

IN THE INCOME TAX APPELLATE TRIBUNAL  
HYDERABAD BENCH "B", HYDERABAD

BEFORE V. DURGA RAO, JUDICIAL MEMBER  
AND  
SHRI S. RIFAUR RAHMAN, ACCOUNTANT MEMBER

ITA Nos. 480 & 481/Hyd/2018		
Assessment Year: 2013-14 & 2014-15		
Asst. Commissioner of Income Tax, Circle-2(1), Tirupati.	Vs.	Sudalagunta Hotels Limited, Tirupati. PAN: AADCS 1460 N
(Appellant)		(Respondent)
Assessee by:	Sri Rajeev Benjwal, DR	
Revenue by:	Shri Tharish V	
Date of hearing:	06/03/2019	
Date of pronouncement:	13/03/2019	

**ORDER**

**PER V. DURGA RAO, J.M.:**

The Revenue has filed the captioned appeals against the different orders of the CIT(A), Tirupati commonly dated 29/12/2017 for the assessment years 2013-14 and 2014-15. The grounds of appeal raised in both the appeals are identical, and therefore, these appeals are clubbed, heard combinedly and disposed of in this consolidated order.

**Grounds raised by the Revenue for the A.Y. 2013-14:**

- 1. The Ld. CIT(A) erred in deleting the disallowance made u/s 14A of Rs. 23,38,740/- which was enhanced to Rs. 88,40,479/- vide rectification u/s 154 dated 27/04/2016.*
- 2. The Ld. CIT(A) erred in ignoring CBDT's Circular No.5/2014.*

**Grounds raised by the Revenue for the A.Y. 2014-15:**

1. *The Ld. CIT(A) erred in deleting the disallowance made u/s 14A of Rs. 89,98,728/-.*
2. *The Ld. CIT(A) erred in ignoring CBDT's Circular No.5/2014."*
3. Brief facts of the case are that the assessee is in the business of running Hotels, filed the return of income declaring total income of Rs. 1,56,93,430/- for the assessment year 2013-14. The assessee's case was selected for scrutiny under CASS. A.O. completed the assessment u/s 143(3) of the Act determining the assessed income at Rs. 1,80,32,170/- which includes an addition u/s 14A amounting to Rs. 23,38,740/-. The case of the assessee is that the assessee does not have any dividend income and therefore, section 14A has no application. However, Assessing Officer not agreed with the submissions of the assessee and invoked the provisions of section 14A and disallowance was made and the same is added back to the total income of the assessee.
4. Aggrieved, assessee carried the matter in appeal before the CIT(A), who deleted the addition made by the A.O. by following the decision of the Hon'ble Madras High Court in the case of CIT vs. Chettinad Logistics Pvt Ltd [2017] 248 Taxman 55 (Mad, Redington (India) Ltd vs. Addl. CIT [2017] 392 ITR 633 (Mad.) and also followed the decision of the ITAT Hyderabad Bench in the case of ITO vs. Neuland Health Services Pvt Ltd

in ITA No.41/Hyd/2017, dated 31/07/2017. On being aggrieved, Revenue filed the present appeals before the Tribunal by raising the above mentioned grounds of appeal.

5. Learned Departmental Representative relied on the orders of the authorities below and also the Circular issued by the CBDT

6. On the other hand, Learned Counsel for the Assessee submitted that the issue involved in this appeal is squarely covered by the decision of the Hon'ble Madras High Court in the case of CIT vs. Chettinad Logistics (P) Ltd (supra) and also submitted that on the said decision of the High Court, the Department has filed an appeal before the Hon'ble Supreme Court and the Apex Court has dismissed the appeal [2018] 95 taxmann.com 250.

7. We have heard both the parties and perused the orders of the Revenue authorities as well as the material placed before us. In the case of CIT vs. Chettinad Logistics (P) Ltd (supra), the Hon'ble Madras High Court has dismissed the appeal by observing that where no exempt income i.e., dividend was earned in the relevant assessment year by the assessee, section 14A of the Act should not be invoked and on Department's appeal, the Apex Court has also upheld the view taken by the High Court. The coordinate Bench of the Tribunal was also considered the similar issue in the case of Neuland Health Services Pvt Ltd (supra). Therefore, it is settled that where no exempt income was

earned by the assessee in the relevant assessment year, having no dividend income the provisions of section 14A are not applicable. Keeping in view the facts and circumstances of the present case, the CIT(A) has rightly followed the above precedents and allowed the appeal filed by the assessee. Therefore, in our considered view, we see no reason to interfere with the decision of the CIT(A) and the grounds of appeal filed by the Revenue, in both the appeals, are dismissed.

8. In the result, both the appeals filed by the Revenue are dismissed.

Pronounced in the open Court on 13<sup>th</sup> March, 2019.

**Sd/-**  
**(S. RIFAUR RAHMAN)**  
**ACCOUNTANT MEMBER**

**Sd/-**  
**(V. DURGA RAO)**  
**JUDICIAL MEMBER**

Hyderabad, Dated: 13<sup>th</sup> March, 2019

**OKK**

Copy to:-

1)	M/s. Sudalagunta Hotels Limited, D.No.209, TP Area, Hotel Mayura , Tirupati - 517501.
2)	ACIT, Circle-2(1), 3 <sup>rd</sup> Floor, Aayakar Bhavan, K.T. Road, Tirupati-517501.
3)	The CIT(A), Tirupati.
4)	The Pr. CIT, Tirupati.
5)	The DR, ITAT, Hyderabad
6)	Guard File