

**IN THE INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCH 'C ': NEW DELHI  
BEFORE,  
DR. B.R.R. KUMAR, ACCOUNTANT MEMBER  
AND  
SHRI YOGESH KUMAR U.S., JUDICIAL MEMBER**

**ITA No.431/Del/2024  
(ASSESSMENT YEAR-2021-22)**

India Institute for Critical Action Centre in Movement, R-21, Ground Floor, South Extension 2, New Delhi <b>PAN:AABCI4304B</b>	Vs.	Commissioner of Income Tax (Appeals) NFAC, New Delhi
<b>(Appellant)</b>		<b>(Respondent)</b>

Appellant by	Sh. A. K. Nair, CA
Respondent by	Ms. Parul Singh, Sr. DR

Date of Hearing	10.07.2024
Date of Pronouncement	29.08.2024

**ORDER**

**PER YOGESH KUMAR U.S. JM.:-**

The present appeal is filed by the assessee against the order of National Faceless Appeal Centre ('NFAC')/Ld. Commissioner of Income Tax (Appeals) dated 05/01/2024 for Assessment Year 2021-22.

2. The grounds of Appeal are as under:-

*“1. The Order of the Ld. Commissioner of Income Tax (A) is bad in law and on facts.*

*2. That on the facts and circumstances of the case and in law, the Ld. CIT (A) has erred on considering foreign contribution received during the FY 2020-21 as income of the Assessee based on cash basis method of accounting instead of considering the Income reported in Sr.no. B(i) & B(ii) of Schedule VC based on Accrual basis method thereby, Increasing the income by INR 69,84,169/-, Further that on the facts and circumstances of the case and in law, the Ld. CIT (A) has erred by allowing the addition made in Intimation Order u/s 143(1) and Rectification Order u/s 154 based on difference of accounting principle without considering the fact that under Intimation Order u/s 143(1) only adjustment for arithmetical error, incorrect claim, disallowance of loss claimed, disallowance of expenditure indicated in the Audit, disallowance of deduction claimed and additional of income appearing in Form 26AS or Form 16 or Form 16A is allowed.*

*3. The Appellant craves to add, alter or modify the aforesaid grounds of appeal either at or before the hearing the appeal.*

3. Brief facts of the case are that, the assessee filed its return for Assessment Year 2021-22 declaring total income at NIL. The return was processed u/s 143(1) of the Income Tax Act, 1961,(‘Act’ for short) determining total income at Rs. 69,84,169/- on account of

difference in actual FCRA received by the assessee and the income declared by the assessee in its return of income. Aggrieved by the assessment order, the assessee filed rectification application and an order u/s 154 of the Act came to be passed on 12/01/2023 by determining the total income of the assessee at Rs. 69,84,169/-. Aggrieved by order passed u/s 154 of the Act the assessee preferred an appeal before the CIT(A).

4. The Ld. CIT(A) vide order dated 05/01/2024 dismissed the Appeal filed by the assessee in following manners:-

*“7. I have considered the facts and circumstances of the case and material available on record on the above matter. Appellant company filed its return of income for AY 2021-22 on 11.02.2022 declaring total income at Rs.Nil. The return was processed u/s 143(1) of the I.T. Act on 23.08.2022 determining total income at Rs.69,84,169/- on account of difference in actual FCRA received by the appellant and income declared by the appellant in its return of income. AO noticed that appellant received FCRA of Rs.2,77,91,339/- whereas appellant has shown receipts of only Rs.2,08,07,170/-. Aggrieved by the order appellant filed rectification application. Order u/s 154 of the I.T. Act was passed on 12.01.2023 determining total income of the appellant at Rs.69,84,169/-. Aggrieved by the order appellant filed appeal.*

*7.1. Appellant is contending that he has been following Accrual basis method of accounting. Appellant contends that as per the accounting principles the grants received*

*by a Nonprofit organization should be recognized as an income on a systematic and rational basis over the period of the grant to match with the related costs for the said grant. As the grants are received for a period of time, therefore the grant income is suggested to be recognized to the extent the related costs are incurred on the project of grant and balance to be recognized as a liability. However, on perusal of ITR it is seen that during the year appellant reflected only Rs.2,08,07,170/- as income receipts out of the FCRA received of Rs.2,77,91,339/-. It is to be noted that appellant did not file Balance Sheet & Profit & Loss account along with the return of income filed during the year. This is also fact that appellant has not refunded unspent FCRA receipts. There is no doubt that the appellant has treated funds received through FCRA as revenue receipts. If the object for which appellant received did not completed during the year and the amount was carry forwarded and offered as revenue receipts in the next year but appellant failed to prove with the documentary evidences and therefore, the explanation given by the appellant is not accepted. Therefore, it is found that the FCRA receipts were for the year under consideration and the balance amount of Rs.69,84,169/- has not been included in the return of income filed by the appellant. Further, appellant has not submitted anything to show that the balance amount of Rs.69,84,169/- is carried over to next year and whether the same has been utilized and shown as revenue receipts in the next year. From the return of income of next year filed by the appellant also prove that this unspent receipt was not included in the next year revenue receipts. Hence, the AO has rightly added the amount of Rs.69,84,169/- to the total income dismissed.”*

5. As against the order of the Ld. CIT(A), the assessee is before this Tribunal on the Grounds mentioned above.

6. The Ld. Counsel for the assessee submitted that the Ld. CIT(A) erred in considering foreign contribution received during Financial Year 2020-21 as income of the assessee based on cash basis method of accounting instead of considering the income reported in Serial No. B(i) and B(ii) of the Schedule VC based on Accrual basis method thereby erroneously increased the income of the assessee at Rs. 69,84,169/-. Further submitted that the Ld. CIT(A) has erred in dismissing the appeal filed by the assessee, therefore, sought for allowing the appeal.

7. Per contra, the Departmental Representative relying on the orders of the Lower Authorities sought for dismissal of the Appeal filed by the Assessee.

8. We have heard both the parties and perused the material available on record. The Assessee has been following Accrual basis of accounting, the Assessee recognized an income of Rs. 2,08,07,170/- for AY 2021-22 and reported the said income in Serial No. B(ii) of Schedule VC and carried forward the liability as Unspent Grant for INR 1,04,99,998/- in the Balance Sheet under 'Note D-Other Current Liabilities' which is recognized as Income in

the subsequent period to the extent of expenditure incurred. The Assessee has produced detailed working on recognition of income and Unspent Grant for AY 2021-22 and AY 2022-23 to prove that the Unspent grant for Ay 2021-22 was recognized as income in AY 2022-23 as against actual receipt of Rs. 2,96,57,598/-, an income of Rs. 3,76,29,175/- was offered to tax in AY 2022-23, which can be corroborated from Annexure A produced at Page No. 118 of the Paper Book. Considering the fact that the Unspent Grant income has been offered to tax in the subsequent year i.e. AY 2022-23, we find no reason to make an addition of Rs. 69,84,169/- at the hands of the Assessee in the year under consideration. Accordingly, the subject addition of Rs. 69, 84,169/- made by the A.O. is hereby deleted.

9. In the result, the appeal filed by the Assessee is allowed.

Order pronounced in the open Court on 29<sup>th</sup> August, 2024.

Sd/-

**(DR. B.R.R. KUMAR)**  
**ACCOUNTANT MEMBER**

Dated: 29/08/2024

*R.N Sr.ps*

Sd/-

**(YOGESH KUMAR U.S.)**  
**JUDICIAL MEMBER**

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR  
ITAT, NEW DELHI