IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCHES 'E': NEW DELHI.

BEFORE SHRI SATBEER SINGH GODARA, JUDICIAL MEMBER
AND
SHRI S. RIFAUR RAHMAN, ACCOUNTANT MEMBER

ITA No.3248/Del/2025
(Assessment Year: 2020-21)

ACIT Circle-19(1), Room No. 221, C.R.Building New Delhi. **Delhi-110002**	vs.	PNC Rajasthan Highways Pvt. Ltd. Cabin No. 5, NBCC Plaza Tower-II, Saket, New Delhi **(PAN : AAICP8359C)**
(APPELLANT)		(RESPONDENT)

ASSESSEE BY: Shri Deependra Mohan,CA
REVENUE BY: Ms. Amish S. Gupt, CIT(DR)

Date of Hearing: 08.01.2026
Date of Order : 11.03.2026

ORDER

PER S. RIFAUR RAHMAN, ACCOUNTANT MEMBER :

The Revenue has filed appeal against the order of the Learned Commissioner of Income Tax (Appeals), New Delhi ["Ld. CIT(A)", for short] dated 17.03.2025 for the Assessment Year 2020-21.

2. Brief facts of the case are that the assessee is an engineering and infrastructure construction company in India. PNC Rajasthan Highways Pvt. Ltd. is special purpose vehicle (SPV) company promoted by the PNC Infratech Limited for special purpose for lanning/Two lanning with paved shoulder from

0.00 to Km 83.453 of Dausa Lalsot Kauthon section of NH-11A extension in the state of Rajasthan under NHDP Phase IV on Hybrid Annuity Mode. The company filed the return of income for the AY 2020-21 on 29/12/2020 declaring total loss at Rs. 24,33,09,074/-, the income was assessed u/s 143(3) at assessed income of Rs. 2,20,34,35,833/- after making two impugned additions which are as follows:

(i) Addition on account of difference in turnover as per P and L A/c and invoice raised under the GST provisions to Rs. 2,18,61,14,060/-.

(ii) Addition on account of interest income u/s 56 to Rs. 26,06,30,847/-.

3. Aggrieved with the above order, the assessee preferred an appeal before the Ld. CIT(A)/NFAC, Delhi and after considering detail submissions of the assessee, Ld. CIT(A) deleted the additions made by the Assessing Officer.

4. Aggrieved with the above order, Revenue is in appeal before us raising following grounds of appeal:

> *"i. Whether on the facts and circumstances of the case and in law, the Ld. CIT(A) has erred in deleting the addition of Rs. 218,61,14,060/- on account of difference in turnover by accepting the additional evidence u/s 46A, whereas the assessee has failed to prove that the impugned payments were received by the assessee in F.Y. 2017-18 and 2018-19 and were also accounted for in the books of accounts of the assessee of the relevant year."*
> *ii. Whether on the facts and circumstances of the case, the Ld. CIT(A) is erred in deleting the addition of Rs. 26,06,30,847/- made by the assessing officer u/s 56 of the Income Tax Act, 1961, even though the assessee failed to explain as to how the interest income*

is eligible for deduction as per any specific provision or provisions of the Income Tax Act, 1961." "
iii. The appellant craves to be allowed to add any fresh ground(s) of appeal and or deleted or amend any of the ground(s) of appeal."

5. At the outset of the hearing, the Ld. DR brought to our notice the relevant facts on record and also the additional evidences submitted before the Ld. CIT(A) by the assessee and further he brought to our notice the remand report submitted by the Assessing Officer. By bringing the above facts and circumstances, he relied on the detailed findings of the Assessing Officer.

6. On the other hand Ld. AR submitted as under:

"1. The first ground of appeal is against the deletion of Rs.218,61,14,060/- on account of difference in turnover which the assessee had received in FY 2017-18 and 2018-19 by accepting the additional evidence under Rule 46A by the Ld. CIT(A). We would like to bring the following facts to your honours kind consideration:

-the assessee being an SPV follows Mercantile system of accounting and follows IND-AS accounting standards while drafting its financial statements, which is mandatory required to be followed. During the year under consideration, the Ld. AO made an addition of Rs. 218,61,14,060/- by stating that the assessee has not shown this turnover in its profit and loss account, however the same was shown in the GSTR 1 filed by the assessee.

-During the course of the assessment proceedings the assessee had submitted the said invoices, wherein it was clearly mentioned before the Ld. AO that the invoices were raised so that GST claim could be made, as the assessee being a SPV were not clear whether GST is to be paid on milestone payments or not and once the situation became clear these GST invoices were raised to National Highway Authority of India (NHAI) and it was clearly mentioned along with sufficient documentary evidence to the Ld. AO that only billing of GST amount was accounted

for, since the principal amount of the invoices, being the milestone payments were duly received and accounted for in financial year 2017-18 and 2018-19. In these years NHAI had made the payment and had also deducted TDS on the same which were duly accounted in those respective years by the assessee. To prove the same the assessee has at PB page 87 to 101 annexed the Confirmation from NHAI, Copy of Form 26AS, and copy of bank account where the said amounts were credited in those years. Hence, there was no need to again account for these invoices in the impugned assessment year i.e. 2000-2021.

-During the appellate proceedings before the Ld. CIT(A) the remand report was called for from the Ld. AO, which has been placed at PB page 55-57 and also finds mention at CIT(A) order at page 47 to 49. In the said remand report the Ld. AO has himself stated at para 6 as below:

> ***"6. In view of the above it appears that the difference in turnover as per GSTR 1 and turnover as per profit and loss account is due to invoices related to financial year 2017-18 and 2018-19"***

-Thus the Ld. AO after verifying the additional evidences has himself accepted that the difference in turnover as per GSTR 1 and profit and loss account is due to invoices which related to financial year 2017-18 & 2018-19.

-The additional evidence is in the form of a confirmation letter received from NHAI a government authority on 17/07/2023 after passing of the assessment order on 03/07/2023, since the assessee was not having any control over NHAI for procuring this confirmation letter, which they sent only on 17th July 2023, hence it was filed as an additional evidence which has been forwarded to the Ld. AO for his comments and the Ld. AO after examining the facts again came to the above conclusion as mentioned. Thus, since the additional evidence has been commented upon by the Ld. AO it needs to be accepted.

-The Ld. CIT(A) after marshalling out the facts elaborately in the appellate order has given his finding at para 9.6 and 9.7 at page 74 as under:

> *"9.6. The appellant has demonstrated that the turnover discrepancy of Rs. 2,26,60,05,773/-, which is the subject matter of addition in the assessment order, pertains to the milestone payments that were*

received from NHAI in the earlier years and which were duly accounted in the books of account for the said years as per the method of accounting for recognition of revenue from construction contracts as per IND AS regularly followed by the appellant. The appellant's explanation aligns with the accounting standards and the GST regulations. Further, it is a settled principle that the same income cannot be taxed twice as per the provisions of the Act. Hence, it is held that the sum of Rs. 2,26,60,05,773/-representing the amount of GST invoice raised during the current year but which pertains to the milestone payments that were received from NHAI during F.Y 2017-18 and 2018-19 and accounted in the books during the said years cannot be treated as discrepancy in the turnover and the said amount warrant any addition in the present assessment year.

9.7. In view of the above discussion, it is evident that the appellant has satisfactorily explained the difference in Turnover with documentary evidence and the same has been confirmed by the Assessing Officer vide his remand report after necessary verification of the additional evidence submitted by the appellant. Under the circumstances, I am of the considered opinion that the order of the Assessing Officer making addition of the difference in GSTR Turnover and Turnover as per P

& L account is not justified in the facts of the case. Therefore, the addition of Rs. 2,26,60,05,773/- made therein is deleted. Accordingly, the Ground Nos. 3, 4 and 5 are hereby allowed."

2. The second ground of appeal is in regard to the deletion of addition of Rs. 26,06,30,847/- for notional interest which was reduced in the computation of income for which the addition was made by the Ld. AO. u/s 56 of the Act. In this regard we briefly submit as under:

-In the assessment order the Ld. AO has made addition of Rs. 26,06,30,847/- u/s 56 of the Act on account of notional interest on service concession receivable which the assessee had reduced in its computation of income, since the said income was only notional and was

accounted for to follow the IND-AS which were followed by the assessee company.

-During the course of assessment proceedings the assessee had explained to the Ld. AO that interest on service concession receivable and interest on deferred retention liability were notional incomes, accounted for in compliance to the provisions of IND-AS and the same cannot be taxable under the provisions of the Income Tax Act, as under the provisions of the Act only actual incomes need to be brought to tax and not notional incomes. However, the Ld. AO made the addition u/s 56 of the Act, without disallowing the notional interest income which was reduced in the computation of income. PB page 113.

-During the course of the appellate proceedings before the Ld. CIT(A) the assessee submitted the provisions of IND-AS which were to be mandatorily followed by the assessee company and made a detailed submission before him. The Ld. CIT(A) has exhaustively dealt with the provisions of IND-AS which were followed by the assessee company and after deliberating it at length, came to the conclusion that the addition so made was to be deleted. The findings of the Ld. CIT(A) are from para 10.3 at page 93 to para 10.5 at page 95. It has been held by the Ld. CIT(A) as under:

> *"10.3.2 Accordingly, the appellant has worked out the interest income on Service Concession Receivable and deferred retention liability using the effective interest method as per IND AS 109 and credited the same to the Profit & Loss account for the assessment year under consideration, though no interest is due and payable to the appellant as per the terms of the concessionaire agreement with NHAI in view of the project construction being in progress during the year. The said interest credited to the Profit & Loss account therefore represents "notional interest Income" which is recognised in compliance to the IND AS. Since the said notional income is not liable to tax, the appellant has duly reduced/claimed deduction of the said income in the statement of computation of income while filing the return of income for the instant A.Y 2020-21. The said*

action of the appellant is held to be justified in the facts of the case discussed above.

10.3.3. Since the project achieved its Commercial Operation Date (COD) on 05.11.2020, interest on annuity payments have become due and payable to the appellant from A.Y 2021-22 onwards as per the terms of the concessionaire agreement with NHAI and such interest income has been offered to tax by the appellant in the returns of income filed for A.Y 2021-22 and subsequent years. The aggregate interest income on annuity payments offered to tax by the appellant for the A.Ys. 2021-22 to 2024-25 is found to be higher than the aggregate interest Income on Service Concession Receivable credited to Profit & Loss Account on a notional basis as per IND AS and claimed as deduction in the computation of income for A.Ys 2019-20 to 2024-25, as per the following details:

AY	*Notinal Income Cr. To P&L A/c*	*Actual Int. Income Offered to Tax in Computation*	*Narration*
2019-20	*29,47,17,866.00*		*Finance Income booked as per Indas FY 19*
2020-21	*25,93,25,585.39*		*Indas impact for the FY 2019-20*
2021-22	*28,72,01,691.00*	*43,49,96,843.00*	*Indas impact for the FY 2020-21*
2022-23	*30.44.23.860.30*	*41.07,85,826.00*	*Indas impact for the FY 2021-22*
2023-24	*33,74,32,351.00*	*44,97,23,693.00*	*Indas impact for the FY 2022-23*
2024-25	*29,12,68,690.00*	*49,12,51,236.00*	*Indas impact for the FY 2023-24*
Total	*1,77,43,70,043.69*	*1,78,67,57,598.00*	

10.4. Further, on perusal of the assessment orders passed for the subsequent A.Ys. 2021-22 and 2022-23, it is seen that the Assessing Officer has accepted the appellant company's contention with regard

to interest income offered on actual accrual basis and deduction of interest credited on notional basis as per IND-AS.
10.5. In light of the above discussion and findings, it is held that the addition of
Rs. 26,06,30,847/- made by the AO in respect of interest on Service Concession
Receivable and Deferred Retention Liability is liable to be deleted. As such, the AO is directed to delete the said addition. Accordingly, the appeal of the appellant in Ground Nos. 6 & 7 are hereby allowed."

-The Ld. CIT(A) deleted the addition and has also been pointed out that in the subsequent assessment proceedings for AY 2021-22 and 2022-23 which are at PB page number 208-220, the Ld. AO in those years has not made any addition for the said deduction for notional interest income on service concession receivable which was shown in the computation of income for those years as is clearly mentioned at PB page page 217. Thus, since the department itself has not made any disallowance or addition for the said notional interest on service concession receivable in the subsequent assessment proceedings, hence the addition made by the Ld. AO in the impugned assessment order was deleted."

7. Considered the rival submission and material placed on record. We notice that the Assessing Officer has observed in his order that there is a difference in turn over as per P&L account and invoices raised under the GST to the extent of Rs. 2,18,61,14,060/-. After considering the submissions of both parties, we observed that in the remand proceedings, the assessee has submitted all relevant details before the Assessing Officer. After considering the same, the Assessing Officer at para 6 of the remand report specifically observed that the difference in turnover as per GSTR-1 and turnover as per P&L account is due to invoices

related to Financial Year 2017-18 and 2018-19. Therefore, it clearly shows that the additional evidences submitted by the assessee during remand proceedings proves that the Assessing Officer has reconciled the difference between the P&L account and GST records. We are, therefore, inclined to accept the findings of the Ld. CIT(A).

In the result, relevant grounds of the Revenue are dismissed.

8. With regard to the additions made by the Assessing Officer of Rs. 26,06,30,847/- for notional interest, we observed that the above said interest on service concession receivable which was determined by the assessee and the same was reduced by the assessee in its computation of income, as the said income was only notional and was accounted for in order to follow the IND-AS by the Assessee. During the course of assessment proceedings, the assessee had explained to the Assessing Officer that interest on service concession receivable and interest on deferred retention liability were notional incomes accounted for in compliance with the provisions of IND-AS and the same cannot be taxable under the provisions of Income Tax, the same has to be on actual income basis. However, the Assessing Officer rejected the same and proceeded to make the addition u/s 56 of the Act. After considering the detailed submission relating to the above issue, Ld. CIT(A) has exhaustively verified the matter and gave detailed findings at page no. 93 to 95 of the appellate order. After considering the detailed findings by the Ld. CIT(A), we noticed that the assessee has

followed the same accounting method in subsequent assessment years i.e. 2021-22 and 2022-23. The assessing officer has accepted the same as notional interest income on service concession receivable. The relevant orders are placed at page no. 208 to 220 of the paper book. After considering the detailed findings of Ld. CIT(A), We are inclined to delete the grounds raised by the Revenue.

9. In the result, the appeal filed by the Revenue is dismissed.

Order pronounced in the open court on this 11th March, 2026.

Sd/-	**Sd/-**
(SATBEER SINGH GODARA) **JUDICIAL MEMBER**	**(S.RIFAUR RAHMAN)** **ACCOUNTANT MEMBER**

Dated: 11.03.2026
BINITA, SR. PS
Copy forwarded to:

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

ASSISTANT REGISTRAR
ITAT, NEW DELHI