# IN THE INCOME TAX APPELLATE TRIBUNAL
# DELHI BENCHES "E" NEW DELHI

## BEFORE MS. KAVITHA RAJAGOPAL, JUDICIAL MEMBER
## AND
## SMT. RENU JAUHRI, ACCOUNTANT MEMBER

**ITAs No. 7816, 7654, 7655, & 7817/Del/2025**
**Assessment Years : 2020-21, 2021-22, 2022-23 & 2023-24**

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| **ACIT,**<br>404, CR Building,<br>IP Estate,<br>New Delhi. | Vs. | **Agriculture Insurance Company of India,**<br>Plate B and C, 5th Floor,<br>Office Block,<br>1 East Kidwai Nagar,<br>New Delhi.<br><br>PAN: AAECA2874P |
| **ITAs No.7996 & 7997/Del/2025**<br>**Assessment Years : 2020-21 & 2022-23** | | |
| **Agriculture Insurance Company of India,**<br>Plate B and C, 5th Floor,<br>Office Block,<br>1 East Kidwai Nagar,<br>New Delhi.<br><br>PAN: AAECA2874P | Vs. | **ITO,**<br>Circle 1(1),<br>Delhi. |
| **Appellants** | | **Respondents** |

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|---|---|
| **Assessee by** | Shri Gopal Aggarwal, CA |
| **Department by** | Dr. Rajinder Kaur, CIT-DR &<br>Shri Tarun Sharda, Sr.DR |
| **Date of Hearing** | 11.08.2026 |
| **Date of Pronouncement** | 10.11.2026 |

## ORDER

**Per Bench:**

The captioned appeals are cross appeals filed by the Revenue and the assessee for Assessment Years ('AYs', for short) 2020-21 and 2022-23 and the

Revenue's appeal for 2021-22 and 2023-24 and are directed against the orders of the Ld. Commissioner of Income Tax (Appeals) ('the Ld. CIT(A)', for short) passed u/s 250 of the Income Tax Act, 1961 ('the Act', for short).

2. As the facts are identical, we hereby pass a consolidated order by taking **ITA No.7816/Del/2025** and **ITA No.7996/Del/2025** pertaining to **AYs 2020-21** as the lead case, for the sake of convenience.

3. The grounds of appeal raised by the Revenue and the assessee read as under:-

*ITA No.7816/Del/2025 (Revenue's Appeal for AY 2020-21)*

*"1. On the facts and circumstances of the case, the Ld. CIT(A) has erred in deleting the addition of Rs 4,63,338/- made on Interest on TDS under section 201(1A) or section 206C(7) of the Act without appreciating the facts that Interest on TDS is not a permissible business expenditure in light of the recent judgement by Honorable ITAT Delhi in the case of Universal Energies Ltd. Vs. DCIT (ITA No.2761/Del/2018: A.Y. 2012-13) and the judgement of Honorable ITAT Bangalore in the case of Expat Engineering India Ltd. Vs DCIT.*

*2. On the facts and circumstances of the case, the Ld. CIT(A) has erred in deleting the addition of Rs.1,62,63,803/- made by AO u/s 14A of the Act, 1961 without ignoring the section 14A r.w.r. 80D which provides clear methodology to arrive at the quantum of such expenditure which would be disallowed.*

*3. On the facts and circumstances of the case, the Ld. CIT(A) has erred in deleting the addition of Rs. 1,55,87,353/-made on account of Income from interest on Corpus fund without appreciating the facts that this income has directly been credited to the corpus fund without crediting the same into the P&L account.*

*4. On the facts and circumstances of the case, the Ld. CIT(A) has erred in deleting the addition of Rs 1,55,87,353/- made on account of Income from interest on Corpus fund without appreciating the facts that income from*

*corpus funds form part of the total income in absence of any specific exemption or valid diversion of income.*

*5. On the facts and circumstances of the case, the Ld. CIT(A) has erred in deleting the addition of Rs 208,32,70,000/- made on issue of allowability of excess collection without appreciating the facts that assessee has failed to credit the same in the Profit & Loss account.*

*6. On the facts and circumstances of the case, the Ld. CIT(A) has erred in deleting the addition/disallowance of Rs.245,73,14,662/- u/s 40(a)(ia) of the Act, 1961 without appreciating the facts that assessee has failed to furnish supporting documents in response to the claim.*

*7. On the facts and circumstances of the case, the Ld. CIT(A) has erred in deleting the addition/disallowance of Rs 21,27,728/- u/s 40(a)(ia) of the Act, 1961 without appreciating the facts that assessee has failed to furnish supporting documents in response to the claim.*

*The appellant craves leave to add, alter or amend any/all of the grounds of appeal before or during the course of the hearing of the appeal."*

*ITA 7996/D/2025 (Assessee's appeal for 2020-21)*

*1. (a) On the facts and in the circumstances of the case and in law, the learned Assessing Officer erred in making the addition and the Ld. CIT(A) has erred in confirming the addition of Rs. 8,13,63,699/- out of total disallowance of Rs.8,24,63,116/- wrongly classifying the same as prior period expenses and the reason assigned for doing so are wrong and contrary to the facts of the case, the provisions of the Income Tax Act, 1961 and Rules made thereunder.*

*(b) The. Ld. AO erred in making addition and the Ld. CIT(A) has erred in confirming the addition of Rs.4,49,63,928/- out of total disallowance of Rs.8,24,63,116/-, being reversal of premium due to policy cancellations by wrongly classifying the same as prior period expenses. Doing so is wrong and contrary to the provisions of the Income Tax Act.*

*(c) Out of total disallowance of Rs.8,24,63,116/-, the ld. AO and the Ld.CIT(A) ought to have allowed deduction of Rs.1,19,16,299/- and of Rs.2,44,83,472/- on account of contribution to recognized AIC Employees' Provident Trust Fund and AIC Employees, pension Trust Fund respectively in terms of provisions of section 43B of the Act being actually paid during the relevant previous year. Doing so is wrong and contrary to the provisions of the Income Tax Act.*

*(d) The Ld. AO and the CIT(A) has erred in relying upon the Tax Audit report blindly without considering the merits and facts provided during the course of assessment and without applying his independent opinion. Doing so is wrong and contrary to the Income Tax law.*

*2. On the facts and in the circumstances of the case and in law the learned Assessing Officer erred in initiating penalty proceedings u/s 272A(1)(d) of the Income Tax Act, 1961 and reasons assigned by him for doing so are wrong and contrary to the facts of the case, provisions of Income Tax Act 1961 and Rules made thereunder.*

*The appellant craves leave to add, alter, amend and/or modify all or any of the above grounds of appeal on or before the date of hearing."*

4. Brief facts are that the assessee, M/s Agriculture Insurance Company of India Ltd., is engaged in the business of general insurance, particularly, crop insurance and provides insurance coverage to persons engaged in agriculture and allied activities. The assessee also implements various crop insurance schemes including the Pradhan Mantri Fazal Bima Yojana (PMFBY) which is promoted by General Insurance Corporation of India, NABARD and various Public Sector General Insurance Companies. The assessee filed its return of income for the year under consideration declaring the total income at Rs.244,93,26,140/- and the same was processed u/s 143(1) of the Act. The assessee's case was selected for scrutiny under CASS and notices u/s 143(2) and 142(1) were duly issued and served upon the assessee. After duly considering the assessee's submissions, the Ld. AO passed the assessment order u/s 143(3) r.w.s. 144B of the Act dated 28.09.2022 making various additions and disallowances which are tabulated hereinunder:

| Particulars | Additions/disallowances (in Rs.) |
|---|---|
| Prior period expenses | 8,24,63,116 |
| Section 14A r.w.r. 8D | 1,62,63,803 |
| Interest on delayed payment of TDS | 4,63,838 |
| Interest income on corpus fund | 1,55,87,353 |
| Excess collection of premium | 208,32,70,000 |
| Section 40(a)(ia) – reinsurance premium | 245,73,14,662 |
| Section 40(a)(ia) – contractors/subcontractors | 21,27,728 |

5. The ld. AO assessed the total income at Rs.710,63,13,640/-, after making the abovementioned additions/disallowances. Aggrieved, the assessee was in appeal before the first appellate authority, who, vide order dated 09.09.2025, had partly allowed the appeal by confirming the disallowance of Rs.8,24,63,116/- on account of prior period expenses and deleting the remaining additions/ disallowances made by the Ld. AO. Aggrieved by the order of the Ld. CIT(A), both the Revenue and the assessee are in appeal before us on the aforementioned grounds.

6. We will take up the appeal of the assessee first where in ground No.1(a) to 1 (d), the assessee had challenged the confirmation of disallowance of Rs.8,13,63,699/-out of total disallowance of Rs.8,24,63,116/- made by the AO. The assessee contends that the Revenue has wrongly treated the entire amount disclosed in the Tax Audit Report as prior period expenditure without examining

the nature of the underlying transactions. The ld. AO observed that an amount of Rs.8,24,63,116/- has been reported in Clause 27(b) of Form 3CD of the Tax Audit Report as prior period expenditure and had disallowed the amount treating it as expenditure pertaining to earlier years and was, therefore, not allowable during the year under consideration. Before the Ld. CIT(A), the assessee contended that the AO had proceeded merely on the basis of Tax Audit Report without examining the nature of the underlying transactions and, further, submitted that an amount of Rs.8,24,63,116/- comprised Rs.4,49,63,928/- relating to premium income and Rs.3,74,99,188/- representing expenditure debited to P&L Account. The assessee further contended that an amount of Rs.4.49 crore have been wrongly classified by the tax auditor as prior period expenditure instead of income credited to the accounts and submitted that the prior period income of Rs.74,64,740/- had already been accounted for and offered to tax. Further, the assessee contended that its income was required to be computed in accordance with the special provisions of Section 44 r.w.r. 5 of the First Schedule to the Income-tax Act, 1961 and that the audited accounts prepared in accordance with the Insurance Act, 1938 and the applicable IRDA Regulations formed the basis for computation of taxable income, subject only to adjustments permissible under Rule 5. The assessee also submitted that the expenditure had crystalised during the relevant previous year and could not be disallowed merely because it related to transactions of earlier year. The Ld. CIT(A), however, rejected the

assessee's contention and observed that the tax auditor had specifically qualified the disclosure of prior period expenses and had reported discrepancies between the amounts disclosed by the regional office auditors and those appearing in the audited financial statements. The ld. CIT(A) referred to the auditor's observation on prior period expenses of Rs.8.24 crore which were reported in Annexure 10 to Form No.3CD whereas the audited financial statement reflected Rs.3.64 crore, the difference of Rs.4.60 crore representing amounts reported by regional office auditors and not reflected in the respective trial balances. The Ld.CIT(A) held that the assessee had failed to furnish sufficient documentary evidence to establish the nature of expenditure, the alleged error in the Tax Audit Report and the crystallisation of liability during the relevant previous year. The Ld. CIT(A) held that the Ld. AO was empowered to examine the admissibility of expenditure and make necessary adjustments as per Section 44 r.w.r. 5(a) of the First Schedule and disallowed Rs.8,24,63,116/-.

7. The Ld. AR for the assessee contended that the authorities below had fundamentally erred in treating the entire amount of Rs.8.24 crore as expenditure pertaining to earlier years, where Rs.4.49 crore related to reversal of premium arising from cancellation of insurance policies and, hence, the same could not be mechanically treated as prior period expenditure merely because it was classified so in the Tax Audit Report. The Ld. AR contended that the actual accounting

treatment ought to have been examined with reference to the audited accounts and supporting records. The ld. AR further submitted that Rs.1,19,16,299/- represented contributions to the recognised AIC Employees' Provident Trust Fund and Rs.2,44,83,472/- represented contribution to the AIC Employees' Pension Trust Fund. It is further contended that these amounts were actually paid during the relevant previous year and, therefore, allowable in terms of Section 43B of the Act. The Ld. AR submitted that the authorities below had failed to examine the dates of payment and had arbitrarily disallowed the amount merely on the basis of the classification as prior period expenses. Further, the assessee was carrying on general insurance business and its income was said to be governed by Section 44 r.w.r. 5 of the First Schedule and in which case the Ld. AO could not have made adjustment to the profits disclosed in the audited accounts except to the extent permitted by the special computation provisions. The Ld. AR relied on the decision of the Hon'ble Apex Court in the case of ***General Insurance Corporation of India vs. CIT (1999) 240 ITR 139*** and ***CIT vs. Oriental Fire and General Insurance Company Ltd. 291 ITR 370.*** The ld. AR also relied on the decision of ***Saurashtra Cement and Chemical Industries Ltd. Vs. CIT 213 ITR 523 (Guj.)*** along with various other decisions in support of the proposition that expenditure cannot be disallowed merely because it relates to an earlier period, particularly, where the liability crystalises during the year under consideration. The Ld. AR prayed that the impugned disallowance be deleted.

Further, the Ld. AR has also filed an application for admission of additional evidence and prayed that the same be admitted and adjudicated upon.

8. The ld. DR, on the other hand, supported the orders of the lower authorities and submitted that the disallowance was made on the basis of the particulars disclosed in the Tax Audit Report. It was further contended that the tax auditor had specifically reported discrepancies between the prior period expenditure reflected in the audit annexure and the audited financial statement. The ld. DR further contended that the assessee has failed to substantiate its claim regarding the alleged incorrect classification of premium income and had not furnished adequate evidence to establish that the expenditure had crystalised during the relevant previous year. The ld. DR also contended that Section 44 r.w.r. 5 of the First Schedule did not provide for unrestricted deduction for every amount debited to the accounts of an insurance company and that the Ld. AO was entitled to examine the admissibility of expenditure under the applicable provisions of the Act. The ld. DR submitted that in the absence of supporting evidences pertaining to the nature and allowability of the expenditure, the lower authorities were justified in sustaining the disallowance. The Ld. DR relied on the order of the lower authorities.

9. We have heard the rival submissions and perused the material available on record. It is observed that the Ld. CIT(A) had upheld the disallowance of Rs.8.13

crore on account of prior period expenses without separately examining the nature and accounting treatment of the constituent amounts. We also find that the assessee has challenged the disallowance of Rs.8,13,63,699/- comprising three separate components, namely, reversal of premium on cancellation of insurance policies amounting to Rs.4,49,63,928/- and employer's contribution to Provident Fund and pension fund aggregating to ₹3,63,99,771. The assessee has specifically contended that the premium reversals represent adjustments arising in the ordinary course of insurance business during the relevant previous year and that the contributions to the respective employee welfare funds were actually paid during the year under consideration.

10. We further find that the Ld. CIT(A) sustained the disallowance primarily on account of the discrepancies reported in the tax audit report and the failure of the assessee to furnish supporting evidence. However, the Ld. CIT(A) has not separately determined the nature and allowability of each component. Before us, the assessee has sought admission of additional evidence under Rule 29 of the Income-tax (Appellate Tribunal) Rules, 1963, comprising bank statements of the respective trusts in support of its claim of actual payment.

11. In our considered view, the controversy requires examination of the actual nature of the premium reversals, the year in which the corresponding adjustments arose, and the dates of payment of the contributions to the employees' provident

and pension funds. The matter also requires consideration in the light of section 44 read with Rule 5 of the First Schedule and section 43B(b) of the Act. The mere classification of an amount as a prior-period item in the tax audit report cannot, by itself, be conclusive of its tax treatment.

12. Accordingly, subject to admission of the additional evidence in accordance with Rule 29 and after affording the Revenue an opportunity to examine the same, we consider it appropriate to restore the disputed issues to the file of the Ld. AO for limited verification and fresh adjudication in accordance with law. The amount of ₹10,99,417, which has not been contested by the assessee, shall remain undisturbed. The assessee shall be afforded reasonable opportunity of being heard. Ground Nos. 1(a) to 1(d) are accordingly allowed for statistical purposes.

Ground No. 2 — Initiation of penalty proceedings under section 272A(1)(d)

13. Ground No. 2 raised by the assessee relates to the initiation of penalty proceedings under section 272A(1)(d) of the Act. Since the said ground is consequential in nature and no separate penalty order is under challenge in the present appeal, the same does not require independent adjudication at this stage. Accordingly, Ground No. 2 is dismissed as premature, leaving the assessee at liberty to contest any penalty order, if passed, in accordance with law.

14. In the result the appeal filed by the assessee is hereby allowed for statistical purpose

15. Ground No. 1 of the Revenue's appeal is directed against the order of the ld. CIT(A) deleting the addition of ₹4,63,838 made by the Ld. AO on account of interest paid on delayed remittance of TDS/TCS. The Ld. AO, on examination of clause 34(c) of the tax audit report, noticed that the assessee had incurred interest expenditure of ₹4,63,838 under section 201(1A) or section 206C(7) of the Income-tax Act, 1961. The Ld. AO was of the view that interest paid on delayed remittance of TDS/TCS was not an allowable business expenditure and accordingly made an addition of ₹4,63,838 to the returned income.

16. On appeal, the ld. CIT(A), after examining the computation of income furnished in Form ITR-6, observed that the assessee had already made a voluntary disallowance of ₹1,22,93,000 while computing its taxable income, which included the impugned amount of ₹4,63,838. The ld. CIT(A) held that once the expenditure had already been added back by the assessee in its computation of income, making a further disallowance of the same amount would result in double disallowance. Accordingly, the ld. CIT(A) directed deletion of the addition.

17. Before us, the ld. DR supported the assessment order and submitted that interest paid on delayed remittance of TDS/TCS was not allowable as business

expenditure under section 37(1) of the Act. It was contended that the ld. CIT(A) erred in deleting the addition without appreciating the legal position concerning the deductibility of interest under section 201(1A). The Revenue, in its grounds of appeal, has placed reliance upon the decisions of the coordinate Benches in ***Universal Energies Ltd. v. DCIT (ITA No. 2761/Del/2018, AY 2012–13)*** and ***Expat Engineering India Ltd. v. DCIT***.

18. *Per contra*, the ld. AR supported the order of the ld. CIT(A) and submitted that the Revenue's ground proceeded on an incorrect appreciation of the facts. It was submitted that the assessee had already disallowed an aggregate amount of ₹1,22,93,000 in its computation of income, which included interest on TDS/TCS of ₹4,63,838. Therefore, irrespective of the legal question concerning the allowability of such interest, the Ld. AO could not make a separate addition of an amount already disallowed by the assessee. The ld. AR further submitted, without prejudice, that interest under section 201(1A) was compensatory and not penal in nature and was incurred in connection with the business operations of the assessee. Reliance was placed upon ***Lachmandas Mathura v. CIT (254 ITR 799) (SC)*** and ***CIT v. Oriental Insurance Co. Ltd. (315 ITR 102) (Karnataka).***

19. We have heard the rival submissions and perused the material available on record. The limited controversy arising for our consideration is whether the ld. CIT(A) was justified in deleting the addition of ₹4,63,838 made by the Assessing

Officer on account of interest paid on delayed remittance of TDS/TCS. It is pertinent to note that the Ld. AO made the addition on the premise that such interest was not allowable as business expenditure, whereas the ld. CIT(A) deleted the addition upon finding that the very same amount had already been disallowed by the assessee in its computation of income.

20. We find that the question regarding allowability of interest paid on delayed remittance of TDS has been considered by the coordinate Bench of the Tribunal in ***Universal Energies Ltd. v. DCIT, ITA No. 2761/Del/2018, order dated 26.07.2022,*** wherein such interest was held to be not allowable as business expenditure under section 37(1) of the Act. The coordinate Bench also referred to the decision of the Hon'ble Madras High Court in ***CIT v. Chennai Properties & Investments Ltd. (239 ITR 435).*** On the other hand, the assessee has relied upon the decision of the Hon'ble Karnataka High Court in ***CIT v. Oriental Insurance Co. Ltd. (315 ITR 102),*** concerning the compensatory character of interest. Thus, judicial authorities have taken differing approaches to the deductibility of such interest.

21. However, in our considered view, the aforesaid legal controversy need not be adjudicated in the present appeal, since the deletion granted by the ld. CIT(A) rests upon an independent factual finding that the impugned amount had already been added back by the assessee while computing its taxable income. The ld.

CIT(A), upon examination of the computation of income furnished in Form ITR-6, has specifically recorded that the amount of ₹4,63,838 formed part of the aggregate voluntary disallowance of ₹1,22,93,000. The Revenue has not identified any specific discrepancy in this reconciliation in the material placed before us.

22. It is a settled principle that the same expenditure cannot be disallowed twice while determining the taxable income of an assessee. Once the amount of ₹4,63,838 has already been excluded from the expenditure claimed in the computation of taxable income, making a further addition of the identical amount would result in duplication and an unwarranted enhancement of taxable income. The question whether such expenditure is otherwise allowable under section 37(1) becomes academic for deciding the present ground, as the assessee has not raised any specific ground in respect of the disputed amount.

23. In view of the foregoing discussion, and subject to the correctness of the reconciliation recorded by the ld. CIT(A), which has not been specifically controverted before us, we find no infirmity in the decision of the ld. CIT(A) deleting the addition of ₹4,63,838. Accordingly, the order of the ld. CIT(A) on this issue is upheld and Ground No. 1 raised by the Revenue is dismissed.

Ground No. 2 — Disallowance under section 14A of the Act amounting to ₹1,62,63,803

24. We have heard the rival submissions and perused the material available on record. The grievance of the Revenue in this ground relates to the deletion of disallowance of ₹1,62,63,803 made by the Ld. AO under section 14A of the Act. The ld. DR supported the assessment order and submitted that the AO was justified in making the disallowance in respect of expenditure attributable to earning exempt income. The ld. AR, on the other hand, supported the order of the ld. CIT(A) and submitted that the assessee is engaged in the business of general insurance, the income whereof is computed under the special provisions of section 44 read with the First Schedule to the Act. It was contended that the provisions of section 14A of the Act cannot be independently invoked while computing the income of an insurance company. Reliance was placed upon judicial precedents in assessee's own case concerning the overriding effect of section 44 of the Act.

25. We find that section 44 of the Act provides a special mechanism for computation of profits and gains of insurance business and begins with a non-obstante clause. The income of an insurance company is required to be computed in accordance with the rules contained in the First Schedule. Further, the special provisions governing insurance business prevail over the ordinary provisions relating to computation of business income to the extent provided by section 44

of the Act. Therefore, an independent disallowance under section 14A of the Act cannot be sustained merely by applying the general computation provisions without considering the special statutory framework applicable to insurance companies. Accordingly, following the judicial principles governing computation of income under section 44 of the Act, the deletion made by the ld. CIT(A) deserves to be upheld. Ground No. 2 of the Revenue is accordingly dismissed.

Ground Nos. 3 and 4 — Addition of ₹1,55,87,353 on account of interest earned on Corpus Fund

26. These grounds relate to the deletion of addition of ₹1,55,87,353 made by the AO on account of interest earned on investments made out of the Corpus Fund. The ld. DR supported the assessment order and submitted that the interest had accrued on investments made by the assessee and constituted its income. Merely crediting the interest directly to the Corpus Fund instead of routing it through the Profit and Loss Account would not alter its taxable character. The ld. AR, on the other hand, submitted that the Corpus Fund was created out of contributions received from the Government of India and State Governments/Union Territories for meeting catastrophic losses in the agricultural sector and that the assessee was merely acting as an implementing agency. It was further submitted that the Ministry of Agriculture, Government of India, vide letter dated 28.06.2007, had specifically directed that the interest earned on investments of the Corpus Fund should be credited to the fund itself. The assessee had no beneficial ownership

over the fund or the interest earned thereon and could not utilise the same for its independent business purposes.

27. The ld. AR further submitted that the identical issue had been decided in favour of the assessee by the coordinate Benches of the Tribunal in its own cases for AYs 2012–13, 2013–14, 2014–15, 2016–17 and 2017–18. Reliance was also placed upon the principles of diversion of income by overriding title laid down by the Hon'ble Supreme Court in ***CIT v. Sitaldas Tirathdas (1961) 41 ITR 367 (SC)*** and other judicial decisions.

28. We have considered the rival submissions. The issue for determination is whether the interest earned on investments made out of the Corpus Fund accrued to the assessee as its income or stood diverted by overriding title in favour of the fund. The mere crediting of interest to a separate fund would not, by itself, establish diversion of income. However, where the governing directions create an overriding obligation and the assessee has no beneficial entitlement to the interest, such interest cannot be regarded as its income merely because the investments are managed by it.

29. In the present case, the assessee has relied upon the directions issued by the Government of India and the decisions of the coordinate Benches in its own cases for earlier assessment years. If the nature of the fund, the governing directions and the relevant facts remain unchanged, judicial discipline requires following

the earlier decisions, unless there is a contrary binding precedent or a material change in law or facts. Accordingly, we find no reason to interfere with the deletion made by the ld. CIT(A). Ground Nos. 3 and 4 of the Revenue are liable to be dismissed.

Ground No. 5 — Addition of ₹208,32,70,000 on account of unallocated premium

30. The grievance of the Revenue in this ground relates to the deletion of addition of ₹208,32,70,000 made by the Ld. AO on account of unallocated premium collections received under the Pradhan Mantri Fasal Bima Yojana (PMFBY). The ld. DR supported the assessment order and submitted that the amounts had been received by the assessee during the relevant previous year and, therefore, constituted its income. The assessee had failed to credit the same to the Profit and Loss Account and had instead shown the amount under current liabilities, resulting in understatement of income.

31. *Per contra*, the ld. AR supported the order of the ld. CIT(A) and submitted that the amount represented premium collections remitted by banks in respect of which the process of underwriting had not been completed and the corresponding insurance risk had not commenced. It was submitted that the premium collections could not be recognised as income until the requisite details of insured farmers were uploaded and validated on the National Crop Insurance Portal and the insurance proposals were accepted. The ld. AR explained that the amounts

remained unallocated on account of incomplete or incorrect particulars furnished by banks, Aadhaar mismatches, non-notified crops or areas, revised notifications issued by State Governments and excess or incorrect remittances. It was contended that the assessee had no control over these processes and could not assume insurance risk until the prescribed requirements were fulfilled.

32. The ld. AR further submitted that the assessee had prepared its accounts in accordance with the Insurance Act, 1938, the applicable IRDAI regulations and its significant accounting policies. Under the applicable accounting framework, premium deposits in respect of which the insurance risk had not commenced were required to be shown as current liabilities. Reliance was placed upon section 44 read with Rule 5 of the First Schedule and the decisions of the Hon'ble Supreme Court in ***General Insurance Corporation of India v. CIT (1999) 106 Taxman 389*** and ***LIC of India v. CIT, (1964) 51 ITR 773 (SC)*** concerning the special mode of computation of income of insurance companies.

33. We have considered the rival submissions. It is not in dispute that the assessee is engaged in the business of general insurance and its income is governed by section 44 of the Act read with the First Schedule. The question requiring consideration is whether the amounts received from banks represented premium income accrued during the relevant previous year or continued to retain

the character of liabilities pending acceptance of insurance proposals and commencement of risk.

34. We find that the mere receipt of money does not necessarily establish accrual of income where the amount is received subject to conditions governing acceptance of insurance risk. At the same time, classification of the amount as a current liability in the accounts is not, by itself, conclusive. The treatment must be supported by the applicable IRDAI regulations, PMFBY guidelines and the underlying insurance arrangements.

35. The assessee has explained the circumstances resulting in non-allocation of premium. We further find that the Ld. AO has not demonstrated any specific infirmity in the accounting policy adopted by the assessee or established that the insurance risk corresponding to the disputed premium collections had already commenced during the relevant previous year. In the absence of such a finding, the accounting treatment consistently adopted by the assessee in accordance with the applicable regulatory framework cannot be disregarded merely because the premium amounts were received during the year. The provisions of section 44 read with Rule 5 of the First Schedule also require due consideration of the special method prescribed for computation of profits and gains of general insurance business.

36. In view of the foregoing discussion, having regard to the accounting policy adopted by the assessee, the applicable IRDAI Regulations and the special provisions governing computation of income of insurance companies, we are of the considered view that the ld. CIT(A) was justified in accepting the accounting treatment followed by the assessee in respect of unallocated premium collections. The Revenue has not established any material basis for disturbing such treatment or for recognising the entire amount of ₹208,32,70,000 as income during the year under consideration. Accordingly, we find no infirmity in the order of the ld. CIT(A) deleting the impugned addition. Ground No. 5 raised by the Revenue is dismissed.

Ground No. 6 — Disallowance of ₹245,73,14,662 under section 40(a)(ia) on reinsurance premium

37. The grievance of the Revenue in this ground relates to the deletion of disallowance of ₹245,73,14,662 made by the AO under section 40(a)(ia) of the Act. The ld. DR supported the assessment order and submitted that the assessee had deducted tax at rates lower than those prescribed on reinsurance premium payments aggregating to ₹819,10,48,875 and had failed to furnish the supporting lower deduction certificates during assessment proceedings. Consequently, the Ld. AO was justified in disallowing 30% of the payments.

38. *Per contra*, the ld. AR supported the order of the ld. CIT(A) and submitted that the tax had been deducted in accordance with lower deduction certificates issued under section 197 of the Act. It was submitted that the assessee had furnished party-wise details of reinsurance premium, the applicable rates of tax deduction, actual tax deducted and corresponding certificates during appellate proceedings. The ld. CIT(A), after examining the certificates and reconciling the particulars, recorded a finding that the deduction of tax at lower rates was duly supported by the certificates issued by the competent authority.

39. We have considered the rival submissions. We find that the Ld. AO made the disallowance principally on account of non-furnishing of lower deduction certificates during assessment proceedings. The ld. CIT(A), however, recorded a categorical finding that the certificates were furnished during appellate proceedings and the particulars of payments and tax deducted were corroborated by the certificates. When a valid certificate under section 197 authorises deduction of tax at a specified lower rate, deduction in accordance with such certificate cannot be regarded as a default merely because the rate is lower than the otherwise applicable statutory rate.

40. The impugned disallowance cannot be sustained merely on account of non-production of certificates before the Ld. AO when valid certificates were subsequently produced and duly examined by the ld. CIT(A). Accordingly, the

deletion made by the ld. CIT(A) is liable to be upheld. Hence, Ground No.6 raised by the Revenue is hereby dismissed.

Ground No. 7 — Disallowance of ₹21,27,728 under section 40(a)(ia) on contractor and subcontractor payments

41. The grievance of the Revenue in this ground relates to the deletion of disallowance of ₹21,27,728 made by the Ld. AO under section 40(a)(ia) of the Act. The ld. DR supported the assessment order and submitted that the assessee had made payments aggregating to ₹70,92,428 to contractors and subcontractors on which tax had been deducted at rates lower than those ordinarily prescribed. Since the assessee had failed to furnish lower deduction certificates during assessment proceedings, the AO disallowed 30% of the payments.

42. *Per contra*, the ld. AR supported the order of the ld. CIT(A) and submitted that the tax had been deducted at the rates authorised under certificates issued under section 197 of the Act. The relevant certificates were furnished during appellate proceedings and, after examining the same, the ld. CIT(A) held that the lower deduction of tax was duly justified.

43. We have considered the rival submissions and perused the material available on record. We find that the disallowance was made principally because the assessee had not furnished the lower deduction certificates before the Ld. AO.

The ld. CIT(A), however, examined the certificates produced during appellate proceedings and recorded a finding that the tax deducted at lower rates was supported by the certificates issued under section 197.

44. We are of the considered view that where tax has been deducted in accordance with a valid certificate issued by the competent authority, the mere fact that deduction was made at a rate lower than the otherwise applicable rate would not justify a disallowance under section 40(a)(ia). The Revenue has not identified, in the grounds reproduced before us, any specific defect in the certificates relied upon by the assessee.

45. Hence, we find no infirmity in the order of the ld. CIT(A) deleting the disallowance of ₹21,27,728. Accordingly, Ground No. 7 of the Revenue is hereby to be dismissed.

46. Ground No.8 is general in nature and requires no separate adjudication.

47. In the result, the appeal filed by the Revenue is hereby dismissed.

**ITA No.7654/Del/2025 (Revenue's Appeal for AY : 2021-22)**

48. Ground No.1 of this appeal being identical to Ground No. 5 of the Revenue's appeal for AY 2020-21 in ITA No.7816/Del/2025, the findings given therein would apply *mutatis mutandis* to this ground also. This ground of appeal of the Revenue is dismissed.

49. Ground of appeal No.2 in this appeal being identical to Ground No.2 of the Revenue's appeal for AY 2020-21 in ITA No.7816/Del/2025, the findings given therein would apply *mutatis mutandis* to this ground also. This ground of appeal of the Revenue is dismissed.

50. Grounds of appeal No.3 and 4 of this appeal being identical to Grounds No.3 &4 of the Revenue's appeal for AY 2020-21 in ITA No.7816/Del/2025, the findings given therein would apply *mutatis mutandis* to this ground also. These grounds of appeal of the Revenue are dismissed.

**ITA No.7655/Del/2025 (Revenue's Appeal for AY 2022-23)**

51. Ground No.1 of this appeal being identical to Ground No. 3 and 4 of the Revenue's appeal for AY 2020-21 in ITA No.7816/Del/2025, the findings given therein would apply *mutatis mutandis* to this ground also. This ground of appeal of the Revenue is dismissed.

52. Ground No.2 of this appeal being identical to Ground No. 2 of the Revenue's appeal for AY 2020-21 in ITA No.7816/Del/2025, the findings given therein would apply *mutatis mutandis* to this ground also. This ground of appeal of the Revenue is dismissed.

**ITA No.7817/Del/2025 (Revenue's appeal for AY 2023-24)**

53. Ground No.1 of this appeal being identical to Ground No. 2 of the Revenue's appeal for AY 2020-21 in ITA No.7816/Del/2025, the findings given therein would

apply *mutatis mutandis* to this ground also. This ground of appeal of the Revenue is dismissed.

54. Ground No.2 of this appeal being identical to Ground No. 3 &4 of the Revenue's appeal for AY 2020-21 in ITA No.7816/Del/2025, the findings given therein would apply *mutatis mutandis* to this ground also. This ground of appeal of the Revenue is dismissed.

55. Ground No.3 of this appeal being identical to Ground No. 3 &4 of the Revenue's appeal for AY 2020-21 in ITA No.7816/Del/2025, the findings given therein would apply *mutatis mutandis* to this ground also. This ground of appeal of the Revenue is dismissed.

56. Ground No.4 of this appeal being identical to Ground No. 5 of the Revenue's appeal for AY 2020-21 in ITA No.7816/Del/2025, the findings given therein would apply *mutatis mutandis* to this ground also. This ground of appeal of the Revenue is dismissed.

**ITA No.7997/Del/2025 (Assessee's appeal for AY 2022-23)**

57. We find that though the facts relating to the grounds under consideration in the present appeal for AY 2022-23 are slightly different from those involved in the assessee's appeal for AY 2020-21, the underlying issues and the legal principles governing their adjudication remain substantially identical. Therefore, the findings recorded by us while adjudicating the corresponding grounds in the appeal for AY

2020-21 shall apply mutatis mutandis to the present appeal as well. Accordingly, following the reasoning and conclusion arrived at therein, we dispose of the corresponding grounds in the present appeal in the same terms. Hence, the grounds of appeal raised by the assessee are hereby allowed for statistical purpose.

58. In the result the appeals filed by the Revenue are hereby dismissed and the appeals filed by the assessee are hereby allowed for statistical purpose.

*Order pronounced in the open court on 10.11.2026.*

| Sd/- | Sd/- |
|---|---|
| **(RENU JAUHRI)** | **(KAVITHA RAJAGOPAL)** |
| **ACCOUNTANT MEMBER** | **JUDICIAL MEMBER** |

Dated: 10th November, 2026.

dk

**Copy of the Order forwarded to :**

1. The Appellant
2. The Respondent
3. The CIT(A)
4. Dr, ITAT, Mumbai
5. Guard File.

BY ORDER,

//True COPY//

(Assistant Registrar)
ITAT, Delhi Benches