

**IN THE INCOME TAX APPELLATE TRIBUNAL
"B" BENCH : BANGALORE**

**BEFORE SHRI B.R BASKARAN, ACCOUNTANT MEMBER AND
SMT. BEENA PILLAI, JUDICIAL MEMBER**

ITA No.1526/Bang/2019
Assessment year : 2015-16

The Dy. Commissioner of Income-tax, Circle-1(2)(1), Bengaluru.	Vs.	Sri Guardian Souharda Bank Niyamita, No.139, Kalpthru, Bazar Building, Infantry Road, Shivajinagar, Bengaluru-560 001. PAN – AAAAG 0949 D.
APPELLANT		RESPONDENT

Appellant by	:	Smt. Renuga, J.C.I.T
Respondent by	:	Shri M Gandhi, C.A

Date of hearing	:	26.11.2019
Date of Pronouncement	:	27.11.2019

ORDER

Per B.R Baskaran :

The Revenue has filed this appeal challenging the order dated 25/3/2019 passed by 1d CIT(A)-I Bengaluru and it relates to asst. year 2015-16.

2. The Revenue is aggrieved by the decision of 1d CIT(A) in deleting the disallowance made by the AO u/s 14A of the Act.

3. We heard the parties and perused the record. The facts relating to the issue under consideration are that the AO noticed that the assessee has invested its funds in various categories of

mutual funds and earned exempt income. However the assessee did not make any disallowance u/s 14A of the Act. The AO noticed that the assessee has invested a sum aggregating 53.65 crores in various mutual funds and withdrawn the same during the financial year itself. Hence opening and closing balance of investment was Nil.

4. The AO noticed that the assessee has paid total interest of Rs.6.16 crores on the deposit amount of Rs.84.07 crores collected by it. Accordingly he worked out the average rate of interest paid by the assessee per month on the deposits at 0.61%. The AO applied the above said rate of 0.61% per month on the investments made in mutual funds by considering the period of holding and worked out interest amount of Rs.1.73 crores. He held it to be directly related to the investment made by the assessee. Accordingly he disallowed a sum of Rs.1.73 crores u/s 14A of the Act.

5. The Id CIT(A) noticed that the assessee has made investments in various mutual funds scheme chronologically, i.e., maturing one investment and investing the maturity proceeds in another mutual fund, i.e, the entire amount of Rs.53.65 crores were not made at a time. Accordingly he noticed that the peak amount of investments outstanding at any given point of time was 7.35 croers. The Id CIT(A) also noticed that the assessee was having own capital of 3.77 crores and reserve fund of 14.52 crores. Accordingly aggregating amount of own funds available with the assessee was Rs.18.20 crores which was more than the peak amount of investment of Rs.7.35 crores. Besides the above the Id CIT(A) also

noticed that the amount of loan given by the assessee, deposits kept with the other banks and SLR investments, in aggregate has exceeded the deposit amount of Rs.80.07 crores considered by AO for working out the disallowance. Accordingly he gave a finding that the deposits amount received by the assessee are in no way connected to the investments made by the assessee. Accordingly he deleted the disallowance made by the AO under Rule 8D Rule r.w.s 14A of the Act.

6. The Id DR supported the order passed by the AO and the Id AR supported the order passed by the Id CIT(A).

7. Having heard the rival contentions, we are of the view that the order passed by the Id CIT(A) does not call for any inference since

- a) The Id CIT(A) has given a finding that the own funds available with the assessee has exceeded the value of investments and hence as per the decision rendered by Hon'ble Supreme Court in the case of Reliance Industries Ltd...(Civil Appeal No.10 of 2019 dated 02-01-2019), no disallowance out of interest expenditure is called for u/s 14A of the Act.
- b) The Id CIT(A) has also analyzed the Balance sheet of the assessee and has given a finding that the deposits of Rs.80.07 crores collected by the assessee was used for the purpose of its business and it is not connected to the

investments made by the assessee which yielded exempt income.

Accordingly we confirm the order passed by the Id CIT(A).

8. In the result, the appeal of the Revenue is dismissed.

Order pronounced in the Open Court on **27th November, 2019.**

Sd/-
(Beena Pillai)
Judicial Member

Sd/-
(B.R Baskaran)
Accountant Member

Bangalore,
Dated, 27th November, 2019.

/ vms /

Copy to:

1. The Applicant
2. The Respondent
3. The CIT
4. The CIT(A)
5. The DR, ITAT, Bangalore.
6. Guard file

By order

Asst. Registrar, ITAT, Bangalore.

1. Date of Dictation
2. Date on which the typed draft is placed before the dictating Member
3. Date on which the approved draft comes to Sr.P.S
4. Date on which the fair order is placed before the dictating Member
5. Date on which the fair order comes back to the Sr. P.S.
6. Date of uploading the order on website.....
7. If not uploaded, furnish the reason for doing so
8. Date on which the file goes to the Bench Clerk
9. Dictation note enclosed
10. Date on which order goes for Xerox & endorsement.....
11. Date on which the file goes to the Head Clerk
12. The date on which the file goes to the Assistant Registrar for signature on the order
13. The date on which the file goes to dispatch section for dispatch of the Tribunal Order
14. Date of Despatch of Order.
14. Dictation note enclosed