theTAXtalk

IN THE INCOME TAX APPELLATE TRIBUNAL
'A' BENCH : BANGALORE

BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT
AND
SHRI SOUNDARARAJAN K., JUDICIAL MEMBER

ITA No. 330/Bang/2026
Assessment Year : 2021-22

M/s. LKQ India Private Limited, 6th Floor, Primeco Towers, Arekere Gate, Off Bannerghatta Main Road, Bangalore – 560 076. **PAN: AADCK5392D**	**Vs.**	The Deputy Commissioner of Income Tax, Circle – 4(1)(1), Bangalore
APPELLANT		**RESPONDENT**

Assessee by	:	Sri Sharath Rao, CA
Revenue by	:	Sri N. Balusamy– JCIT DR

Date of Hearing	:	20-04-2026
Date of Pronouncement	:	25-06-2026

ORDER

PER PRASHANT MAHARISHI, VICE – PRESIDENT

1. This appeal in ITA No. 330/Bangalore/2026has been filed by LKQ India Private Limited ["the assessee/ Appellant] against the appellate order dated 14 November 2025 passed by the Joint Commissioner of Income Tax (Appeals)–9, Mumbai ["the learned CIT(A)"] for assessment year 2021–22. By that order, the learned CIT(A) dismissed the assessee's appeal against the intimation dated 25 October 2022 issued under section 143(1) of the Act by the central processing center.
2. Although the assessee has raised three grounds of appeal, the principal issue is whether the GST refund of ₹ 2,34,40,921, added by the Central Processing

Centre as income, is taxable when the assessee follows the exclusive method of accounting and records the refund receivable as an asset or loan and advance rather than through the profit and loss account.

3. The assessee filed its return of income on 14 March 2022 declaring total income of ₹ 14,57,64,849. During processing, a communication dated 18 May 2022 proposed an addition of ₹ 2,34,40,921 to the returned income on the basis of the amount reported in clause 16(B) of Form 3CD. The assessee objected to the proposed adjustment on 6 June 2022, stating that it follows the exclusive method of accounting. Under this method, GST paid on purchases or expenses is not debited to the profit and loss account but is recorded separately as GST refund receivable as loan and advances. Therefore, the refund of ₹ 2,34,40,921 was neither credited to the profit and loss account nor required to be offered to tax. However, the Central Processing Centre issued an intimation on 25 October 2022 adding the said GST refund to the assessee’s total income.
4. Aggrieved, the assessee appealed before the learned CIT(A) and filed detailed written submissions, reproduced in paragraph 4.1 of the appellate order. The learned CIT(A) held that the refund of GST, sales tax and service tax was a revenue receipt arising in the ordinary course of business. He further held that the assessee had received a tangible benefit by way of remission of a trading liability, taxable under section 41(1) or section 28(iv) of the Act. Accordingly, the adjustment made by the Central Processing Centre was upheld and the assessee’s appeal was dismissed.
5. Before us, the learned authorised representative reiterated the submissions made before the lower authorities. He submitted that the assessee follows the exclusive method of accounting, under which GST or service tax paid on purchases and expenses is not debited to the statement of profit and loss but is recorded as an asset under GST refund receivable. Consequently, the refund of ₹ 2,34,40,921 received during financial year 2020–21 was neither credited to the statement of profit and loss nor required to be offered as taxable income in the return filed by the assessee.
6. The learned Departmental Representative supported the orders of the lower authorities.

7. We have carefully considered the rival submissions and perused the orders of the lower authorities. The assessee, being an exporter, follows the exclusive method of accounting for indirect taxes. Under this method, purchases, expenses and inventory are recorded at their base value, excluding the tax component, while the related tax amounts are maintained separately in ledger accounts and are not merged with the cost or expenditure. The tax audit report, at serial no. 16(B), records that refund of value added tax amounting to ₹ 2,34,40,921 was not credited to the profit and loss account; however, it does not state that the amount is taxable under section 28 or otherwise. During processing, the Central Processing Centre treated this as an inconsistency because the amount credited to the profit and loss account was shown as nil, whereas Form 3CD reported ₹ 2,34,40,921. The assessee explained that, since GST was not claimed as expenditure and was accounted for separately as receivable, the corresponding refund was also not routed through the profit and loss account and could not be taxed as income. We find merit in this submission. Where the GST component has not been debited to the profit and loss account, its refund merely represents recovery of an amount already shown as receivable from the GST department and does not constitute income. The refund would assume the character of income only if the tax component had earlier been claimed as expenditure. Accordingly, the addition of ₹ 2,34,40,921 made by the Central Processing Centre and confirmed by the learned CIT(A) is unsustainable. Ground no. 2 of the assessee's appeal is allowed.
8. Ground no. 1 is general in nature and ground no. 3 is consequential; both are dismissed.
9. In the result, the appeal filed by the assessee is partly allowed.

Order pronounced in the open court on 25th June, 2026.

Sd/-	Sd/-
(SOUNDARARAJAN K.)	(PRASHANT MAHARISHI)
JUDICIAL MEMBER	VICE-PRESIDENT

Bangalore,
Dated, the 25th June, 2026.

TNTS

Copy to:

1. Appellant 2. Respondent
3. CIT 4. CIT(A)
5. DR, ITAT, Bangalore

By order

Assistant Registrar,
ITAT, Bangalore