

Analysis

DB India Securities Limited: Bad Debt Section 36(1)(vii) & Section 36(2) : Stock Market issue: Meaning of Debt etc: As regards allowance of bad debt under subject provision of the Act in hands of assessee-member stock broker, arising out of non payment of share purchase price by assessee's client, DHC has concluded two principles, which will go a long way to impact Broker Taxation:

- a) In case brokerage element in aforesaid share dealing is accounted and offered for taxation, same will be sufficient to treat the full share purchase price as "debt" in hands of member –broker; and
- b) Only that amount can be allowed as bad debt, in instant case, on facts, out of non share acceptance (in present case, assessee did not delivered underlying shares purchased for client), which remains after adjusting balance payment not made to assessee minus recovery made from sale of shares undelivered.

Where delivery stands made, second condition will not come in way of broker assessee to claim bad debt arising out of non payment of share purchase price.

Refer ITAT rulings in:

- a) Bonanza Portfolio – Delhi ITAT
- b) India Info line – Mumbai ITAT
- c) Madhup Jain – Delhi ITAT