

Brought forward Unabsorbed Depreciation shall be treated as Depreciation of the Current Year u/s 32 of the Income Tax Act

Fact of the Case

1. The assessee company was engaged in the business of manufacturing of yarn and fabric, temporarily discontinued the manufacturing operation in the year 2000 due to heavy loss, labour problems and other factors.
2. During the year under consideration, the assessee had declared income from house property from lease of factory premises and submitted before the authorities that the premises were temporarily given on lease to meet day to day expenses.
3. The Tribunal bench further relied on a catena of decisions wherein it was held that brought forward depreciation had to be treated as current year depreciation under the provisions of section 32(2) of the Act.
4. The Tribunal (supra) also noted that in Assessment Year 2007-08, the CIT(A) allowed the claim of set off in assessee's own case and in Assessment Year 2013-14, the Assessing Officer himself had allowed the said claim of set off of unabsorbed depreciation against the income from house property and other sources," the Tribunal said.

Decisions of the Case

The Assessing Officer is directed to set off brought forward unabsorbed depreciation as part of current depreciation against the income from house property and income from other source, since the brought forward unabsorbed depreciation was the depreciation of the current year. Thus, grounds of appeal raised by the assessee are allowed."