

**आयकर अपीलीय अधिकरण “बी” न्यायपीठ चेन्नई में।**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**“B” BENCH, CHENNAI**

**माननीय श्री महावीर सिंह, उपाध्यक्ष एवं**  
**माननीय श्री मनोज कुमार अग्रवाल, लेखक सदस्य के समक्ष।**  
**BEFORE HON'BLE SHRI MAHAVIR SINGH, VP AND**  
**HON'BLE SHRI MANOJ KUMAR AGGARWAL, AM**

**आयकर अपील सं. ITA No.462/Chny/2023**  
**(निर्धारण वर्ष / Assessment Year: 2018-19)**

<b>ACIT</b> Central Circle-1(1), Chennai.	<b>बनाम/ Vs.</b>	<b>M/s. Cognizant Technology Solutions India Pvt. Ltd.</b> No.5/535, Old Mahabalipuram Road, Okkiyam Thorapakkam, Chennai-600 097.
स्थायी लेखासं./जीआइआरसं./PAN/GIR No. <b>AAACD-3312-M</b>		
(अपीलार्थी/ <b>Appellant</b> )	:	(प्रत्यर्थी / <b>Respondent</b> )

अपीलार्थीकी ओरसे/ <b>Appellant by</b>	:	Shri V. Nandakumar (CIT)- Ld. DR
प्रत्यर्थीकी ओरसे/ <b>Respondent by</b>	:	Shri N.V. Balaji (Advocate)-Ld. AR

सुनवाईकी तारीख/ <b>Date of final Hearing</b>	:	06-03-2024
घोषणाकी तारीख / <b>Date of Pronouncement</b>	:	06-03-2024

**आदेश / ORDER**

**Manoj Kumar Aggarwal (Accountant Member)**

1. Aforesaid appeal by revenue for Assessment Year (AY) 2018-19 arises out of the order of learned Commissioner of Income Tax (Appeals)-18, Chennai [CIT(A)] dated 20-01-2023 in ITA No.61/CIT(A)-18/2021-22 in the matter of an assessment framed by Ld. Assessing Officer [AO] u/s. 143(3) of the Act on 30-09-2021. The grounds raised by the Revenue read as under:-

1. The order of the Id. Commissioner of I.T. (Appeals) is erroneous on facts of the case and in law.

2.1 The Ld. CIT(A) erred in deleting the provision for lease equalization charges amounting to Rs.19,56,15,741/-, added with the books profit without appreciating that the lease equalization charges is a provision only and not an ascertained liability.

2.2 The Ld. CIT(A) erred in deleting addition made towards provision for lease equalization charges in the computation of book profits u/s. 115JB of the Act, without appreciating that the amount debited in the P & L account as lease equalization charges is merely a provision for unascertained liability and warrants adjustments u/s. 115JB as per clause (c) to Explanation 1 of section 115JB(2) of the IT Act.

As is evident, the sole issue that arises for our consideration is to determine the nature of lease equalization charges for the purpose of computation of book profits u/s 115JB.

2. The Ld. AR submitted that this issue is covered in assessee's favor by the earlier orders of the Tribunal. The copy of latest Tribunal order in ITA Nos.160/Chny/2022 & ors. dated 29-12-2023 has been placed on record. The aforesaid position could not be controverted by revenue. In the above background, the appeal is disposed-off as under

3. In the assessment order dated 30-09-2021, it was noted by Ld. AO that the assessee debited amount of Rs.19.56 Crores towards Lease Equalization Charges which was not adjusted while computing book profits u/s 115JB. The Ld. AO termed the same as unascertained liability. Rejecting assessee's submissions, Ld. AO added the same u/s 115JB. The Ld. CIT(A) allowed this claim by relying on the decision of Tribunal in assessee's own case (as successor of interest of erstwhile MarketRx India P. Ltd.) for AY 2009-10 in ITA No.4896/Del/2014 dated 28-02-2018. Aggrieved, the revenue is in further appeal before us.

4. We find that this issue is covered in assessee's favor by the earlier orders of the Tribunal. The Tribunal in latest order in ITA Nos. 160/Chny/2022 & ors. dated 29-12-2023 for AY 2015-16 held as under: -

17. The next issue in this appeal of Revenue is as regards to allowability of lease equalization charges under the provisions of Section 115JB of the Act. We noted that the A.O while computing book profit has added back of the lease equalization charges to the book profit treating the same as an ascertained liability of the current year/notional

provision created for future lease rental liabilities. According to A.O, the assessee's claim that it is an ascertained liability of the present year is incorrect. But, actually it is an ascertained and contingent liability of future year subject to continuation of lease agreement by both the parties and hence, for the current year this obligation arises from past event. Hence, the A.O held the same as unascertained liability, but according to CIT(A), the provision of lease equalization charges is ascertained liability and covered by the decisions of Hon'ble Madras High Court and Hon'ble Supreme Court in the case of CIT vs. Yokogawa India Ltd. [2017] 77 taxmann.com 41 (SC). Once, the Hon'ble Supreme Court in the case of CIT vs. Virtual Soft Systems Ltd. [2018] 92 taxmann.com 370 (SC) held as under:

"13. The method of accounting followed, as derived from the ICAI's Guidance Note, is a valid method of capturing real income based on the substance of finance lease transaction. The rule of substance over form is a fundamental principle of accounting, and is in fact, incorporated in the ICAI's Accounting Standards on Disclosure of Accounting Policies being accounting standards which is a kind of guidelines for accounting periods starting from 01.04.1991. It is a cardinal principle of law that the difference between capital recovery and interest or finance income is essential for accounting for such a transaction with reference to its substance. If the same was not carried out, the Respondent would be assessed for income tax not merely on revenue receipts but also on non-revenue items which is completely contrary to the principles of the IT Act and to its Scheme and spirit.

14. The bifurcation of the lease rental is, by no stretch of imagination, an artificial calculation and, therefore, lease equalization is an essential step in the accounting process to ensure that real income from the transaction in the form of revenue receipts only is captured for the purposes of income tax. Moreover, we do not find any express bar in the IT Act which bars the bifurcation of the lease rental. This bifurcation is analogous to the manner in which a bank would treat an EMI payment made by the debtor on a loan advanced by the bank. The repayment of principal would be a balance sheet item and not a revenue item. Only the interest earned would be a revenue receipt chargeable to income tax. Hence, we do not find any force in the contentions of the Revenue that whole revenue from lease shall be subjected to tax under the IT Act."

18. Hence, the CIT(A) has rightly deleted the addition and held that it is ascertained liability and cannot be added back in book profit u/s. 115JB of the Act. We uphold the order of the CIT(A) and this issue of Revenue's appeal is dismissed. Consequently, the appeal of the Revenue is dismissed.

In the absence of any contrary decision shown to us, we confirm the impugned order.

5. The appeal stand dismissed.

*Order pronounced on 06<sup>th</sup> March, 2024.*

**Sd/-**  
**(MAHAVIR SINGH)**  
उपाध्यक्ष / **VICE PRESIDENT**

**Sd/-**  
**(MANOJ KUMAR AGGARWAL)**  
लेखा सदस्य / **ACCOUNTANT MEMBER**

चेन्नई Chennai; दिनांक Dated : 06-03-2024  
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**आदेशकीप्रतिलिपिअग्रेषित/Copy of the Order forwarded to :**

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF