

आयकर अपीलिय अधिकरण, 'डी' न्यायपीठ, चेन्नई  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**'D' BENCH: CHENNAI**

श्री महावीर सिंह, माननीय उपाध्यक्ष, एवं  
श्री गिरीश अग्रवाल, माननीय लेखा सदस्य के समक्ष  
**BEFORE SHRI MAHAVIR SINGH, HON'BLE VICE PRESIDENT AND**  
**SHRI GIRISH AGRAWAL, HON'BLE ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No.1775/Chny/2019  
निर्धारण वर्ष /Assessment Year: 2015-16

M/s.PDR Investment Pvt. Ltd.,  
No.609, Lakshmi Bhavan,  
4<sup>th</sup> Floor, Sundaram Avenue,  
Anna Salai, Chennai.

[PAN: AACCP 1177 A]  
(अपीलार्थी/Appellant)

v. The Asst. Commissioner-  
of Income Tax,  
Corporate Circle-5(2),  
Nungambakkam High Road,  
Chennai.

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/ Appellant by : Mr.R.Vijayaraghavan, Adv.  
प्रत्यर्थी की ओर से /Respondent by : Mr.G. Johnson, Addl.CIT  
सुनवाई की तारीख/Date of Hearing : 03.03.2022  
घोषणा की तारीख /Date of Pronouncement : 04.03.2022

**आदेश / ORDER**

**PER MAHAVIR SINGH, VICE PRESIDENT:**

This appeal by the assessee is arising out of the order of the Commissioner of Income Tax (Appeals)-3, Chennai, in ITA No.123/2017-18/A-3 dated 21.03.2019. The assessment was framed by the ACIT, Corporate Circle-5(2), Chennai, for the AY 2015-16 u/s.143(3) of the Income Tax Act, 1961 (hereinafter "the Act") vide his order dated 30.12.2017.

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**2.** Brief facts are that the AO during the course of assessment proceedings noticed that the assessee has earned dividend income to the tune of Rs.33,31,228/- and claimed the same as exempt u/s.10(34) of the Act. According to the AO, the assessee has not disallowed any expenditure relatable to exempt income or for earning of this exempt income in terms of provisions of Sec.14A of the Act r.w.r.8D of Income Tax Rules, 1962 (hereinafter "the Rules"). The AO, accordingly, noted that the assessee had interest expenses Rs.1,02,55,002/- and other expenses to the extent of Rs.1,08,063/-. Accordingly, the AO invoked the Rule 8D(2)(i) and disallowed the direct expenses relatable to exempt income at Rs.1,02,55,002/- under Rule 8D(2)(ii) i.e. interest expenses is 'Nil' and under Rule 8D(2)(ii) i.e. 0.5% of the average value of investment at Rs.5,73,847/-. Accordingly, the AO disallowed the total expenses relatable to exempt income at Rs.1,08,28,849/-. Aggrieved, the assessee preferred appeal before the Ld.CIT(A).

**3.** The Ld.CIT(A) without going into any details but restricted the disallowance to the extent of exempt income i.e. dividend income of Rs.33,31,228/-. Aggrieved, the assessee is in the second appeal before the Tribunal.

**4.** We have heard the rival contentions and gone through the facts and circumstances of the case. We have perused the case records including Assessment Order and the order of the Ld.CIT(A) as well as

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the details filed by the assessee in Typed Set from Page Nos.1-10. The Ld.Counsel for the assessee Mr. R.Vijayaraghavan, only made request that the disallowance under Rule 8D(2)(i), 8D(2)(ii) & 8D(2)(iii) be restricted only on the investments given rise to exempt income and only those investments should be considered for the same. The Ld.Counsel for the assessee filed the details of dividend income received from the following parties:

<b>Date</b>	<b>Name of Company</b>	<b>Amount (in Rs.)</b>
24.07.2014	Sundaram Finance Ltd.	20,000
07.08.2014	Panasonic Carbon India India Ltd.	1,785
20.08.2014	Ultratech Cement Ltd.	180
26.08.2014	L & T Ltd.	1,596
08.09.2014	L & T Ltd.	527
30.09.2014	Indo National Ltd.	32,78,140
<b>Total</b>		<b>33,02,228</b>

**5.** The Ld.Counsel for the assessee stated that the investment made in the above parties and which gives rise to exempt income only be considered for disallowance under Rule 8D(2) i.e. limb (i), (ii) & (iii) of the Rules. To this proposition, the Id.Sr.DR Mr.G.Johnson, has not raised any objection.

**6.** In terms of the above, we set aside the order of the lower authorities and remand the matter back to the file of the AO to consider the investments made by the assessee which gives rise to exempt income only for the purpose of disallowance under Rule 8D(2)(i)(ii) &

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(iii) of the Rules. In case, that the disallowance exceeds the exempt income, then the AO will restrict the disallowance to the extent of exempt income only i.e. Rs.33,02,228/-. The AO will decide the issue in terms of the above after considering the submissions of the assessee.

7. In the result, the appeal filed by the assessee is allowed for statistical purposes.

Order pronounced on the 04<sup>th</sup> day of March, 2022, in Chennai.

**Sd/-**  
(गिरीश अग्रवाल)  
**(GIRISH AGRAWAL)**  
लेखा सदस्य/**ACCOUNTANT MEMBER**

**Sd/-**  
(महावीर सिंह)  
**(MAHAVIR SINGH)**  
उपाध्यक्ष /**VICE PRESIDENT**

चेन्नई/Chennai,  
दिनांक/Dated: 04<sup>th</sup> March, 2022.  
**TLN**

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