

### **CIT Vs Bharat Alumunium Co. Ltd-Delhi High Court**

The assessee purchased machinery which was **not** put to use during the year though it formed a part of the “block of assets”. On the question whether depreciation on the said machinery was allowable, the Tribunal held that once a particular asset falls within the block, it is added to the WDV and depreciation is to be allowed on the block. The individual asset loses its identity and the question whether an individual asset is put to use in a particular year or not is irrelevant inasmuch as the requirement of law is to establish the use of the block of assets and not the use of particular equipment. On appeal by the Revenue, HELD affirming the Tribunal’s order:

(i) The rationale and purpose for which the concept of block asset was introduced, as reflected in the CBDT’s Circular dated 23.09.1988 is that **once the various assets are clubbed together and become ‘block asset’ within the meaning of s. 2(11), it becomes one asset**. Every time, a new asset is acquired, it is to be thrown into the common hotchpotch, i.e., block asset on meeting the requirement of depreciation being allowable at the same rate. **Individual assets lose their identity and become an inseparable part of block asset insofar as calculation of depreciation is concerned;**

(ii) The fusion of various assets into the block asset gets disturbed only when the eventuality contained in clause (iii) of s. 32 takes place, viz., when a particular asset is sold, discarded or destroyed in the previous year (other than the previous year in which first brought in use). Even in that event, the amount by which the moneys payable in respect of that particular building, machinery, etc. together with the amount of scrap value is to be deducted from total written down value of the ‘block asset’;

(iii) Though as per s. 32(1) the asset is to be owned and “used” for the purpose of business or profession, **the expression “used for the purpose of business” when applied to block asset would mean use of block asset and not any specific items in the said block as individual assets have lost their identity after becoming inseparable part of the block asset;**

(iv) The fact that under the second proviso to s. 32 assets acquired after 30th Sept shall be entitled to 50% depreciation of amount admissible does not mean requirement of user of individual asset remains intact. **In the first year when the particular asset is acquired, user of the asset is required.** In subsequent years, the user of individual assets is not required.