

**आयकर अपीलीय अधिकरण 'सी' न्यायपीठ चेन्नई में।**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**"C" BENCH, CHENNAI**

**माननीय श्री वी. दुर्गा राव, न्यायिक सदस्य एवं**  
**माननीय श्री मनोज कुमार अग्रवाल, लेखा सदस्य के समक्ष।**  
**BEFORE HON'BLE SHRI V. DURGA RAO, JUDICIAL MEMBER AND**  
**HON'BLE SHRI MANOJ KUMAR AGGARWAL, AM**

आयकर अपील सं./ ITA No.1717/Chny/2019  
(निर्धारण वर्ष / Assessment Year: 2014-15)

M/s. Shriram City Union Finance Ltd. Mookambika Complex, 2 <sup>nd</sup> Floor No.4, Lady Desika Road, Mylapore, Chennai – 600 004.	<b>बनाम/ Vs.</b>	Pr. CIT-6 Chennai.
स्थायी लेखा सं./जीआइ आर सं./PAN/GIR No. AAACS-7703-H		
(अपीलार्थी/ <b>Appellant</b> )	:	(प्रत्यर्थी / <b>Respondent</b> )

अपीलार्थी की ओरसे/ <b>Appellant by</b>	:	Shri R. Sivaraman, (Advocate)-Ld. AR
प्रत्यर्थी की ओरसे/ <b>Respondent by</b>	:	Shri G. Johnson (Addl.CIT) – Ld. DR

सुनवाई की तारीख/ <b>Date of Hearing</b>	:	09-12-2021
घोषणा की तारीख / <b>Date of Pronouncement</b>	:	21-01-2022

**आदेश / ORDER**

**Manoj Kumar Aggarwal (Accountant Member)**

1. In this appeal, the assessee challenges the validity of revisional jurisdiction as exercised by learned Principal Commissioner of Income Tax-6, Chennai (Pr. CIT) u/s 263 for Assessment Year (AY) 2014-15 vide order dated 30.03.2019. The grounds raised by the assessee read as under: -

1. The order of the Pr.CIT-6, Chennai u/s 263 in No. 6119(10) / 263 / PCIT-6 / 2018-19 dated 30.03.2019 is contrary to law and facts of the case.
2. The Principal CIT erred in holding that the order passed u/s. 143(3) by the Assessing Officer on 31.12.2016 is erroneous and prejudicial to the interest of revenue and cancelling the assessment order and directing the Assessing Officer to carry out a thorough enquiry with regard to both the incorrect computation of disallowance u/s.14A r.w Rule 8D as well as with regard to issue of transfer of shares on account of reverse merger.
3. The Principal CIT erred in overlooking the fact that in the original assessment completed u/s.143(3), the Assessing Officer has disallowed Rs.77,36,000/-u/s 14A r.w.Rule 8D and on appeal, the CIT(A) has deleted the addition and thus the issue of disallowance U/S.14A r.w Rule 8D had been considered and decided in appeal and is outside the scope of Sec.263.
4. The Principal CIT erred in not appreciating the fact that in the course of original assessment proceedings the Assessing Officer in the Questionnaire dated 22.09.2016 has called for details of the scheme of reverse merger with Shriram Retail Holdings Private Limited and the impact on financials and the accounting treatment given with the justification of the same and the appellant had furnished the reply dated 18.10.2016 along with copy of Madras High Court order dated 24.06.2013 along with scheme of amalgamation and the Assessing Officer had considered it in the course of assessment proceedings.
5. The Pr.CIT failed to note the facts on record regarding two successive amalgamations (mergers) one of Shriram Enterprise Holdings Private Limited with Shriram Retail Holdings Private Limited, the second, Shriram Retail Holdings Private Limited, the amalgamated company merging with Shriram City Union Finance Limited, both by a single order of Madras High Court Order dated 24.06.2013 which has been well considered by the Assessing Officer and thus failed to appreciate that the reverse merger was nothing but the second stage amalgamation of Shriram Retail Holdings Private limited with Shriram City Union Finance Limited.
6. For these and other grounds that may be adduced before or at the time of hearing the Hon'ble ITAT may be pleased to cancel the order passed by the Principal CIT u/s.263.”

2. The Ld. AR, drawing our attention to the impugned order and grounds of appeal, submitted that revision has been invoked on two counts viz. (i) Incorrect exemption from capital gains tax on account of reverse merger; (ii) incorrect working of disallowance u/s 14A. The Ld. AR submitted that even in consequential order, Ld. AO has examined the issue of capital gain on reverse merger and has not made any adjustment / addition and thus, the original assessment order could not

be said to be erroneous or prejudicial to the interest of the revenue for which revision would be required u/s 263. Regarding disallowance u/s 14A, Ld. AR submitted that the assessee has not earned any exempt income during the year and therefore, there would be no occasion to make any such disallowance. Moreover, the issue of disallowance u/s 14A was subject matter of addition during original assessment proceedings and the same has ultimately been settled in assessee's favor by the Tribunal. The copy of the order has been placed on record. The Ld. CIT-DR, on the other hand, submitted that Ld. AO failed to make proper enquires on the issues as flagged in the impugned order and therefore, revision was quite justified.

3. Having heard rival submissions and after going through the orders of lower authorities, our adjudication would be as under.

4. The assessee being resident corporate assessee is stated to be engaged in finance activities. An assessment was framed for the year on 31.12.2016 wherein one of the additions made by Ld. AO was disallowance u/s 14A for Rs.77.36 Lacs. During assessment proceedings, it was the submission of the assessee that no exempt income was earned during the year and therefore, no disallowance u/s 14A could be made. However, rejecting the same, Ld. AO computed disallowance u/s 14A in terms of Rule 8D(2)(iii) for Rs.77.36 Lacs which was computed at 0.5% of average investments. Upon further appeal, Ld. CIT(A) concurred with assessee's submissions and deleted the disallowance for the reason that no exempt income was earned by the assessee during the year. The revenue contested the stand of Ld. CIT(A) before this Tribunal vide ITA No.1298/Chny/2019 dated 08.09.2021 wherein the bench considering the decision of Hon'ble

Madras High Court in the case of **Redington India Private Ltd. (392 ITR 633)** as well as the decision in **CIT V/s Chettinad Logistics Private Ltd. (95 Taxman 250)** dismissed revenue's ground of appeal.

5. In the meantime, upon perusal of case records for the year, Ld. Pr. CIT sought revision of original assessment order u/s 263 vide order dated 30.03.2019 and issued a show-cause notice to the assessee during revisional proceedings. The reasons were two-fold i.e. (i) Incorrect exemption from capital gain tax on account of reverse merger; (ii) incorrect working of disallowance u/s 14A. In the notice, it was alleged that that disallowance u/r 8D(2)(i) & 8D(2)(ii) remained to be worked out. Second allegation was that the assessee received share value of Rs.102071.39 Lacs on account of reverse merger as against the fact that Net Asset Value of merged entity i.e., M/s Shriram Retail Holdings Private Limited (SRHPL) was taken at Rs.6549.99 Lacs in the Balance Sheet of the assessee Company. The difference i.e., Rs.95521.40 Lacs being capital gain escaped assessment in the hands of the assessee.

6. However, the assessee refuted the allegation of Ld. Pr. CIT by submitting that amalgamation was approved by Hon'ble High Court of Madras and no capital gain liability arose there-from. The assessee also assailed any further disallowance u/s 14A. However, not convinced, Ld. Pr. CIT observed that the submissions made by the assessee were not considered by Ld. AO during original assessment proceedings. The Ld. AO should have verified these aspects and pass the assessment order. The disallowance u/s 14A ought to have been computed u/r 8D(2)(i) & 8D(2)(ii) also. Finally, the order was termed as erroneous and prejudicial to the interest of the revenue and Ld. AO was directed to carry out

thorough inquiry of both the aspects after affording opportunity of hearing to the assessee.

7. Pursuant to these directions, an assessment has been framed by Ld. AO on 31.12.2019, a copy of which is on record. In the order, Ld. AO has computed interest disallowance u/r 8D(2)(ii) for Rs.2888.77 Lacs and revised disallowance u/r 8D(2)(iii) to Rs.175.14 Lacs. However, no addition has been made on account of reverse merger which would support the argument of Ld. AR that original assessment order would not be termed as erroneous and prejudicial to the interest of the revenue on this count. We concur with these arguments and would accordingly, hold that revision u/s 263 was not justified on this issue.

8. So far as the disallowance u/s 14A is concerned, it is quite discernible that this disallowance was subject matter of original assessment proceedings and Ld. CIT(A) had already deleted the disallowance vide order dated 30.01.2019. The revenue's ground of appeal, on this issue, stood dismissed by Tribunal vide order dated 08.09.2021. Nevertheless, it could not be said that Ld. AO failed to make proper enquiries as to disallowance u/s 14A as alleged by Ld. Pr. CIT. As on the date of revisions, the issue of disallowance u/s 14A was already adjudicated by learned first appellate authority and the order of Ld. AO stood merged with the appellate order on that date. Therefore, revision of order, on this issue, would have no legs to stand and are liable to be quashed. We order so.

9. Finally, on the given facts and circumstances of the case, we have no hesitation in quashing the revisional order u/s 263 passed by Ld. Pr. CIT on 30.03.2019.

10. The appeal stand allowed in terms of our above order.

Order pronounced on 21<sup>st</sup> January, 2022.

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

**Sd/-**  
**(MANOJ KUMAR AGGARWAL)**  
**लेखा सदस्य / ACCOUNTANT MEMBER**

चेन्नई / Chennai; दिनांक / Dated : 21-01-2022  
EDN/-

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