

**INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCH "D": NEW DELHI  
BEFORE SHRI VIKAS AWASTHY, JUDICIAL MEMBER  
AND  
SHRI M. BALAGANESH, ACCOUNTANT MEMBER**

ITA No. 1266/Del/2017  
(Assessment Year: 2013-14)

M/s. Halcrow Group Ltd, R-27, 2 <sup>nd</sup> Floor, Pratap Market, Jangpura, B, New Delhi-110014	Vs.	DCIT, Circle-2(1)(1)- IT, New Delhi
(Appellant)		(Respondent)
<b>PAN: AAACH7866E</b>		

Assessee by :	Shri Salil Kapoor, Adv Ms. Soumya Sigh, Adv Ms. Ananya Kapoor, Adv
Revenue by:	Ms. Ekta Jain, CIT DR
Date of Hearing	03/12/2025
Date of pronouncement	09/01/2026

ORDER

**PER M. BALAGANESH, A. M.:**

1. The Assessee M/s. Halcrow Group Ltd (hereinafter referred to as 'assessee) by filing the present appeal sought to set aside the impugned order dated 27.01.2017 passed by the Assessing Officer (AO) under section 144C(5) r.w.s. 143(3) of the Income Tax Act, 1961 (for short 'the Act') in consonance with the order passed by the Dispute Resolution Panel (DRP) dated 21.12.2016 u/s 144C(5) of the Act.
2. The Ground Nos. 1 and 2 raised by the assessee are general in nature and does require any specific adjudication.

3. The Ground Nos. 7 to 14 were stated to be not pressed by the Id AR at the time of hearing as it was pointed out that relief has been given by the revenue post DRP dirresections. The same is reckoned as a statement made from the Bar and accordingly the Ground Nos. 7 to 14 raised by the assessee are hereby dismissed as not pressed.

4. The Ground Nos. 3 to 6 raised by the assessee are on a single issue challenging the addition of Rs. 4,30,05,774/- being the impact on the profit due to change in method of accounting in respect of recognition of revenue.

5. We have heard the rival submissions and perused the material available on record. The return of income for AY 2013-14 was filed by the assessee on 28.11.2013 declaring loss of Rs. 4,84,24,389/-. The assessee is a company incorporated in United Kingdom (UK). Halcrow Group specializes in the provision of planning, design and management services for infrastructure development worldwide. The list of projects executed by the assessee had been listed out in pages 1 and 2 of the final assessment order. The only project which is in progress for the year under consideration is Kishanganga project consisting of planning, design and engineering for execution of 3 X 110 MW Kishanganga Electric Project in Jammu and Kashmir (J&K) India with HCC Ltd. The assessee had submitted that in current year, only one project office is functioning and assessee is rendering planning, design and engineering to M/s. NHPC Ltd for construction of 330 MW Power plant at Kishanganga river in Baramula District of J&K.

6. During the year under consideration, the assessee recognized revenue of Rs. 4,02,45,697/- from M/s. NHPC Ltd against the contract executed for the project based on labour cost used being taken as a measure to determine the

percentage of completion of work for the purpose of recognition of revenue. The assessee had also earned special income of Rs. 8,38,88,001/- in the nature of fee for technical services (FTS).

7. During the year under consideration, the assessee has retrospectively change its method for identifying the stage of completion. The stage of completion was measured by reference to total cost incurred to date as a percentage of total estimated cost for each contract as against staff cost incurred to date as a percentage of estimated staff cost for each contract. Accordingly, the assessee company had reversed the revenue amounting to Rs. 5,58,51,260/- related to earlier years which has been disclosed as a prior period item in the profit and loss account. Due to this change in method of accounting, the impact on the profitability of the year was worked out at Rs. 4,30,05,774/-. In other words, had the assessee continued with the earlier method of accounting by considering only staff cost incurred to date as a percentage of estimated staff cost for each contract to ascertain the percentage of completion for revenue recognition, the profit for the year would have been higher by Rs. 4,30,05,774/-. This fact of change of method of accounting for recognition of revenue had been duly disclosed by the assessee vide Note No. 24 to the audited financial statements. The assessee was show caused as to why the profit of Rs. 4,30,05,774/- be not brought to tax in line with method of accounting followed in earlier years. In response thereto, the assessee had specifically drawn the attention of the Id AO that the change in method for identifying the stage of completion and recognition of revenue was done in order to comply fully with Accounting Standard (AS) 7 issued by Institute of Chartered Accountants of India (ICAI). The assessee followed the Percentage of Completion Method for recognition of revenue under mercantile system of accounting. The assessee had

also given the complete workings of computing revenue as per earlier basis and had also pointed out to the Id AO that the methodology adopted in earlier years of identifying the stage of completion had resulted in absurd position of profitability in different years. This prompted the assessee to change the method of identifying the stage of completion during the year under consideration in line with AS-7 issued by ICAI. The Id AO however did not heed to the aforesaid contentions of the assessee and proceeded to make an addition of Rs. 4,30,05,774/- as under reported profit by the assessee. It is pertinent to note that pursuant to the change of method of accounting, the assessee had indeed reversed the revenue of earlier years in the sum of Rs. 5,58,51,260/- during the year and the same had been claimed as deduction as a prior period item, which has been allowed by the Id AO and not disturbed by the Id CIT(A). The impact on the profit of Rs. 4,30,05,774/- is only pursuant to the reversal of revenue of Rs. 5,58,51,260/- . When that deduction on account of prior period expenses is allowed there is absolutely no reason to make a separate addition on account of addition on account of impact of profit arising out of such transaction. Either way, we find that it is merely a timing difference of recognition of revenue which has got no tax impact at all as tax rate remain same for the year and also in subsequent years. When there is no tax loss to the exchequer making an addition of an issue arising out of timing difference is not warranted. Reliance in this regard has been rightly placed by the Id AR on the decision of Hon'ble Supreme Court in the case of CIT vs Excel Industries Ltd reported in 358 ITR 295 (SC). The relevant operative portion of the said order is reproduced herein:-

*28. Thirdly, the real question concerning us is the year in which the assessee is required to pay tax. There is no dispute that in the subsequent accounting year, the assessee did make imports and did derive benefits under the advance licence and the duty entitlement pass book and paid tax thereon. Therefore, it is not as if the Revenue has been deprived of any tax. We are told that the rate of tax remained the same in the present assessment year as well as in the subsequent assessment year. Therefore, the dispute raised by the Revenue is entirely academic or at best*

*may have a minor tax effect. There was, therefore, no need for the Revenue to continue with this litigation when it was quite clear that not only was it fruitless (on merits) but also that it may not have added anything much to the public coffers.*

8. In view of the above observations and respectfully following the judicial precedent hereinabove, we direct the Id AO to delete the addition made in the sum of Rs. 4,30,05,774/- for the year under consideration. Accordingly, Ground Nos. 3 to 6 raised by the assessee are allowed.

9. Ground No. 15 raised by the assessee challenging the levy of interest u/s 234B and 234D of the Act is consequential in nature.

10. Ground No. 16 raised by the assessee challenging the initiation of penalty proceedings u/s 271(1)(c) of the Act would be premature for adjudication at this stage and hence dismissed.

11. In the result, the appeal of the assessee is partly allowed.

Order pronounced in the open court on 09/01/2026.

-Sd/-  
**(VIKAS AWASTHY)**  
**JUDICIAL MEMBER**

-Sd/-  
**(M. BALAGANESH)**  
**ACCOUNTANT MEMBER**

Dated: 09/01/2026

A K Keot

Copy forwarded to

1. Applicant
2. Respondent
3. CIT
4. CIT (A)

5. DR:ITAT

ASSISTANT REGISTRAR  
ITAT, New Delhi