

आयकर अपीलीय अधिकरण, 'सी' न्यायपीठ, चेन्नई

IN THE INCOME TAX APPELLATE TRIBUNAL

'C' BENCH, CHENNAI

श्रीएन.आर.एस. गणेशन, न्यायिकसदस्य एवं

श्री ए. मोहन अलंकामणी, लेखा सदस्य केसमक्ष

BEFORE SHRI N.R.S. GANESAN, JUDICIAL MEMBER AND
SHRI A. MOHAN ALANKAMONY, ACCOUNTANT MEMBER

आयकर अपील सं./ITA No.2320/Chny/2017

निर्धारण वर्ष /Assessment Year :2014-15

M/s Madras Engineering Industries
(P) Ltd.,

14, Sathya Narayana Avenue,
Raja Annamalaipuram,
Chennai - 600 028.

v. The Income Tax Officer,
Corporate Ward 4(2),
Chennai.

PAN : AAACM 4509 P

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/Appellant by : Shri N. Arjun Raj, CA

प्रत्यर्थी की ओर से/Respondent by : Shri R. Clement Ramesh Kumar, Addl.CIT

सुनवाई की तारीख/Date of Hearing : 14.11.2018

घोषणा की तारीख/Date of Pronouncement : 16.11.2018

आदेश /O R D E R

PER N.R.S. GANESAN, JUDICIAL MEMBER:

This appeal of the assessee is directed against the order of the Commissioner of Income Tax (Appeals) -8, Chennai, dated 18.08.2017 and pertains to assessment year 2014-15.

2. Shri N. Arjun Raj, the Ld. representative for the assessee, submitted that the only issue arises for consideration is disallowance of rent paid by the assessee under Section 40A(2) of the Income-tax Act, 1961 (in short 'the Act'). Referring to the order of this Tribunal in I.T.A. Nos.2259, 2260 & 2261/Mds/2015 dated 21.09.2016, the Ld. representative submitted that in the assessee's own case for assessment years 2010-11, 2011-12 & 2012-13, this Tribunal found that the entire transaction in payment of rent is nothing but an arrangement wherein benefit is bestowed upon the individual of the family rather than the company deriving any benefit. According to the Ld. representative, this Tribunal upheld the similar disallowance. In fact, this Tribunal observed as follows at para 19 of its order:-

“19. We have heard both the parties and perused the material on record. Though the assessee has argued that the rent paid is reasonable comparing the other residential premises the assessee has not made out a case for taking the accommodation on lease from the Director and leasing out to him. There is no other person, who has been paid the rent in the similar manner in the company. Mr. SriramSivaram is a whole time director and there are other directors but no such facility was extended to any of the other directors. The leased accommodation is a taxable perquisite in the hands of Mr. SriramSivaram, which is much lower in rate. Mr. SriramSivaram is a Director of the company and drawing salary. Section 40A(2) was brought

into Act to curb the incidence of tax evasion, curbing such practice of distributing profits without making the payment of legitimate tax. Therefore, we agree with the CIT(A)'s order and the entire transaction is nothing but an arrangement wherein benefit is bestowed upon individual of the family rather than the company deriving any benefit. Therefore, A.O. has rightly disallowed the expenditure as unreasonable and we upheld the order of Ld.CIT(A) and dismiss the assessee's ground on this issue for all the assessment years."

3. We heard Shri R. Clement Ramesh Kumar, the Ld. Departmental Representative also. The co-ordinate Bench of this Tribunal in the assessee's own case in I.T.A. Nos.2259, 2260 & 2261/Mds/2015 dated 21.09.2016 in respect of very same property, confirmed similar disallowance. For the same reasoning, the order of the CIT(Appeals) is confirmed.

4. In the result, the appeal filed by the assessee is dismissed.

Order pronounced in the court on 16th November, 2018 at Chennai.

sd/-

(ए. मोहन अलंकामणी)
(A. Mohan Alankamony)
लेखा सदस्य/Accountant Member
चेन्नई/Chennai,

sd/-

(एन.आर.एस. गणेशन)
(N.R.S. Ganesan)
न्यायिक सदस्य/Judicial Member

दिनांक/Dated, the 16th November, 2018.

Kri.

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त (अपील)/CIT(A)-8, Chennai
4. Principal CIT, Chennai-4, Chennai
5. विभागीय प्रतिनिधि/DR
6. गार्ड फाईल/GF.