

Receipts from Sale of Scraps is part of Gains derived from Industrial undertaking for Computing Deduction: ITAT

Fact of the Case

1. The assessee company is engaged in the business of Manufacturing & Selling of Electric Generating sets.
2. The Assessing Officer, while completing the assessment proceedings against the assessee, made a disallowance of Rs.18,725/- by including income from sale of scrap from the profit eligible for deduction u/s 80IB of the Act.

Decision of the Case

1. A bench comprising comprising Judicial Member Sudhansu Srivasthava and Accountant Member R K Panda held that the amount received by the assessee from sale of scrap pertained to scrap generated from the activities carried by the assessee which were part and parcel of the manufacturing process of the industrial undertaking.
2. The bench, while ruling in favour of the assessee, also relied on the Delhi High Court decision in the case of CIT vs. Sadhu Forging Ltd., wherein it was held that the receipts from sale of scrap being part and parcel of the activities and being approximate thereto would also be within the ambit of gains derived from industrial undertaking for the purposes of computing deduction under section 80IB.