

**IN THE INCOME TAX APPELLATE TRIBUNAL  
PATNA BENCH, PATNA**

**BEFORE SHRI DUVVURU RL REDDY, VP  
AND  
SHRI RAJESH KUMAR, AM**

**ITA Nos. 99, 140, 234/PAT /2025  
( Asstt. Year: 2013-14, 2015-16 & 2017-18)**

JCIT(In -SITU), Circle -1 , Patna	Vs	North Bihar Power Distribution Company Limited, Patna.
<b>(APPELLANT)</b>		<b>(RESPONDENT)</b>
<b>PAN No. AAECN1588M</b>		

**CO Nos. 04/PAT/2025  
(Arising in ITA No.99/PAT /2025 for Asstt. Year: 2013-14)**

**CO Nos. 05/PAT/2025  
(Arising in ITA No.140/PAT /2025 for Asstt. Year: 2015-16)**

**CO Nos. 08/PAT/2025  
(Arising in ITA No.234/PAT/2025 for Asstt. Year: 2017-18)**

North Bihar Power Distribution Company Limited, Patna	Vs	JCIT(In -SITU), Circle -1 , Patna
<b>(APPELLANT)</b>		<b>(RESPONDENT)</b>

**Assessee by : Sh. Ankit Kumar, CA  
Revenue by : Md. A. H. Chowdhary, CIT (DR).**

<b>Date of Hearing : 24.11.2025</b>	<b>Date of Pronouncement : 23.02.2026</b>
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**ORDER****Per Rajesh Kumar, AM:**

These appeals of Revenue and COs of the assessee are against the order of the National Faceless Appeal Centre, Delhi (hereinafter referred to as the "Ld. CIT(A)"] dated 31.12.2024, 27.01.2025, 06.03.2025 for the AYs 2013-14, 2015-16 & 2017-18.

2. Since the appeals and cross objections are relating to the same assessee involving common issues , therefore these are being disposed off by this consolidated order for the sake of convenience and brevity. First we take ITA No.99/PAT/2025 and will decide the issue accordingly.

**A.Y. 2013-14****ITA No. 99/PAT/2025**

3. The first issue raised by the Revenue in in ground no. 1 is against the deletion of addition of ₹53,29,48,286/- by the Id. CIT(A) as made by the AO on account of prior period expenses.

3.1. The brief facts of the case are that learned AO during the course of assessment proceeding observed that assessee has charged to the profit and loss account a sum of Rs. 53,29,48,286/- on account of prior paid expenses and according to the AO these expenses were not allowable as

these expenses have to be accounted on the basis of mercantile system of accounting on accrual basis. The learned Assessing Officer disallowed the same and added the expenses amounting to ₹53,29,48,286/- to the total income of the assessee during the year under consideration.

3.2. Aggrieved assessee preferred an appeal before the learned CIT (A), who deleted the addition after examining the order issued by CERC relating to these expenses submitted by the Id. Counsel of the assessee by recording a clearcut finding that the expenses were not related to prior period and were in fact related to the current financial year and crystallized during the year. The Id. CIT(A) has relied upon the decision of the Hon'ble Gujrat High Court in the case of Saurashtra Cement and Chemical Industries Ltd. vs CIT reported in 213 ITR 0523 and allowed the appeal of the assessee.

3.3. After hearing both the parties and perused the materials available on record, we find that the Id. CIT(A) has recorded a clear cut finding of the fact that prior period expenses in the profit and loss accounts were in-fact the expenses relating to the current financial year and were debited as prior period expenses which is wrong nomenclature and therefore, we do not find any infirmity in the order of the CIT(A) and accordingly uphold the same. The ground nos. 1 & 2 of Revenue appeal are dismissed.

4. The Second issue raised by the Revenue in ground no. 3 & 4 of this appeal is against the disallowance of ₹72,67,00,000/- by the learned CIT (A) as made by the Id. AO on account of delayed payment surcharge by the consumers.

4.1. The learned AO during the assessment proceeding noted from the documents/evidences furnished by assessee that assessee had followed mercantile/ accrual system of accounting and with regard to delayed payment of surcharge (DPS) assessee had not accounted for the same in the Profit and Loss account as income and thus suppressed its income . The learned Assessing Officer referred to the delayed payment of surcharge for sale of electricity which has been accounted for to the extent of realized and not the total amount which has accrued. Further the Id. AO perused from the accounts that the assessee has recognized only sundry debtors for sale of energy which has been treated as accrued to the extent of certainty of realization. The Id. AO noted that the assessee has not recognized an amount of Rs.72,67,00,000/- from 1<sup>st</sup> November, to 31<sup>st</sup> March, and accordingly added the same to the income of the assessee.

4.2. Aggrieved, assessee preferred the appeal before the learned CIT (A), who allowed the appeal of the assessee by observing as under:

*“ The appellant being a state PSU the sur-charge on delayed payment being disputable of electricity consumption bill was not an accrued receipt. Therefore, such amount of surcharge cannot be held to be hypothetical by nature in given facts and circumstances. A hypothetical income that may or may not be materialize should not be made subject matter of tax merely because of any entry in the account’s books maintained by the appellant. Hence, the amount of surcharge not realized by the appellant does not amount to accrued of receipt taxable as income. Therefore, the above-mentioned judgement is squarely applicable in the case of the appsellant. Based on the facts and judicial pronouncements as above, it is concluded that the ld. AO has erred in adding a sum of Rs.72,67,00,000/- on account of delayed payment surcharge from consumer merely on the ground that the same has been accounted for on realization basis. Therefore, the same is hereby deleted with these observations, the ground no.7 taken by the appellant is here by allowed.*

4.3. We have heard the rival contentions and perused the materials available on record carefully. We find that the ld. AO has added the amount of Rs.72,67,00,000/- on account of delayed payment of sur-charge which according to the ld. AO was not accounted for during the instant financial year though the same pertained to the year under consideration. We note that the learned. CIT(A) has recorded a finding that only that part is not recognized which is doubtful of recovery. Accordingly, we do not find any infirmity in the appellate order and consequently uphold the order of the ld. CIT(A) by dismissing appeal of the Revenue.

4.4. The issue raised in ground nos. 3 & 4 in Revenue’s appeal is dismissed.

**A.Y. 2013-14****CO No. 04/PAT/2025**

5. The Cross Objection of assessee is in support of the order of learned CIT (A). Since, we have dismissed the appeal of the Revenue in both the issues and upheld the order of the learned CIT (A), the assessee's Cross Objection becomes infructuous and is hereby dismissed.

**A.Y. 2015-16****ITA No. 140/PAT/2025**

6. The first issue raised by the Revenue in ground no. 1 ITA No.140/PAT/2025 is against the deletion on addition of ₹28,78,62,239/- by the learned CIT (A) as made by the AO on account of interest related to State funds under the Backward Regions Grant Fund (BRGF) scheme.

6.1. The brief facts of the case are that the assessee is engaged in the business of distributing power. During the assessment proceeding it was observed that assessee has received huge funds as state funds, Rural funds and MP-LAD funds on which received huge interest on FDR. The interest was shown as accretion to capital funds account under the head liabilities in the balance sheet. According to the assessee the interest received was also refunded under the terms and conditions of the grants. The Id. AO by rejecting the

contention of the assessee came to the conclusion that interest earned of Rs. 28,78,62,239/- was income of the assessee and was treated as revenue receipt which the assessee failed to disclose as such and added to the same total income of the assessee.

6.2. The learned CIT (A) in the appellate proceedings, allowed the appeal of the assessee by holding that the assessee treated the interest on capital funds as per the directions of State Government, therefore no addition is called for. The operative part of CIT (A)'s order is as under: -

*“5.1 Ground no. 6: In this ground, the appellant has contested the addition of Rs. 28,78,62,239/- on account of undisclosed interest on state funded scheme. The issue is discussed on page 3 of the assessment order by the AO. The funds received for BRGF Schemes were used for creating capital assets. It was submitted that interest earned on such fund was accounted for in "Accretion of Interest Capital Fund A/c" under current liabilities of the balance sheet. It was transferred to respective fixed asset account from accretion of interest account at the time of capitalization of fixed assets created under BRGF scheme out of government grant. Thus, the value of fixed assets is reduced by amount of interest and depreciation is calculated on the reduced value of fixed assets. The AO however noted that no corroborative documentary evidence was filed in respect of the above contention. Therefore, the interest amount on grant partakes the nature of revenue receipt and is to be accounted accordingly. Therefore, the addition of Rs. 28,78,62,239/- was made.*

*5.1.1 In the submission, the appellant has stated that funds are received from State Government for executing various electrification programmes in the State of Bihar. These funds are kept in bank account and interest accrues on them. The interest is treated as per the directions of the State Government; it may ask for the return of interest or can adjust the same with remaining grant. As per the appellant, earlier these interest amounts were kept in a separate account "Accretion of Interest Capital Fund A/c". However, w.e.f March 2018, the Government has changed the accounting policy and the interest accrued or realized on capital fund is treated as income. It is informed that the same has*

*been accounted as income and income related to prior year is recognized in the previous year ended 31.03.2018. Necessary evidence has been submitted in the form of annexures 1, 2 & 3. I have carefully perused these annexures.*

*5.1.2 The appellant has stated that funds received from Government of Bihar are kept in bank and interest earned thereon, pending utilization. Such interest is treated in the books of accounts as per the directions of State Government. Earlier it was kept in a separate account called accretion of interest. However, since the year ending 31.03.2018, the interest has been recognized as income. It is informed that earlier year's interest has also been booked as income as on 31.03.2018. The appellant has enclosed a copy of profit and loss account for the period 01.04.2018 to 31.03.2019. The amount of Rs. 1,98,10,50,775/- has been credited on 31.03.2019. This includes accretion of interest on capital fund upto 31.03.2018 as well as for FY 2018-19. Therefore, the contention of the appellant appears to be correct although the crediting of interest has happened on 31.03.2019 and not on 31.03.2018 as claimed in the submission.*

*5.1.3 It is therefore clear that the interest on capital funds has been treated in the accounts as per the directions of the State Government and no addition is accordingly called for and ground no. 6 is therefore allowed.”*

6.3. After hearing both the parties and perusing the materials on record, we find that the assessee has received grants from the Govt. of Bihar and kept the same in fixed deposit on which there was heavy interest received. In our opinion, the funds are received for specific purposes and also refunded as per the terms and conditions of released fund. We also noted that prior to 31<sup>st</sup> March 2018 these interests were kept in the separate account for appreciation of capital fund however w.e.i. 1<sup>st</sup> March, 2018 the Govt. has changed the accounting policy and interest already realized is treated as income of the assessee which is in para 5.1 as read as under:

*“5.1 Ground no. 6: In this ground, the appellant has contested the addition of Rs. 28,78,62,239/- on account of undisclosed interest on state funded*

*scheme. The issue is discussed on page 3 of the assessment order by the AO. The funds received for BRGF Schemes were used for creating capital assets. It was submitted that interest earned on such fund was accounted for in "Accretion of Interest Capital Fund A/c" under current liabilities of the balance sheet. It was transferred to respective fixed asset account from accretion of interest account at the time of capitalization of fixed assets created under BRGF scheme out of government grant. Thus, the value of fixed assets is reduced by amount of interest and depreciation is calculated on the reduced value of fixed assets. The AO however noted that no corroborative documentary evidence was filed in respect of the above contention. Therefore, the interest amount on grant partakes the nature of revenue receipt and is to be accounted accordingly. Therefore, the addition of Rs. 28,78,62,239/- was made.*

6.4. We therefore find no infirmity in the order of the Id. CIT(A) and accordingly the same is upheld.

6.5. The appeal of the Revenue in ground no. 1 is dismissed.

7. The second issue raised in this appeal by the Revenue is against the deletion of addition of ₹17,48,07,676/- by the learned CIT (A) as made by the AO on account of interest income earned on MP-LAD fund.

7.1. During the course of assessment proceedings, the learned Assessing Officer observed that assessee received funds like MP-LAD funds, which are state fund and interest is earned from the same needs to be treated as income. Since the assessee could not produce the evidence, the Id. AO added the same to the income of the assessee.

7.2. In the appellate proceedings the learned CIT (A) allowed the appeal of the assessee by holding as under in para 5.2:

*“5.2 Ground no. 7 is regarding addition of Rs. 17,48,07,676/- being interest on MPLAD scheme. The issue is discussed on pages 4 & 5 of the assessment order. It was stated before the AO that interest earned on funds received under the Member of Parliament Local Development Fund scheme which was required to be refunded. The AO made the addition as the claim was not substantiated.*

*5.2.1 During appeal, the appellant has enclosed copies of guidelines of MPLADS. The implementing agency is required to return unutilized balance and interest amount to the District Authority. Copies of guidelines of MPLADS and annual accounts for 31.03.2015 are enclosed.”*

7.3. We have heard the rival contentions and perused the materials available on record. We note that the Id. CIT(A) has allowed the appeal by observing that interest earned on such funds are required to be refunded to the District Authority and thus allowed the relief. We do not find any infirmity in the order of the Id. CIT(A) and hence, the appeal of the Revenue is dismissed on this issue.

7.4. The appeal of the Revenue in ground no.2 is dismissed.

8. The second issue raised in this appeal by the Revenue is against the deletion of addition of ₹14,24,383/- by the learned CIT (A) as made by the Id. Assessing Officer on account of contractual payment received from Bajaj Electrical Ltd.

8.1. During the course of assessment proceedings, the learned Assessing Officer observed that assessee has received contractual payment of ₹14,24,383/- from Bajaj Electrical Limited but the assessee denied such payment having been

received during the year. Accordingly, the AO added the same to the total income of the assessee.

8.2. In the appellate proceeding, the learned CIT(A) allowed the appeal of the assessee by observing as under: -

*“5.3 Ground no. 8 is regarding addition of Rs. 14,24,383/- on account of undisclosed contractual receipts. The AO noted from Form 26AS that the appellant received contractual payment of Rs 14,24,383/- from Bajaj Electrical Limited. The AR of the appellant stated before the AO that no such payment has been received or has been reflected in the current 26AS. The AO however found that the said payment was very much available in 26AS statement filed by the AR on 24.11.2017 and made addition of Rs. 14,24,383/- as undisclosed contractual payments.*

*5.3.1 In its reply, the appellant has stated that Bajaj Electricals Ltd is one of its suppliers and it gives advances to it. It has received interest from Bajaj Electricals Ltd on the advance paid and the same has been duly accounted for in the books of accounts as interest income. It is contended that Bajaj Electrical Ltd has wrongly deducted TDS u/s 194C instead of u/s 194A being interest income. The same has been informed to the party.*

*5.3.2 In view of the clarification of the appellant, it is clear that the interest was received on advance given to Bajaj Electricals Ltd. as supplier and it was not a contractual payment. There was an error on the part of the party that it deducted TDS under wrong section. Considering the same, the addition is deleted. Ground No. 8 is allowed.”*

8.3. We have heard the rival contentions and perused the materials available on record. We note that the learned CIT (A) in his finding stated that the said amount represented the interest received on advance given to Bajaj Electrical Ltd. It was not a contractual receipt. The learned CIT(A) recorded a clear-cut finding that on the part of the party who is deducted the TDS under the wrong head. Accordingly, we do not find any infirmity in order of the Id. CIT(A) and upheld the order of

learned CIT (A) by dismissing the appeal of the Revenue on this issue.

8.4. The appeal of the Revenue in ground no. 3 is dismissed.

**A.Y. 2015-16**

**CO No. 05/PAT/2025**

9. The Cross Objection of assessee is in support of the order of learned CIT (A). Since, we have dismissed the appeal of the Revenue in all the issues and uphold the order of the learned CIT (A), the assessee's Cross Objection becomes infructuous and is hereby dismissed.

**A.Y. 2017-18**

**ITA No. 234/PAT/2025**

10. The issue raised in ground no.1 in this appeal of Revenue is against the deletion of addition of ₹7,86,37,197/- by the learned CIT (A) as made by the Id. AO on account of income accrued and due.

10.1. The facts in brief are that the case was selected for scrutiny through CASS and notice u/s 143(2) of the Act, was issued along with questionnaire which was served upon the assessee on 09.12.2019 and was duly complied with. The Id. AO during the course of proceeding observed that the assessee had shown under the head other non-current assets

in the balance sheet as income accrued and due of an amount of Rs.7,86,37,197/- as income accrued and not accounted for the same in the total income of the assessee. According to the Id. AO it is evident from the facts that the assessee was following the mercantile system of accounting. Therefore it has to be taken as part of total income and accordingly added the same to the income of the assessee.

10.2. In the appellate proceedings, the learned CIT (A) allowed the appeal of the assessee by holding as under: -

*“Ground no. 7 is against addition of Rs.7,86,37,197/- on account of income accrued and due. It is contended that the amount forms part of the unutilized portion of the grant.*

*The AO has noted that the amount is shown under the head ‘other non-current assets’ in the balance sheet as income accrued and due. Since the assessee follows mercantile system of accounting, the same is includible in its total income.*

*5.2.1 In its submission, the appellant has stated that there is no change in balances under the said since financial year FY 2013-14. It merely represents receivable from sources wherein investment has been made. From the submission vis a vis evidences filed, it is clear that the amount doesn’t represent the income of the current year. The addition is directed to be deleted. Therefore ground no. 7 is allowed. ”*

We have heard the rival contentions and perused the materials available on record. We note that the learned CIT (A) deleted the same by noting that there is no change in the balances since F.Y 2013-14 and it merely represented the receivable from the sources wherein investment has been made . We observe that the amount have been already

recognized as income in the year of transaction accrued which appears to the cogent and does not relate to the current year and therefore we uphold the appellate order on this by dismissing this ground.

10.3. The appeal of the Revenue in ground no. 1 is dismissed.

11. The issue raised in ground no. 2 in this appeal of Revenue is against the deletion of addition of ₹40,96,45,696/- by the learned CIT (A) as made by the Id. AO on account of interest relating to the Govt funds.

11.1. During the course of assessment proceedings, the Id. AO observed that assessee has received interest of Rs. 48,48,03,334/- from different banks during the year and claimed TDS for the aforesaid receipt but declared Interest from Banks of Rs. 7,51,57,665/- only, which means that assessee has suppressed interest income to the tune of ₹40,96,45,696. On failing to submit the details as asked for from the assessee, the learned Assessing Officer added the suppressed interest of ₹40,95,45,696/- to the total income of the assessee.

12. Aggrieved, assessee preferred the appeal before the learned CIT (A), who allowed the appeal of the assessee by *observing and holding as under: -*

*“Ground no. 6: In this ground the appellant has contested Rs.40,96,45,696/- on account of interest earned on fixed deposit. It is contended that interest is earned on unutilized funds/ grants and forms part of the fund itself. The unutilized funds/ grants together with interest are required to be refunded to relevant department. The issue is discussed in para 3(a) of the assessment order. The AO noted that Form 26AS indicated receipt of interest of Rs.48,48,03,334/- from various banks, however only Rs.7,51,57,665/- has been declared as interest from banks in the P and L account. The AO also noted that the assessee also claimed TDS on all the interest receipts shown in Form 26AS. Since assessee can claim TDS only in case of income offered to tax, the AO treated remaining interest receipts Rs.40,96,45,696/- as income of the appellant.”*

12.1. We have heard the rival contentions and perused the materials available on record. We find that the Id. CIT(A) has recorded the finding the interest has accrued on the grants or funds received from the Govt which are required to be refunded along with interest be concerned department. Accordingly, we do not find any infirmity in the appellate order. Moreover the issue is clearly covered by our decision in ITA No. 140/PAT/2025, A.Y -2015-16 (supra). Hence we dismiss the appeal of the revenue on this issue by upholding the order of the Id. CIT(A).

12.2. The appeal of the Revenue in ground no. 2 is dismissed.

**A.Y. 2017-18**

**CO No. 08/PAT/2025**

13. The Cross Objection of assessee is in support of the order of learned CIT (A). Since, we have dismissed the appeal of the Revenue in both the issues and upheld the order of the

learned CIT (A), the assessee's Cross Objection becomes infructuous and is hereby dismissed.

14. In the result, the appeals of the Revenue and COs of the assessee are dismissed.

Order pronounced in the open court on 23.02.2026.

Sd/-

**(DUVVURU RL REDDY)**  
**(VICE PRESIDENT)**

Sd/-

**(RAJESH KUMAR)**  
**( ACCOUNTANT MEMBER)**

**Dated:23.02.2026**

**\*S.S\***

Copy forwarded to:

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

**ASSISTANT REGISTRAR**