

आयकर अपीलीय अधिकरण, विशाखापटणम पीठ, विशाखापटणम

**IN THE INCOME TAX APPELLATE TRIBUNAL
VISAKHAPATNAM "DIVISION" BENCH, VISAKHAPATNAM**

(HYBRID HEARING)

**श्री विजय पाल राव, उपाध्यक्ष, एवं श्री एस बालाकृष्णन, लेखा सदस्य के समक्ष
BEFORE SHRI VIJAY PAL RAO, HON'BLE VICE PRESIDENT**

&

SHRI S BALAKRISHNAN, HON'BLE ACCOUNTANT MEMBER

**आयकर अपीलसं./I.T.A.Nos.335, 339, 340, 341, 342 & 343/VIZ/2025
(निर्धारण वर्ष/ Assessment Years: 2015-16, 2017-18, 2018-19, 2020-21, 2021-22 & 2022-23)**

DCIT – Circle – 1(1) CR Buildings, M.G. Road Vijayawada – 520002 Andhra Pradesh	Vs.	Transmission Corporation of Andhra Pradesh Limited 48-12-4/1, Gunadala Vijayawada – 520004 Andhra Pradesh [PAN:AABCT0088P]
(अपीलधर्मी/Appellant)		(प्रत्यर्धी/Respondent)

सी.ओ सं. / C.O. Nos. 30, 31, 32, 33, 34 & 35/VIZ/2025

**[आयकर अपीलसं.से उत्पन्न/I.T.A.Nos.335, 339, 340, 341, 342 & 343/VIZ/2025
(निर्धारण वर्ष/ Assessment Years: 2015-16, 2017-18, 2018-19, 2020-21, 2021-22 & 2022-23)]**

Transmission Corporation of Andhra Pradesh Limited 48-12-4/1, Gunadala Vijayawada – 520004 Andhra Pradesh [PAN:AABCT0088P]	Vs.	DCIT – Circle – 1(1) CR Buildings, M.G. Road Vijayawada – 520002 Andhra Pradesh
(अपीलधर्मी/Appellant)		(प्रत्यर्धी/Respondent)

करदाता का प्रतिनिधित्व/ Assessee Represented by	:	Shri M. Chandramouleswara Rao, CA
राजस्व का प्रतिनिधित्व/ Department Represented by	:	Dr.Satyasai Rath, CIT(DR)
सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing	:	17.07.2025
घोषणा की तारीख/Date of Pronouncement	:	25.07.2025

आदेश / O R D E R

PER BENCH:

1. These appeals and cross objections are filed by the revenue and assessee respectively, against different orders of Learned Commissioner of Income Tax (Appeals), National Faceless Appeal centre, Delhi [hereinafter in short “Ld.CIT(A)”] vide respective DIN & Order No. as stated below:-

ITA No.& A.Y. / C.O. No.	DIN & Order No.	Dated
ITA No. 335/VIZ/2025 (A.Y. 2015-16)	ITBA/NFAC/S/250/2024-25/1075269515(1)	30.03.2025
C.O. No. 30/VIZ/2025		
ITA No. 339/VIZ/2025 (A.Y. 2017-18)	ITBA/NFAC/S/250/2024-25/1075317616(1)	31.03.2025
C.O. No. 31/VIZ/2025		
ITA No. 340/VIZ/2025 (A.Y. 2018-19)	ITBA/NFAC/S/250/2024-25/1075269651(1)	30.03.2025
C.O. No. 32/VIZ/2025		
ITA No. 341/VIZ/2025 (A.Y. 2020-21)	ITBA/NFAC/S/250/2024-25/1075269820(1)	30.03.2025
C.O. No. 33/VIZ/2025		
ITA No. 342/VIZ/2025 (A.Y. 2021-22)	ITBA/NFAC/S/250/2024-25/1075271355(1)	30.03.2025
C.O. No. 34/VIZ/2025		
ITA No. 343/VIZ/2025 (A.Y. 2022-23)	ITBA/NFAC/S/250/2024-25/1075270230(1)	30.03.2025
C.O. No. 35/VIZ/2025		

2. First, we proceed to adjudicate the appeals of the revenue. Since the grounds raised by the Revenue for all these appeals are identical in nature, these appeals are clubbed and a consolidated order being passed. We now take up the appeal in ITA No. 335/VIZ/2025 for the A.Y.2015-16 as a lead appeal.

ITA NO. 335/VIZ/2025 (A.Y. 2015-16) – Revenue Appeal.

3. Brief facts of the case are that the assessee company is engaged in the business of transmission of electrical energy and is also executing projects under Lift Irrigation Schemes (LIS) at various places in the erstwhile state of Andhra Pradesh. The Government of Andhra Pradesh in several occasions in the undivided state launched a programme titled “Jala Yagnam” involving construction of several Lift Irrigation Schemes (in short “LIS”) to support each project, the Government of Andhra Pradesh provides capital funds in the form of grants and the assessee keeps the unutilized grants as fixed deposits with the banks and earns interest thereon. These funds cannot be utilized otherwise except for the purpose of meeting the cost of providing power transmission lines for LIS. Any interest earned out of the deposits on being unspent have to be returned to the irrigation department as per the directions of the Government of Andhra Pradesh. During the year under consideration, the assessee company claimed the tax deducted at source (TDS) on the interest earned from the fixed deposits. When asked for clarification by the Ld. Assessing Officer [hereinafter in short “Ld. AO"], the assessee stated that this interest income is not offered as income as the same is transferred to the respective deposit account since the interest earned is intrinsically linked to the capital grant which is subjected to specific utilization as per the directions of the Government of Andhra Pradesh. The case was selected for scrutiny under CASS to examine the following issues:

- (i) Large difference in the closing stock shown in Balance Sheet and P&L a/c of current year as per Return of income.
- (ii) Large difference in the opening written down value of current year and closing written down value of previous year shown in Schedule – DPM and schedule – DOA as per Return of income.
- (iii) Large other expenses claimed in the profit & Loss a/c.
- (iv) Large increase in sundry creditors and reduction in business income as compared to preceding year (sundry Creditors in Balance sheet and Business Income in Part B – TI of ITR).
- (v) Tax credit claimed in ITR is less than tax credit available in 26AS.
- (vi) Large refund claimed out of advance tax (Part B – TI of ITR) and
- (vii) Taxable income shown in revised return is less than the taxable income shown in the original return (Part B – TI of ITR).

4. Thereafter, statutory notices under section 143(2) and 142(1) of the Act were issued and served on the assessee. In response to the notices, the assessee's AR produced the details as called for from time to time. After considering the submissions and facts of the case, the Ld.AO observed that the submissions of the assessee are not tenable as the assessee is claiming TDS credit on the interest accrued on deposits – Government of Andhra Pradesh's LIS on one hand and on the other hand, the assessee has not offered the interest income of Rs. 94,66,04,854/- which is related to the TDS credit. The Ld.AO further observed that since the assessee is utilizing the TDS credit on interest accrued, the assessee has to offer corresponding receipts to tax. The interest of Rs.94,66,04,854/- is nothing but the interest earned by the assessee on the deposits / investments made with the DISCOMS and the assessee instead of

recognizing the same as its revenue by crediting it to profit and loss account, credited it to Government of Andhra Pradesh (in short GoAP) LIS Deposits accounts and shown it as liability is not in order. The Ld.AO observed that the assessee has even failed to prove the nexus between the utilized LIS funds and the interest earned on the fixed deposits. The Ld.AO further observed that on completion of the project, the assessee does not refund the amount to GoAP, if the estimated cost is more than the actual cost, but keeps it as deposit with bank and uses it for another project under LIS. If the estimated cost falls short of the actual cost, the assessee uses the funds received for another LIS project. Thus, the assessee keeps rotating the fund among various projects under LI scheme. From the above submissions of the assessee, the Ld.AO observed that the assessee never refunded any excess grant or interest on the deposits to the Government and the assessee failed to recognize the interest receipt as revenue and refunded the same to GoAP. The GoAP never wanted to adjust the interest on unutilized LIS funds against the grants. However, on request and proposal of the assessee, the GoAP issued permission for such accounting treatment. From this, it is evident that the letter obtained by the assessee from the GoAP is merely an after-thought to avoid tax liability on the interest income of Rs.94,66,04,854/- just by making book entries. The stipulation of adjustment of interest earned against the payment for LI Scheme obtained by the assessee company is only a self-inflicted liability which was not pre-existing. The

Ld.AO viewed that the assessee instead of recognizing the interest accrued on deposits made with DISCOMS as revenue, credited to “Deposits from GoAP for LIS account” and claimed the credit for the TDS made on the same, which is self defeating / contradicting action on the part of the assessee. To allow the claim of TDS, the provisions of section 199 are clearly applicable to the instant case. As per the provisions of sec.199, tax credit would be given only when the assessee offers corresponding income for tax purpose. However, in the present case, the assessee failed to offer the interest income on Deposits from GoAP for LIS account. Accordingly, the Ld.AO treated the amount of Rs.94,66,04,854/- being the interest earned by the assessee on the deposits / investments made from unutilized LIS funds as income and added back to the total income of the assessee.

5. Further, Ld. AO noticed that assessee has debited Rs.20,30,63,000/- under the head “Extraordinary Items” to Profit & Loss Account. Ld. AO requested assessee to furnish a note on allowability of extraordinary items of Rs.20.30 Crores as an allowable expenditure under the provisions of the Act. In response, assessee submitted that during the year 2014-15 HUDHUD cyclone was happened and an amount of Rs.20.30 Crores incurred expenditure for restoring the lines which was damaged due to HUDHUD cyclone. Further, assessee submitted that Andhra Pradesh Electricity Regulatory Commission (APERC) in November 2014 gave

permission to the assessee to utilize the contingency reserve fund of the company to meet the cyclone expenditure. Considering the submissions of the assessee, Ld. AO observing that assessee company charged Rs 20.30 Crores to Profit & Loss Account and accordingly, reduced its profit to that extent. Ld. AO disallowed Rs.20,30,63,000/- and added back to the total income of assessee.

6. Aggrieved by the order of the Ld. AO, the assessee preferred an appeal before the Ld. CIT(A). On appeal, the Ld. CIT(A) allowed the appeal of the assessee by following the decision of the jurisdictional Tribunal in the assessee's own case.

7. Aggrieved by the order of the Ld. CIT(A), the revenue is in appeal before the Tribunal by raising the following grounds of appeal:

“1. The order of the Ld. CIT(A), NFAC, DELHI is illegal, perverse, irregular, and improper and the same is liable to be set-aside.

2. The Ld CIT(A), NFAC, DELHI ought to have seen that the assessing officer had categorically pointed out that the internal accruals were used for meeting the project cost and it was further pointed that the assessee failed to prove otherwise.

3. The Ld CIT(A), NFAC, DELHI ought to have seen that the assessee never refunded any excess grant or interest on the deposits to the Government.

4. The Ld CIT(A), NFAC, DELHI ought to have seen that, while releasing the funds the Government of Andhra Pradesh did not impose any conditions on the utilization of the interest

accrued, and for the subsequent projects, the amounts accrued as interest were never shown or adjusted, while sanctioning the funds.

5. *The CIT(A), NFAC, Delhi ignored that fact that the assessee claimed TDS deduction under section 194A on the said interest receipts without admitting the corresponding amounts received by the assessee, which is in contrary to the provisions of section 198 and 199(1) of the Income Tax Act, 1961.*

6. *The Ld. CIT(A), NFAC, DELHI erred in holding that the interest accrued to the assessee are not taxable in its hands.*

7. *The Ld, CIT(A), NFAC, DELHI ignored the fact that the assessee treated amount spent on extraordinary items to meet cyclone expenditure as expenditure in general, even though the assessee had been permitted to utilize the Contingency Reserve Fund of the company to meet the cyclone expenditure as per the comments of the C & AG.*

8. *The Ld. CIT(A), NFAC, DELHI has not considered the fact while directing to delete the addition towards disallowance of extraordinary expenditure that the claim for reimbursement of the extraordinary expenditure is pending from the Government.*

9. *Any other ground that may be urged at the time of appeal.”*

8. The two issues emanating from the grounds of appeal raised by the revenue are as follows: -

Issue 1: *Interest income not shown as revenue amounting to Rs.94,66,04,854/-.*

Issue 2: *Deletion of addition of Rs. 20.30 Crores by the Ld.CIT(A) being extraordinary items to meet the cyclone expenditure claimed by the assessee.*

Issue No. 1:

9. With respect to first issue which is in respect to interest income not shown as revenue, Ld. Authorised Representative [hereinafter “Ld.AR”]

submitted before us that issue involved in the appeal is exactly identical to that of the issue adjudicated by the Tribunal in the assessee's own case vide order dated 25.02.2022. The Ld. AR further submitted before us a Reference to Relevant Paras i.e., Para No. 8 of the Tribunal order dated 25.02.2022 and prayed that considering the similarity of the issues, the ground raised by the revenue in the present appeal may be dismissed.

10. Per contra, The Ld. Departmental Representative [DR] heavily relied on the order of the Ld. AO and supported the decision taken by Ld. AO. However, the Ld. DR did not controvert to the submission of the Ld. AR that the issue involved in the present appeal is identical to that of the issue adjudicated by the Tribunal and therefore the same decision of the Tribunal may be applied to the grounds involved in the present case.

11. We have heard both the sides perused the material available on record as well as the orders of the Ld. Revenue Authorities. We have perused the order of this Tribunal in the assessee's own case vide order dated 25.02.2022 wherein identical issue was raised by the assessee and the Tribunal has adjudicated the same. This Bench of the Tribunal has already dealt with this issue and decided the issue in favour of the

assessee in the assessee's own case for the A.Y.2016-17 in ITA No.484/Viz/2019, dated 25.02.2022. For the sake of reference, relevant paras from the order of the Tribunal (supra) are extracted herein below:

“8. We have heard both the parties and perused the material placed on record. The only issue before us is whether the interest received by the assessee is revenue in nature or not. It is admitted fact that the Ld.CIT(A) on similar set of facts deleted the addition made by the AO relying on the decision of Coordinate Bench in the assessee's own case in ITA Nos. 366 to 372/Hyd/2018 dated 13.06.2018. For the sake of clarity and convenience, we extract relevant copy of the order of the Ld.CIT(A), which reads as under:

“....These are seven appeals by Revenue from Ld. AO. 2008-09 to 2013-14 and cross-objections by assessee. The Ld.CIT(A) has passed common order vide order dt. 20-11-2017 and amongst various issues decided by the Ld.CIT(A), Revenue is aggrieved on the exclusion of interest accrued on the funds received from the State Government towards Lift Irrigation Scheme Funds [LIS].

2. Revenue has raised the common grounds in all the years. Briefly stated facts are that assessee is a company engaged in the business of transmission of electrical energy. During the course of assessment proceedings, amongst various additions / disallowances, the Ld. AO made addition towards interest earned on Fixed Deposits made out of unutilized LIS funds in all the assessment years.

2.1. For the sake of convenience, the additions made by Ld. AO on the issue involved in various assessment years is tabulated hereunder:

S.No	Issue of addition / Asst.Years	Interest accrued on deposits made from funds of State Govt. given for implementing Lift Irrigation Schemes (Tagged Grants) (Rs.)
1	2008-09	15,62,52,360
2	2008-09*	29,32,67,935
3	2009-10	68,81,34,162
4	2010-11	41,86,12,212
5	2011-12	34,17,18,508
6	2012-13	67,90,14,762
7	2013-14	1,26,87,93,701

Noticing that assessee has received Rs. 2516.90 Crores from 16 LI Schemes and also noticing that assessee has kept the amounts in Fixed Deposits and earned interest thereon, AO asked assessee to explain why the said interest cannot be brought to tax as accrued income of assessee. Assessee contended that the amounts are special grants in the nature of capital grants and they are deposited in a separate bank account and the State Government directed the assessee company to utilize any interest earned/accrued on such deposit in un-utilised grant funds only towards implementation of LIS projects and by various communications, the Government has directed to render account for such interest and to refund unused interest amount to the Government. AO did not agree and held that interest has accrued to assessee-company and brought the amounts to tax.

3. *Before the Ld.CIT(A) it was submitted that the funds are 'tagged grants' and the interest accrued/ earned on the amount of such grants can only be used for LIS projects and assessee cannot use at its discretion. It has relied on various communications from the Government. The facts and contentions are listed by the CIT(A) in para 6 as under:*

- *The Capital Grant amounts have to be treated as Tagged Grants and an obligation is attached to it to utilise the amounts only for the implementation of LIS Projects.*
- *The LIS Grant amount has to be deposited in a separate Bank Account and maintained separately for rendering account to the State Government. The same has been treated as a current Liability in the Balance Sheet to the extent of unutilised Grant amount.*
- *Interest earned/ accrued on the deposits of LIS Grant amounts is also to be utilised for the implementation of the Schemes only and therefore, the same is also shown under the current Liabilities as an accession to the LIS Grant Funds.*
- *The Appellant cannot exercise any discretion or right over such interest amounts except to utilise the same for the LIS Projects and as directed by the State Government of Andhra Pradesh.*
- *The Appellant has furnished communication received from Special Secretary to Government, Energy Department, Government of A.P. dated 21/10/2011 through which the Secretary directed the Appellant Company to remit to Government Account the amount of interest accrued on deposits.*

- *The Appellant Company is a State Government Public Sector Undertaking and is bound to follow the Government directions in Toto”.*

3.1. *Assessee has relied on the judicial principles also as under:*

i. *Tax Appeal No. 855 of 2013 in the case of Commissioner of Income Tax-II V/s. SAR Infracon P Ltd.,;*

ii. *Gujarat Municipal Finance Board V/s. Dy. CIT reported in (1996) 318 ITR 317;*

iii. *Gujarat Power Corporation Limited V/s. Income Tax Officer reported in (2013) 354 ITR 201 (Guj.);*

iv. *Karnataka Urban Infrastructure Development and Finance Corporation 150 ITR 533;*

v. *Hyderabad Infrastructure & Technologies Limited V/s. Addl. Director of Income Tax (International Taxation)-1, Hyderabad reported in*

(2014) 45 Taxmann.com 339 vi. CIT Vs. Punjab State E-Governance Society in ITA No. 75 of 2011;

3.2. *Ld.CIT(A) has considered the submissions and deleted the addition, holding as under:*

“7. I have gone through the contentions of the appellant vis-a-vis order passed by the Assessing Officer. The issue is common to all the assessment years under appeal. Though the addition is made in all the assessment years from 2008-09 onwards, the detailed order with indepth examination of the issue is passed for the Asst. Years 2013-14. The issue is dealt with at pages 2 to 11 of the order. After examination of various correspondence available on record, the Assessing Officer concluded that there is no condition put by the GoAP that the interest earned on deposit is to be treated as part of the grant. Further, the Assessing Officer brought out that the assessee never refunded any excess grant or interest on deposits to the Government. The evidence filed by the assessee to claim so was agreed to/permitted by the Government was letter issued only at the specific request of the assessee. The assessee has claimed credit for the TDS on the interest.

7.1 The assessee contends that the assessee right from the beginning i.e, from Asst.Year 2008-09 onwards

treated the interest earned as part of the grant and accounted for accordingly. The same was discussed in the 74th Board Meeting of the Company on 28-06-2008 while finalizing the accounts for Asst. Year 2008-09. The same is represented by the Directors representing GoAP also. The funds are given as Grants for Lift Irrigation works and are capital grants in nature. The assessee relied on the ratio laid down in the following cases to contend that interest earned on deposits made from "Specific or Tagged Grants" can not be taxed as revenue receipt.

- 1. Tax Appeal No.855 of 2013 in the case of Commissioner of Income Tax-II V/s. SAR Infracon P Ltd.*
- 2. Gujarat Municipal Finance Board V/s. Dy. CIT reported in (1996) 318 ITR 317.*
- 3. Gujarat Power Corporation Limited V/s. Income tax Officer reported in (2013) 354 ITR 201(Guj.)*
- 4. Karnataka Urban Infrastructure Development and Finance Corporation 150 ITR 533.*
- 5. Hyderabad Infrastructure & Technologies Limited V/s. Addl. Director of Income Tax (International Taxation)-I, Hyderabad reported in-(2014) 45 Taxmann.com 339.*
- 6. CIT v Punjab State E-Governance Society in ITA No. 75 of 2011.*

The assessee also relied on the ratio laid down by the Hon'ble Supreme Court in the case of M/s Bokaro Steel 236 ITR 315 (SC) to contend that interest which is inextricably connected to the Capital Grant is to be treated as Capital Receipt only which will go to reduce the cost of the Capital Asset that is coming into existence by the utilisation of the Capital Grant along with the interest thereon. Further, it was pointed out that the interest earned was reduced while calculating depreciation on the asset by showing the same as part of the grants as received from the Government of Andhra Pradesh.

7.2. On consideration of the factual position as brought out in tin the assessment order, submissions of the assessee and material placed on record and also the legal issues raised, the following position emerges:

i) *The assessee is in receipt of total of the 2,516.9 Crores for 16 Lift Irrigation works from time to time as Capital Grants.*

ii) *No specific direction is placed on record as received from the GoAP by the assessee as to the terms and conditions including treatment of interest on deposits.*

iii) *The unutilized amount is kept in fixed deposits. The same are not mixed with other funds of the assessee.*

iv) *The 'treatment' to be given to the interest earned on deposits is being discussed in the Board meetings of the assessee Company which is a State Government undertaking. The Board has nominees of the State Government. The implicit consent/ direction of the GoAP can be inferred from the decisions in the Board Meeting. This is contemporaneous record dating back to 28-06-2008.*

v) *There is no finding that the interest was used for any purpose other than for the Lift Irrigation works for which capital grants are given by GoAP.*

vi) *The above funds are given by the GoAP as Grants-in-Aid for the specific projects (electrical works) to be executed by the assessee and the same funds are separately placed in fixed deposits by the assessee. The above cannot be utilized by the assessee for any other purpose.*

7.3. *Considering the factual position emerging from the records as above, it is seen that the amounts given by the Government are grants for specific purpose and interest earned thereon is inextricably connected to such grants. The facts of the case are similar to the various cases relied on by the assessee as at para-6.1 and the ratio laid down in case of M/s Bokaro Steel 236 ITR 315 (SC) is squarely applicable. Accordingly, it is held that the interest income cannot be assessed as 'business income' of the assessee and would go to increase the grants received from the GoAP. In view of the above, the grounds raised as regards to this issue are allowed”.*

4. *Ld.DR, reiterated the contentions of AO, whereas Ld. Counsel for assessee referred to the detailed submissions made before the CIT(A).*

5. *After considering the rival contentions, we do not find any merit in Revenue grounds. As can be seen, the funds are*

clearly allocated for a specific purpose and assessee has no control over the funds, except utilizing them for the scheme for which it was granted. These funds are also kept separately and the interest was also accounted for on behalf of the Government and has kept separately from assessee's transactions. Hence, on the principles laid down by the Hon'ble Supreme Court in the case of M/s Bokaro Steel [236 ITR 315] (SC) and also relying on various case law on the issue, we are of the opinion that the decision of Ld.CIT(A) does not require any modification. Nothing was placed on record to counter the findings of CIT(A) both on facts and on law. In the result, all the Revenue appeals are dismissed.

6. *The cross-objections are in support of the order of Ld.CIT(A), hence no separate discussion is required. Accordingly, all the crossobjections are considered dismissed.*

7. *To sum-up, all Revenue appeals and cross-objections are dismissed.*

The Coordinate Bench of the Tribunal also considered the principles laid down by the Hon'ble Supreme Court in the case of Bokaro Steel [236 ITR 315] (SC), wherein, it was held that the funds are clearly allocated for the specific purpose and the assessee has no control over the funds except utilizing them for the scheme for which it was granted. In the present case also, the amounts given by the Governments are grants for specific purpose and interest earned thereon is inextricably connected to such grants. Therefore we are of the considered view that the interest income cannot be assessed as business income of the assessee and would go to increase the grants received from the GoAP. The Ld.CIT(A) has rightly considered the issues involved in this appeal and allowed the assessee's appeal. Therefore, we do not find any infirmity in the order of the Ld.CIT(A) and dismiss the appeal of the revenue.

12. Respectfully following the decision of the Tribunal (supra) in assessee's own case for the A.Y. 2016-17 as well as by following principle of consistency, we hereby dismiss the ground raised by the revenue. Accordingly, we hereby dismiss the Issue No. 1 raised by the revenue with respect to deletion of addition of interest income not shown as revenue receipt by the assessee.

ISSUE No. 2

13. With respect to the issue of deletion of addition of Rs. 20.30 Crores by the Ld.CIT(A) being extraordinary items to meet the cyclone expenditure claimed by the assessee, the Ld. DR submitted that the assessee has incurred expenditure in consequence to HUDHUD cyclone amounting to Rs. 20.30 crores which was considered as Extraordinary Item and charged to the Profit & Loss Account during the Financial Year 2014-15. He referred to the order of the Ld. AO wherein the extract of C & AG comments regarding the extraordinary debits stating that the amount of expenditure incurred for the damage and losses to transmission network caused by HUDHUD cyclone in the month of October 2014 shall be utilised from the contingency reserve and cannot be debited to the Profit & Loss Account. He further submitted that the APERC also during November, 2014 gave permission to utilise contingency reserve funds of the Company to meet the cyclone expenditure. He therefore vehemently argued that this extraordinary expenditure cannot be debited to the Profit & Loss Account and should be adjusted against the contingency reserves. He therefore pleaded that order of the Ld. AO be upheld.

14. Per contra, Ld.AR submitted that Ld. AO erred in disallowing the extraordinary expenditure since the amount should have been made from the contingency reserve. He further submitted that the allowability of expenditure

depend on its nature and business purpose and does not depend on the source of funding from which such expenditure is met. He also further submitted that the Company has requested from the State Government to reimburse this payment and when such reimbursement is received it will be offered as income in the respective assessment year. He therefore prayed that Ld. CIT(A) has rightly considered the above submissions and held that the expenditure incurred by the assessee towards restoration of transmission infrastructure damaged during the HUDHUD cyclone as revenue expenditure allowable under provisions of section 37(1) of the Act. He therefore pleaded that order of the Ld. CIT(A) be upheld.

15. We have heard rival contentions and perused the material available on record and gone through the written submissions filed by the assessee. It is an undisputed fact that the Company has incurred a sum of Rs.20,30,63,000/- towards restoration of transmission infrastructure damaged during the cyclone HUDHUD in the month of October 2014. However, the Company has also made a claim that the State Government of Andhra Pradesh to reimburse the payment incurred for restoration of normal operations arising out of the natural calamity. It is noticed that Company has incurred this expenditure in the ordinary course of business to maintain and resume of transmission of electricity damaged due to HUDHUD Cyclone. Since it is an extraordinary

expenditure, the Company has charged it to the Profit & Loss Account during the impugned assessment year and claimed as the revenue expenditure. It was also submitted by the Ld.AR that as and when the reimbursement from the Government of Andhra Pradesh is received it will be offered as income in the respective assessment year. Considering the above facts and submissions, we are of the considered opinion that the Ld. CIT(A) has rightly allowed the expenditure as revenue in nature and hence no interference is required with the order of the Ld. CIT(A).We thereby dismiss the ground raised by the revenue on this issue.

16. In the result, appeal of the revenue is dismissed.

I.T.A.Nos. 339, 340, 341, 342 & 343/VIZ/2025

A.Ys. 2017-18, 2018-19, 2020-21, 2021-22 & 2022-23

17. The grounds raised by the revenue in all these appeals are identical to Issue No. 1 raised in ITA No. 335/VIZ/2025 for the A.Y. 2015-16, accordingly the decision in ITA No. 335/VIZ/2025 shall mutatis mutandis applies to ITA Nos. 339, 340, 341, 342 & 343/VIZ/2025.

18. In the results, appeals filed by the revenue in ITA Nos. 339, 340, 341, 342 & 343/VIZ/2025 are dismissed.

C.O. Nos. 30, 31,32, 33, 34 & 35/VIZ/2015

19. With respect to grounds raised by the assessee's in the Cross Objections filed in C.O.No.30, 31,32, 33, 34 & 35/VIZ/2015, the Ld.AR submitted that the C.Os are in supportive to the orders of the Ld.CIT(A). Since the grounds raised by the Revenue are dismissed as in aforesaid paragraphs, the grounds raised by the assessee in its Cross Objection supporting the order of Ld CIT(A) are considered infructuous and hence dismissed.

20. To sum up, appeals of the Revenue as well as the Cross Objection filed by the assessee are dismissed.

Order pronounced in the open court on 25th July, 2025.

Sd/-
(विजय पाल राव)
(VIJAY PAL RAO)
उपाध्यक्ष/VICE PRESIDENT
Dated: 25.07.2025
Giridhar, Sr.PS

Sd/-
(एस बालाकृष्णन)
(S. BALAKRISHNAN)
लेखा सदस्य/ACCOUNTANT MEMBER

आदेश की प्रतिलिपि अग्रेषित/ Copy of the order forwarded to:-

1. निर्धारिती/ The Assessee : Transmission Corporation of Andhra Pradesh Limited
48-12-4/1, Gunadala
Vijayawada – 520004
Andhra Pradesh

2. राजस्व/ The Revenue : DCIT – Circle – 1(1)
CR Buildings, M.G. Road
Vijayawada – 520002
Andhra Pradesh

3. The Principal Commissioner of Income Tax
4. विभागीयप्रतिनिधि, आयकरअपीलीयअधिकरण, विशाखापटणम /DR,ITAT, Visakhapatnam
5. The Commissioner of Income Tax
6. गार्डफ़ाईल / Guard file

आदेशानुसार / BY ORDER

Sr. Private Secretary
ITAT, Visakhapatnam