pvt. Ltd.,* and dismissed the appeal of the assessee. The learned counsel further relied on the decision of this Court in the case of *CIT Vs. Forbes Campbell Finance Ltd.,* wherein the Division Bench had allowed the Revenue's Appeal. It is further submitted that in the instant case also, there is no scientific basis adopted by the assessee with regard to the provision made for the warranty claim.

6. Per contra, the learned counsel for the respondent-assessee would submit that the Tribunal had taken note of the decision of the High Court of Karnataka at Bangalore in *ITA.No.400 of 2021 (CIT Vs. Amco Batteries Ltd.), dated 25.08.2020*, wherein the ratio adopted by the assessee was tested for its correctness and whether it was on scientific basis and it was held that the assessee's provision was scientific and in tune with the directions issued by the Hon'ble Supreme Court in *Rotork Controls India Pvt. Ltd.* and the Tribunal in the impugned order has taken note of the decision of the High Court of Karnataka and also held that the assessee has been consistently following the same method and it is found to be scientific and as per the conditions laid down in *Rotork Controls India Pvt. Ltd.*

7. In reply, the learned Senior Standing Counsel for the appellant would contend that the decision of this Court in the case of *Renowned Auto Products (supra)* would bind this Court and the decision of the High Court of Karnataka will not be a binding precedent of this Court.

8. As a general proposition, the learned Senior Standing Counsel is right. However, the thin but marked difference is that the decision of the High Court of Karnataka is in the assessee's own case in respect of the correctness of the provision made by the assessee for warranty.

9. These transactions are identical and the assessee has been consistently following the said method for several assessment years, which has been noted by the High Court of Karnataka as well as by the Tribunal in the impugned order.

10. Therefore, we are of the considered view that the Tribunal and the CIT(A) rightly held that the assessee had followed the scientific method and complied with the directions issued by the Hon'ble Supreme Court in *Rotork Controls India Pvt. Ltd.*

11. For the above reasons, we find no good grounds to interfere with the order passed by the Tribunal. Accordingly, the tax case appeal stands dismissed. No costs.

Sd/-
Assistant Registrar

//True Copy//

Sub Assistant Registrar

hvk

To
1. The Income Tax Appellate Tribunal,
   Madras 'B' Bench, Chennai

2. The Commissioner of Income Tax,
   Chennai.

3. The Deputy Commissioner of Income Tax,
   Company Circle-1(1), Chennai.

+1cc to Mr.T.Ravikumar, Advocate, S.R.No.16586

+1cc to Mr.Subbaraya Aiyar, Advocate, S.R.No.16598

TCA.No.188 of 2021

RSV(CO)
KM(19/04/2021)