

आयकर अपीलीय अधिकरण, अहमदाबाद न्यायपीठ 'A' अहमदाबाद।  
IN THE INCOME TAX APPELLATE TRIBUNAL  
"A" BENCH, AHMEDABAD

(Conducted Through Virtual Court)

BEFORE SHRI PRAMOD M. JAGTAP, VICE PRESIDENT  
AND  
MS.SUCHITRA RAGHUNATH KAMBLE, ACCOUNTANT MEMBER

ITA Nos.2511/Ahd/2017 and 2512/Ahd/2017  
Assessment Years : 2013-14 & 2014-15

Pravin Ratilal Share & Stock Brokers Ltd. 15 <sup>th</sup> Floor, Sakar Nr.Gandhigram Rly.Station Ahmedabad  PAN: AAACP 9124 H	Vs	The ACIT Circle-1(3) Ahmedabad
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अपीलार्थी/ (Appellant)		प्रत्यर्थी/ (Respondent)
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Assessee by :	-None-
Revenue by :	Shri S.S. Shukla, Sr.DR

सुनवाई की तारीख/Date of Hearing : 27/01/2022  
घोषणा की तारीख /Date of Pronouncement: 02/02/2022

**आदेश/O R D E R**

**PER PRAMOD M. JAGTAP, VICE-PRESIDENT**

These two appeals filed by the Assessee are directed against two separate orders passed by the Ld.CIT(A)-10, Ahmedabad, both dated 07/09/2017 for Assessment Years (AYs) 2013-14 & 2014-15 and since a common issue is involved therein, the same have been heard together and

are being disposed of by a single consolidated order for the sake of convenience.

2. A solitary common issue involved in both these appeals relates to the disallowance made by the Assessing Officer u/s.14A of the Income Tax Act, 1961 (hereinafter referred to as "the Act") read with Rule 8D of Income Tax Rules, 1962, which is partly sustained by the Ld.CIT(A).

3. The Assessee, in the present case, is a company which is engaged in the business of providing share broking and other investment services. The returns of income for both the assessment years under consideration were filed by the assessee on 29/09/2013 & 26/11/2014 declaring total income of Rs.53,58,810/- and Rs.50,85,896/- for AYs 2013-14 & 2014-15 respectively. In the said returns, exemption was claimed by the assessee-company in respect of certain income but no disallowance on account of expenses incurred in relation to the said exempt income was offered by the assessee as required by the provisions of section 14A of the Act. In this regard, the explanation offered by the assessee, during the course of assessment proceedings, before the Assessing Officer was that no expenditure was actually incurred by it in relation to the earning of exempt income. This explanation of the assessee was not found acceptable by the Assessing Officer who invoked Rule 8D of IT Rules, 1962 and made a disallowance of Rs.2,36,164/- and Rs.3,52,807/- u/s.14A of the Act in assessments completed for AYs 2013-14 and 2014-15 by orders dated 12/02/2016 and 08/12/2016 respectively.

4. Against the orders passed by the Assessing Officer u/s.143(3) of the Act for both the years under consideration, appeals were preferred by the assessee before the Ld.CIT(A) disputing the disallowance made by the Assessing Officer u/s.14A of the Act read with Rule 8D of the IT Rules, 1962. After considering the submissions made on behalf of the assessee as well as material available on record, the Ld.CIT(A) found that the actual exempt income earned by the assessee during the years under consideration was Rs.1,92,874/- and Rs.3,20,671/- only for AYs 2013-14 & 2014-15 respectively. By relying on the decision of Hon'ble Jurisdictional High Court in the case of CIT vs. Corrttech Energy Pvt.Ltd. reported in 45 taxman.com 116 (Guj), he held that the disallowance u/s.14A of the Act could not be more than the exempt income and, accordingly, sustained the disallowance made u/s.14A of the Act to the extent of Rs.1,92,874/- and Rs.3,20,671/- for AYs 2013-14 & 2014-15 respectively vide his appellate orders dated 07/09/2017. Still aggrieved, the assessee has preferred these appeals before the Tribunal.

5. At the time of hearing fixed in this case on 27/10/2022, none has appeared on behalf of the assessee. However, a written submission filed by the assessee is placed on record and these appeals are accordingly being disposed of on merit after taking into the consideration the said written submissions filed by the assessee, the arguments of the Ld.DR and the relevant material on record. The main contention raised by the assessee in the written submissions for AY 2013-14 is that the income claimed to be exempt by it in the return of income was only Rs.42,632/- and not Rs.1,92,874/- as taken by the Ld.CIT(A) and, therefore, the disallowance made by the Assessing Officer u/s.14A is required to be sustained only to

the extent of Rs.42,632/-. In this regard, the Id.DR has contended that this claim being specifically made for the first time before the Tribunal requires verification by the Assessing Officer. We find merit in this contention of the Id.DR. The matter is accordingly restored to the file of the Assessing Officer to verify the exact amount of income claimed to be exempt by the assessee in AY 2013-14 and accordingly to restrict the disallowance u/s.14A of the Act to that extent.

6. As regards the disallowance made by the Assessing Officer u/s.14A of the Act and sustained by the Ld.CIT(A) to the extent of the amount of exempt income earned by the assessee during AY 2014-15 amounting to Rs.3,20,671/-, the assessee-company in its written submission has submitted that this entire exempt income was earned by the assessee in the form of interest on tax-free bonds and therefore while working out the disallowance to be made u/s.14A of the Act by applying Rule 8D of IT Rules 1962, the Assessing Officer ought to have taken into consideration only the investment made by the assessee in the tax-free bonds. It is submitted that if the disallowance u/s.14A of the Act is so worked out by applying Rule 8D, it comes to Rs.1,37,063/-, the working of which is also prepared and furnished by the assessee. Since this working is furnished by the assessee for the first time before the Tribunal, we find merit in the contention of the Id.DR that an opportunity has to be given to the Assessing Officer to verify the same. The Assessing Officer is accordingly directed to verify the working furnished by the assessee and restrict the disallowance u/s.14A of the Act read with Rule 8D of the IT Rules, 1962 accordingly.

7. In the result, both the appeals of the assessee are treated as partly allowed for statistical purposes.

**Order pronounced in the Court on 02<sup>nd</sup> February, 2022 at Ahmedabad.**

Sd/-  
**(SUCHITRA RAGHUNATH KAMBLE)**  
**ACCOUNTANT MEMBER**

Sd/-  
**(PRAMOD M. JAGTAP)**  
**VICE-PRESIDENT**

Ahmedabad, Dated 02/02/2022

*टी.सी.नायर, व.नि.स./T.C. NAIR, Sr. PS*

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

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त (अपील)/ The CIT(A)-10, Ahmedabad
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण ,राजकोट/DR,ITAT, Ahmedabad,
6. गार्ड फाईल /Guard file.

आदेशानुसार/ BY ORDER,

सत्यापित प्रति //True Copy//

सहायक पंजीकार (Asstt. Registrar)  
आयकर अपीलीय अधिकरण, ITAT, Ahmedabad