

आयकर अपीलिय अधिकरण, 'सी' न्यायपीठ, चेन्नई  
IN THE INCOME-TAX APPELLATE TRIBUNAL 'C' BENCH, CHENNAI  
श्री वी. दुर्गा राव, न्यायिक सदस्य एवं श्री मनोज कुमार अग्रवाल, लेखा सदस्य के समक्ष ।  
Before Shri V. Durga Rao, Judicial Member &  
Shri Manoj Kumar Aggarwal, Accountant Member

आयकर अपील सं./I.T.A. No.518/Chny/2020  
निर्धारण वर्ष/Assessment Year: 2013-14

The Assistant Commissioner of  
Income Tax, Circle 1,  
Salem 636 007.

M/s. Arthanari Loom Centre (Textiles)  
Vs. Pvt. Ltd., 78, Sabapathykadu,  
Erumapalayam, Salem 636 015.

[PAN: AABCA6496L]

(अपीलार्थी /Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से / Appellant by : Shri G. Johnson, Addl. CIT  
प्रत्यर्थी की ओर से/Respondent by : Shri N. Arjunraj, C.A.  
सुनवाई की तारीख/ Date of hearing : 30.12.2021  
घोषणा की तारीख /Date of Pronouncement : 05.01.2022

**आदेश /ORDER**

**PER V. DURGA RAO, JUDICIAL MEMBER:**

This appeal filed by the Revenue is directed against the order of the Id. Commissioner of Income Tax (Appeals), Salem, dated 29.10.2019 relevant to the assessment year 2013-14.

2. Brief facts of the case are that the assessee is engaged in the business of manufacturer of cotton fabrics and filed its return of income for the assessment year 2013-14 on 28.11.2013 declaring total income of ₹.6,45,25,480/-. The case was selected for scrutiny and after

following the due procedures, the assessment under section 143(3) of the Income Tax Act, 1961 ["Act" in short] was completed on 04.02.2016 by accepting the returned income. Subsequently, the Id. PCIT vide his revision order under section 263 of the Act dated 08.03.2018 set aside the assessment and directed the Assessing Officer to complete the assessment afresh. In the redo assessment, the Assessing Officer found that the assessee has made investments in partnership firms and admitted tax exempt income of ₹.15,13,341/- as share of profits from first which was claimed as exempt. As the assessee has not disallowed any expenditure under section 14A of the Act, the Assessing Officer applied the provisions of section 14A r.w. Rule 8D and worked out the disallowance at ₹.68,16,444/- and brought to tax.

3. On appeal, by following the decision of Hon'ble Supreme Court in the case of PCIT v. State Bank of Patiala [2018] 259 taxman 314 (SC), the Id. CIT(A) directed the Assessing Officer to restrict the disallowance to the extent of exempt income earned by the assessee of ₹.15,13,341/- and partly allowed the appeal.

4. Aggrieved, the Revenue is in appeal before the Tribunal and the Id. DR relied on the grounds of appeal of the Revenue.

5. On the other hand, the Id. Counsel for the assessee strongly supported the order passed by the Id. CIT(A).

6. We have heard both the sides, perused the materials available on record and gone through the orders of authorities below. In this case, the assessment was completed under section 143(3) r.w.s. 263 of the Act by making disallowance of ₹.68,16,444/- under section 14A r.w. Rule 8D. Admittedly, the assessee has earned exempt income of ₹.15,13,341/- and it was the submission before the Id. CIT(A) that investments in tax free bonds had been made out of its own funds. By considering the submissions of the assessee as well as by following the decision in the case of PCIT v. State Bank of Patiala [2018] 259 taxman 314 (SC), wherein, while affirming the decision of the Hon'ble Punjab and Haryana High Court reported in (2018) 99 taxmann.com 285 that the disallowance under section 14A of the Act cannot exceed exempt income, the Hon'ble Supreme Court dismissed the SLP preferred by the Department reported in 259 Taxman 314 (SC), the Id. CIT(A) has directed the Assessing Officer to restrict the disallowance to the extent of exempt income earned of ₹.15,13,341/-. The Id. DR could not controvert the above decision of the Hon'ble Supreme Court.

Under the above facts and circumstances, we find no infirmity in the order passed by the Id. CIT(A) and accordingly, the ground of appeal raised by the Revenue stands dismissed.

7. In the result, the appeal filed by the Revenue is dismissed.

Order pronounced on the 05<sup>th</sup> January, 2022 at Chennai.

Sd/-  
(MANOJ KUMAR AGGARWAL)  
ACCOUNTANT MEMBER

Sd/-  
(V. DURGA RAO)  
JUDICIAL MEMBER

Chennai, Dated, the 05.01.2022

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.