

IN THE INCOME TAX APPELLATE TRIBUNAL
PUNE BENCH "A", PUNE – VIRTUAL COURT

BEFORE SHRI R.S. SYAL, VICE PRESIDENT AND
SHRI PARTHA SARATHI CHAUDHURY, JUDICIAL MEMBER

ITA No.1619/PUN/2017

निर्धारण वर्ष / Assessment Year : 2006-07

DCIT, Circle 5, Pune	Vs.	Runwal Multihousing Pvt. Ltd. Runwal Plaza, 41/12, Karve Road, Pune – 411004 PAN: AAACR8222Q
Appellant		Respondent

Assessee by
Revenue by

Shri Girish Ladda
Shri Sanjiv Shankar

Date of hearing

22-12-2020

Date of pronouncement

23-12-2020

आदेश / ORDER

PER R.S.SYAL, VP :

This appeal by the Revenue has been instituted against the order passed by the Commissioner of Income-tax (Appeals)-4, Pune, dated 12-03-2017 in relation to the assessment year 2006-07.

2. The only issue raised in this appeal is against the deletion of addition of Rs.17,74,99,165 made by the Assessing Officer by not accepting change in the method of accounting adopted by the assessee.

3. Briefly stated, the facts of the case are that the assessee filed its original return declaring total income of Rs.4.91 crore, *inter-alia*, claiming deduction u/s 80IB(10) of the Income-tax Act, 1961 (hereinafter referred to as 'the Act') amounting to Rs.15,79,33,405. Thereafter, a revised return was filed declaring total income of Rs.2,96,02,194. In the revised return, the assessee withdrew the claim of deduction u/s 80IB(10) of the Act and changed the method of accounting from the Percentage completion to the Project completion. The AO observed that the assessee was following the Percentage completion method for last ten years. He viewed the statistics from all the four projects undertaken by the assessee in the original return as well the revised return by tabulating details at pages 3 and 4 of the assessment order. On being called upon to explain as to why the method of accounting was changed, the assessee submitted that there were certain unforeseen circumstances, because of which the work in respect of projects had totally stopped. It was also stated that there were certain Court cases against the assessee and it was not able to proceed with the projects. In addition, there were stated to be certain problems with the bankers. This, as per the assessee, led it

to adopting the Project completion method by offering profit in respect of sale of flats only on completion of contract and not concomitantly with the progress in project work. The AO did not accept the assessee's stand. He proceeded to compute total income based on the original return filed by the assessee following the Percentage completion method. He denied the benefit of deduction u/s 80IB(10) of the Act since the project was not approved and sanctioned by the local authority. This resulted into the determination of 'Business income' of the assessee at Rs.20.53 crore. The Id. CIT(A) accepted the assessee's stand and deleted the addition. Aggrieved thereby, the Revenue is in appeal before the Tribunal.

4. We have heard both the sides through Virtual Court and gone through the relevant material on record. The assessee was initially following the Percentage completion method by showing income on the basis of percentage of work done. In contrast, the project completion method, which is an equally recognized method, mandates the determination of income at the time of completion of project. Both the methods are recognized methods. Whereas, in the first method, profit is considered on year to year basis parallel

with the progress of construction, in the latter, profit is considered when the project is completed. Under both the methods, the amount of income remains unchanged except for the effect that the profit shifts from one year to another.

5. Adverting to the facts of the instant case, we find that the assessee was regularly following the Percentage completion method by valuing the closing work-in-progress at estimated realizable price. Certain unforeseen circumstances developed. The assessee switched over from the Percentage completion method to the Project completion method by filing a revised return. It is not the case of the Revenue that the revised return was otherwise, not valid. Similarly, the Revenue has also not made out a case that the assessee did not consistently follow the Project completion method in the following years. The Id. AR vehemently submitted that the assessee continued to follow the Project completion method and offered income under this method in the later years. Once it is seen that the assessee switched over from the Percentage completion method to the Project completion method in a *bona fide* manner and continued with the changed method in the years to come, in our considered opinion, no fault

can be found with the Id. CIT(A) deleting the addition made by the AO sticking to the Percentage completion method, which was abandoned by the assessee. We therefore, accord our imprimatur to the view canvassed by the Id. CIT(A).

6. In the result, the appeal is dismissed.

Order pronounced in the Open Court on 23rd December, 2020.

Sd/-
(PARTHA SARATHI CHAUDHURY)
JUDICIAL MEMBER

Sd/-
(R.S.SYAL)
VICE PRESIDENT

पुणे Pune; दिनांक Dated : 23rd December, 2020
GCVSR

आदेश की प्रतिलिपि अग्रेषित/Copy of the Order is forwarded to:

1. अपीलार्थी / The Appellant;
2. प्रत्यर्थी / The Respondent;
3. The CIT(A)-4, Pune
4. The Pr.CIT-3, Pune
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, पुणे
“ए” / DR ‘A’, ITAT, Pune
6. गार्ड फाईल / Guard file

आदेशानुसार/ BY ORDER,

// True Copy //

Senior Private Secretary
आयकर अपीलीय अधिकरण ,पुणे / ITAT, Pune

		Date	
1.	Draft dictated on	22-12-2020	Sr.PS
2.	Draft placed before author	23-12-2020	Sr.PS
3.	Draft proposed & placed before the second member		JM
4.	Draft discussed/approved by Second Member.		JM
5.	Approved Draft comes to the Sr.PS/PS		Sr.PS
6.	Kept for pronouncement on		Sr.PS
7.	Date of uploading order		Sr.PS
8.	File sent to the Bench Clerk		Sr.PS
9.	Date on which file goes to the Head Clerk		
10.	Date on which file goes to the A.R.		
11.	Date of dispatch of Order.		

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