

आयकर अपीलीय अधिकरण] पुणे न्यायपीठ “बी” पुणे में  
IN THE INCOME TAX APPELLATE TRIBUNAL  
PUNE BENCH “B”, PUNE

BEFORE MS. SUSHMA CHOWLA, JM AND  
SHRI ANIL CHATURVEDI, AM

आयकर अपील सं / ITA No.1129/PUN/2017

निर्धारण वर्ष / Assessment year : 2011-12

Messung Systems Pvt. Ltd.,  
501, Lunkad Skyvista,  
Sr.No.230/A/3/2,  
Viman Nagar,  
Pune – 411 014.

..... अपीलार्थी /  
Appellant.

PAN : AABCM1832E.

बनाम v/s

The Dy.Commissioner of Income Tax,  
Circle – 9, Pune.

..... प्रत्यर्थी /  
Respondent

Assessee by : Shri P.D. Kudva.

Revenue by : Shri Pankaj Garg.

सुनवाई की तारीख / Date of Hearing : 25.07.2019	घोषणा की तारीख / Date of Pronouncement: 19.08.2019
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आदेश / **ORDER**

**PER ANIL CHATURVEDI, AM :**

1. This appeal filed by the assessee is emanating out of the order of Commissioner of Income Tax (A) – 7, Pune dated 31.01.2017 for the assessment year 2011-12.

2. The relevant facts as culled out from the material on record are as under :-

Assessee is a company stated to be engaged in the business of trading of Programmable Logic Controllers (PLC) and its parts. Assessee filed its return of income for A.Y. 2011-12 on 30.09.2011 declaring total

income of Rs.15,11,04,121/-. The case was selected for scrutiny and thereafter assessment was framed u/s 143(3) of the Act vide order dt.20.03.2014 and the total income was determined at Rs.15,14,70,020/-. Aggrieved by the order of AO, assessee carried the matter before Ld.CIT(A), who vide order dt.31.01.2017 (in appeal No.PN/CIT(A)-7/Cir-9/1099/2014-15) granted partial relief to the assessee. Aggrieved by the order of Ld.CIT(A), assessee is now in appeal before us and has raised the following effective ground :

*“The Hon’ble CIT(A) erred in confirming the disallowance of Rs.3,55,902/- made by the AO as relatable to exempt dividend income of Rs.20,92,021/- under Sec.14A r.w. Rule 8D(2)(iii) of the I.T. Rules. The appellant pleads that the disallowance made by the AO is not justified and is not valid.*

3. During the course of assessment proceedings, AO noticed that assessee had received dividend income of Rs.20,92,021/- which was claimed as exempt income and suo moto disallowed Rs.10,000/- u/s 14A of the Act. The assessee was asked to explain as to why part of administrative expenses should not be considered to have been incurred for earning exempt income and be disallowed u/s 14A of the Act. The assessee made the submissions which were not found acceptable to the AO. AO thereafter by following the methodology prescribed under Rule 8D of I.T. Rules worked out the disallowance at Rs.3,65,902/- u/s 14A of the Act and made its addition. Aggrieved by the order of AO, assessee carried the matter before Ld.CIT(A), who upheld the order of AO but however directed the AO to grant relief of Rs.10,000/- that was suo moto disallowed by the assessee. Aggrieved by the order of Ld.CIT(A), assessee is now before us.

4. Before us, Ld.A.R. reiterated the submissions made before AO and Ld.CIT(A) and submitted that the dividend received from mutual funds has been either credited to the mutual fund account or Bank account via ECS and no administrative costs has been incurred. He submitted that there were only 61 entries of dividend and in such a situation, the administrative expenses that were estimated at Rs.800/- per month i.e., 10,000/- per year was fully justified. He further submitted that AO has not recorded proper satisfaction and has not come to a conclusion as to how the working of disallowance made by the assessee was incorrect. He therefore submitted that no addition be called for in the present case. Ld. D.R. on the other hand submitted that AO had recorded a proper satisfaction before invoking the provisions of Sec.14A of the Act and once it is held that the provisions of Sec.14A of the Act are applicable, then the disallowance has to be worked as per the mandate of Rule 8D of I.T. Rules. He thus supported the order of AO.

5. We have heard the rival submissions and perused the material on record. The issue in the present ground is with respect to disallowance u/s 14A of the Act. It is assessee's contention that no proper satisfaction was recorded by the AO before invoking the provisions of Sec.14A of the Act. We do not find any merit in the argument of the Ld.A.R. We find that assessee had suomoto disallowed Rs.10,000/- as expenses u/s 14A of the Act. During the course of assessment proceedings AO had asked the assessee to justify the working of disallowance. He thereafter and after considering the submissions of the assessee concluded that the working made by the assessee was not proper. He thereafter proceeded to disallow the expenses as per the mandate of Rule 8D. Considering the aforesaid facts, we are of the view

that no error could be found in the action of the AO. We thus confirm the action of the AO. **Thus, the ground of the assessee is dismissed.**

6. **In the result, the appeal of the assessee is dismissed.**

Order pronounced on 19<sup>th</sup> day of August, 2019.

Sd/- (SUSHMA CHOWLA) न्यायिक सदस्य / JUDICIAL MEMBER	Sd/- (ANIL CHATURVEDI) लेखा सदस्य / ACCOUNTANT MEMBER
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पुणे Pune; दिनांक Dated : 19<sup>th</sup> August, 2019.

Yamini

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

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent
3. CIT(A)-7, Pune.
4. Pr. CIT-6, Pune.
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, "बी" / DR, ITAT, "B" Pune;
6. गार्ड फाईल / Guard file.

**आदेशानुसार/ BY ORDER**

// True Copy //

वरिष्ठ निजी सचिव / Sr. Private Secretary  
आयकर अपीलीय अधिकरण ,पुणे / ITAT, Pune.