

**आयकर अपीलिय अधिकरण, 'ए' न्यायपीठ, चेन्नई**  
**IN THE INCOME TAX APPELLATE TRIBUNAL, 'A' BENCH, CHENNAI**  
**श्री धुव्वुरु आर.एल रेड्डी, न्यायिक सदस्य एवं श्री जी.मंजुनाथ, लेखा सदस्य के समक्ष**  
**BEFORE SHRI DUVVURU RL REDDY, JUDICIAL MEMBER**  
**AND SHRI G. MANJUNATHA, ACCOUNTANT MEMBER**

**आयकरअपीलसं./I.T.A.No.610/Chny/2019**

(निर्धारणवर्ष / Assessment Year: 2014-15)

M/s. Hitachi Automotive Systems (India) Pvt. Ltd. Plot No.17, One Hub Chennai, Panchanthiruthi Village, Manamathy PO. Thiruporur Taluk, Kancheepuram	Vs	The Deputy Commissioner of Income Tax, Corporate Circle-2(2) Chennai.
PAN:AACCH 9517N		
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)

अपीलार्थीकीओरसे/ Appellant by	:	Mr. Ashik Shah, C.A
प्रत्यर्थीकीओरसे/Respondent by	:	Mr. G.Chandrababu, Addl CIT

सुनवाईकीतारीख/Date of hearing	:	27.01.2021
घोषणाकीतारीख /Date of Pronouncement	:	09.03.2021

**आदेश / ORDER**

**PER G.MANJUNATHA, ACCOUNTANT MEMBER:**

This appeal filed by the assessee is directed against order of learned CIT(A)-5, Chennai dated 10.12.2018 and pertains to assessment year 2014-15.

2. The assessee has raised the following grounds of appeal:-

*"1. The learned CIT(A) and Learned Assessing Officer (hereinafter referred to as lower authorities) have erred in finalizing an order of assessment which suffers from legal defects such as being passed in violation of principles of natural justice mid is devoid of merits without appreciating the facts involved and documents submitted in proper and has been completed without adequate Inquiries.*

2. *The learned lower authorities have, in the facts and circumstances of the case and in law, erred in taxing the interest received on the fixed deposits earmarked for obtaining land on lease as income from other sources.*

3. *The learned lower authorities have in the facts and circumstances of the case and in law, erred in not following the orders of the Honourable Supreme Court and other High Courts on this matter on similar issue. The said act of the learned AO is against the principles of judicial discipline.*

4. *The learned lower authorities have in the facts and circumstances of the case and in law erred in not following the ruling of Supreme Court in the case of Tuticorin Alkali Chemicals & Fertilizers Ltd. without appreciating the factual differences.*

5. *The lower authorities have, in the facts and circumstances of the case and in law, erred in not considering the factual and legal submissions placed by the Appellant.*

6. *The AO erred in levying interest under section 234B of the Act.”*

3. Brief facts of the case are that assessee company is engaged in the business of manufacturing and trading automotive engine components. During the year under consideration, assessee was in the process of setting up of manufacturing facility at Chennai. For this purpose, it has brought in share capital for the purpose of obtaining land on lease. There was a significant lag between incorporation of

company and obtaining lease of land for construction of manufacturing facility. Due to unprecedented delay in obtaining lease, assessee was not able to utilize funds fully and hence, remaining unutilized funds were parked in temporary fixed deposits. The assessee has earned interest on fixed deposits amounting to ₹ 3,45,81,977/- and since interest income is inextricably linked with capital expenditure, same has been reduced from work in progress. The Assessing Officer was not convinced with explanation of the assessee and according to him, interest earned from fixed deposits from banks is assessable under the head income from other sources, irrespective of fact whether funds are raised for the purpose of capital expenditure or not. Hence, rejected the arguments of the assessee and assessed interest on fixed deposits under the head income from other sources.

4. Being aggrieved by assessment order, assessee preferred an appeal before learned CIT(A). Before learned CIT(A), assessee has filed various details, however, learned CIT(A) has disposed off appeal filed by assessee without considering submissions made by assessee in the light of

various evidences including certain judicial precedents. Aggrieved by learned CIT(A)'s order, assessee is in appeal before us.

5. The learned AR , at the time of hearing, submitted that learned CIT(A) has disposed off appeal filed by assessee without considering various evidences filed during the course of appellate proceedings to prove that there is inextricable link between funds and interest earned from fixed deposits and consequently, same cannot be assessed under the head income from other sources. Although, the assessee has filed various details, learned CIT(A) has not taken into consideration any evidence and hence, appeal may be set aside to the file of learned CIT(A) for fresh adjudication.

6. The learned DR, on the other hand, fairly agreed that issue may be set aside to the file of learned CIT(A) .

7. We have heard both parties, perused materials available on record and gone through orders of the authorities below. The assessee has reduced interest earned on temporary fixed

deposits with bank from work in progress on the ground that funds parked in temporary fixed deposits is having inextricable link with project of setting up of manufacturing facility and consequently, same cannot be assessed under the head income from other sources. The Assessing Officer has assessed interest income under the head income from other sources by following the decision of Hon'ble Supreme Court in the case of M/s. Tuticorin Alkali Chemicals & Fertilizers Ltd. (1997) 93 Taxmann 502, by holding that source of funds which is used for making fixed deposits is not relevant to decide head of income and which is nature of income decides head of income and accordingly, assessed interest income under the head income from other sources. The plea of learned AR for assessee is that although, assessee has filed various evidences before learned CIT(A) in light of certain judicial precedents to prove nexus between funds parked with fixed deposits and interest income earned from fixed deposits, but learned CIT(A) has not considered any evidences filed by assessee. We find that learned CIT(A) has simply upheld order passed by Assessing Officer by following judgement of Hon'ble Supreme Court in the case of M/s. Tuticorin Alkali Chemicals &

Fertilizers Ltd (supra), even though assessee has cited subsequent decision of Hon'ble Supreme Court in the case of CIT Vs. M/s. Bokaro Steel Ltd. (1999) 236 ITR 315 and decision of Hon'ble Delhi High Court in the case of Indian Oil Panipat Power Consortium Ltd. Vs. ITO 315 ITR 255(Del), where courts after considering decision of M/s. Tuticorin Alkali Chemicals & Fertilizers Ltd (supra), held that if funds kept in fixed deposits is having inextricable link with project, then interest earned on short term deposits should be reduced from work in progress, but cannot be assessed under the head income from other sources. Although, assessee has cited those judgements, learned CIT(A) has not considered judgements cited by assessee before deciding the issue. Therefore, we are of the considered view that issue needs to go back to the file of learned CIT(A) to decide the issue in light of various evidences filed by assessee including decision of Hon'ble Supreme Court in the case of M/s.Bokaro Steel Ltd. Hence, we set aside the issue to the file of learned CIT(A) to decide the issue afresh in accordance with law.

8. In the result, appeal filed by assessee is treated as allowed for statistical purposes.

Order pronounced in the open court on 9<sup>th</sup> March, 2021

Sd/-  
(धुव्वुरु आर.एल रेड्डी)  
(Duvvuru RL Reddy)  
न्यायिक सदस्य /Judicial Member

Sd/-  
(जी.मंजुनाथ)  
(G.Manjunatha)  
लेखा सदस्य / Accountant Member

चेन्नई/Chennai,

दिनांक/Dated 9<sup>th</sup> March, 2021

DS

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. Appellant
2. Respondent
3. आयकर आयुक्त (अपील)/CIT(A)
4. आयकर आयुक्त/CIT
5. विभागीय प्रतिनिधि/DR
6. गार्ड फाईल/GF.