

आयकर अपीलीय अधिकरण, “डी” न्यायपीठ, चेन्नई
IN THE INCOME-TAX APPELLATE TRIBUNAL ‘D’ BENCH, CHENNAI
श्री धुव्वुरु आर.एल रेड्डी, न्यायिक सदस्य एवं श्री एस जयरामन, लेखा सदस्य के समक्ष
Before Shri Duvvuru RL Reddy, Judicial Member &
Shri S. Jayaraman, Accountant Member

आयकर अपील सं./I.T.A. No. 429/Chny/2017
निर्धारण वर्ष/**Assessment Year:2012-13**

M/s. SRM Civil Works Pvt. Ltd.,
No. 23, Vengada Mangalam,
Chengalpattu Tk.,
Kanchipuram District
[PAN:AAGCS1005G]

Vs. The Deputy Commissioner of
Income Tax,
Central Circle I(3),
Chennai – 34.

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से / Appellant by : Shri B. Purushotaman, C.A.
प्रत्यर्थी की ओर से/Respondent by : Mrs. R. Anita, JCIT
सुनवाई की तारीख/ Date of hearing : 07.01.2021
घोषणा की तारीख /Date of Pronouncement : 15.03.2021

आदेश /O R D E R

PER DUVVURU RL REDDY, JUDICIAL MEMBER:

This appeal filed by the assessee is directed against the order of the Id. Commissioner of Income Tax (Appeals) 18, Chennai, dated 22.11.2016 relevant to the assessment year 2012-13. The only effective ground raised in the appeal of the assessee is that the Id. CIT(A) has erred in confirming the disallowance made under section 14A of the Income Tax Act, 1961.

2. Brief facts relating to the disallowance made under section 14A of the Act are that against the investment of ₹.2,34,29,175/- made in the financial year 2011-12 in the shares of Hemadri Cements Ltd., the total investments

in shares as on 31.03.2012 was ₹.9,39,29,175/-. Moreover, the Assessing Officer noted from the books of accounts and bank statement that the assessee has taken term loan of ₹.2,50,00,000/- on 31.01.2012, out of which ₹.2,34,29,175/- was invested in the above mentioned investments. On the said term loan, the assessee has claimed interest expense of ₹.5,47,585/- during the financial year 2011-12. In view of the provisions of section 14A of the Act that no deduction shall be allowed in respect of the expenditure incurred by the assessee for the purpose of earning an exempt income which does not form part of the total income, the Assessing Officer issued a show cause. In reply to the show cause, the assessee has admitted that by availing term loan, the assessee has made investment in the shares of Hemadri Cements Ltd. The assessee further submitted that the assessee has not claimed any exempt income during the financial year 2011-12 and therefore, the disallowance under section 14A of the Act does not arise. After considering the submissions of the assessee and in view of the provisions of section 14A of the Act r.w. Rule 8D, the Assessing Officer worked out the expenditure to be disallowed at ₹.37,07,196/- and brought to tax. On appeal, the Id. CIT(A) confirmed the disallowance made under section 14A r.w. Rule 8D.

3. On being aggrieved, the assessee is in appeal before the Tribunal. The Id. Counsel for the assessee has submitted that the assessee has not

earned any exempt income in the relevant assessment year and therefore, the disallowance made by the Assessing Officer in view of the provisions of section 14A of the Act read with Rule 8D was completely contrary to the provisions of that section as Rule 8D only provides for a method to determine the amount of expenditure incurred in relation to income, which does not form part of total income of the assessee and prayed for deleting the addition. On the other hand, the Id. DR supported the orders of authorities below.

4. We have heard both the sides, perused the materials available on record and gone through the orders of authorities below. Admittedly, the assessee has not earned any exempt income in the relevant assessment year against the investments. Under these circumstances, in the case of CIT v. Chettinad Logistics (P) Ltd. [2017] 248 taxman 55 (Mad), the Hon'ble Jurisdictional High Court has observed and held that when there was no dividend income earned in the relevant assessment year, the disallowance made by the Assessing Officer in view of the provisions of section 14A of the Act read with Rule 8D was completely contrary to the provisions of that section as Rule 8D only provides for a method to determine the amount of expenditure incurred in relation to income, which does not form part of total income of the assessee. Against the decision of the Hon'ble High Court, the Department preferred Special leave Petition, which was dismissed by the

Hon'ble Supreme Court [2018] 257 Taxman 02. In view of the above decision rendered in the case of CIT v. Chettinad Logistics (P) Ltd. (supra), the disallowance of ₹.37,07,196/- made by the Assessing Officer under section 14A r.w. Rule 8D stands deleted. Thus, the ground raised by the assessee is allowed.

5. In the result, the appeal filed by the assessee is allowed.

Order pronounced on the 15th March, 2021 in Chennai.

Sd/-
(S. JAYARAMAN)
ACCOUNTANT MEMBER

Sd/-
(DUVVURU RL REDDY)
JUDICIAL MEMBER

Chennai, Dated, 15.03.2021

Vm/-

आदेश की प्रतिलिपि अग्रेषित/Copy to: 1. अपीलार्थी/Appellant, 2. प्रत्यर्थी/Respondent, 3. आयकर आयुक्त (अपील)/CIT(A), 4. आयकर आयुक्त/CIT, 5. विभागीय प्रतिनिधि/DR & 6. गार्ड फाईल/GF.