

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

श्री वी. दुर्गा राव, माननीय न्यायिक सदस्य एवं  
श्री जी. मंजूनाथा, माननीय लेखा सदस्य के समक्ष  
**BEFORE SHRI V. DURGA RAO, HON'BLE JUDICIAL MEMBER AND**  
**SHRI G. MANJUNATHA, HON'BLE ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No.892/Chny/2020  
निर्धारण वर्ष /Assessment Year: 2018-19

M/s.Rambal Ltd.,  
Door No.115,  
Edaiyankuppam Village,  
Thandalam Panchayat,  
Thirukazhukundram Road,  
Thiruporur,  
Kancheepuram-603 110.  
[PAN: AABCR 4471 L]  
(अपीलार्थी/Appellant)

v. The Dy. Commissioner-  
of Income Tax-CPC,  
Bengaluru.

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/ Appellant by : Mr.R.Sivaraman, Adv.  
प्रत्यर्थी की ओर से /Respondent by : Ms.Helen Ruby Jesindha, JCIT  
सुनवाई की तारीख/Date of Hearing : 12.04.2022  
घोषणा की तारीख /Date of Pronouncement : 22.04.2022

**आदेश / ORDER**

**PER G. MANJUNATHA, ACCOUNTANT MEMBER:**

This appeal filed by the assessee is directed against the order of the Commissioner of Income Tax (Appeals)-3, Chennai, dated 11.09.2020 and pertains to assessment year 2018-19.

**2.** The assessee has raised the following grounds of appeal:

- 1. The order of the CIT(A) in IT.A.No.45 / CIT(A)-3 / 2019-20 dated 11.09.2020 is against law and facts of the case.*
- 2. The CIT(A) erred in holding that if the bank interest is offered to tax as business income then it should be included for the purpose of calculating turnover / gross receipts.*

**:: 2 ::**

*3. The CIT(A) erred in not appreciating the fact that though the appellant had admitted the bank interest under the head business or profession in the return of income, it is assessable under the head other sources and therefore cannot be taken for the purpose of calculating turnover / gross receipts.*

*4. The CIT(A) erred in not appreciating the fact that the bank interest received of Rs.51,81,815/- was out of deposit made out of surplus funds and therefore has to be excluded for calculating turnover / gross receipts.*

*5. The CIT(A) erred in holding that the compensation received of Rs.5,00,00,000/- from Shriram Engineering Products Pvt Ltd forms part of the turnover & gross receipts.*

*6. The CIT(A) erred in not appreciating the fact that the Assessing Officer had erred in adopting the income tax rate at 30% instead of taking the correct rate applicable of 25%.*

*7. For these and other grounds that may be adduced before or at the time of hearing, the Hon'ble ITAT may be pleased to hold that the bank interest and compensation should not be taken for calculating the turnover / gross receipts and direct the Assessing Officer to adopt the income tax rate applicable at 25% against 30% applied by the Assessing Officer.*

**3.** The brief facts of the case are that the assessee has filed its return of income for the AY 2018-19 on 29.09.2018 admitting total income of Rs.10,24,91,020/-. The DCIT-CPC, Bangalore, processed the revised return of income filed by the assessee and issued intimation u/s.143(1) of the Act dated 01.10.2019 and determined total income at Rs.10,28,82,670/- as against Rs.10,24,91,020/- admitted by the assessee by disallowing employee's contribution towards PF & ESI amounting to Rs.3,91,647/-. The DCIT-CPC had also determined taxes payable at Rs.73,46,990/- by adopting 30% rate of tax as against 25% rate of tax adopted by the assessee for the relevant assessment year. The assessee filed appeal against the order passed by the AO u/s.143(1) of the Act, before the Ld.CIT(A) and contended that rate of tax applicable for domestic companies for the impugned assessment year is 25%, if turnover from the

**:: 3 ::**

business is less than Rs.50 Crs. The assessee further contended that although, the turnover from the business is less than Rs.50 Crs., but while reporting Revenue from operations, the assessee has reported sales Revenue and other income under the head 'income from operations' which resulted in gross receipts from the business for the year under consideration, exceeds the amount of Rs.50 Crs. and thus, the DCIT-CPC has adopted 30% rate of tax and computed tax liability. If one excludes 'income from other sources', then, the turnover from the business is less than the prescribed limit and thus, the assessee has rightly adopted 25% of tax for computing tax liability. The Ld.CIT(A) after considering relevant submissions of the assessee, restored the issue to the file of the AO and direct the AO to compute the turnover and apply the correct rate of tax as per the Act. Aggrieved by the order of the Ld.CIT(A), the assessee is in appeal before us. The Ld.AR for the assessee referring to Paper Book filed by the assessee submitted that the AO has adopted 30% rate of tax as against 25% rate of tax considered by the assessee only for the simple reason that the turnover from the business exceeds Rs.50 Crs. for the year under consideration on the basis of total of credits to P & L A/c, as per which, the amount is excess of Rs.50 Crs. However, the fact remains that the said amount includes other income being interest on deposits, profit on sale of fixed assets, creditors written back and if you exclude those items, then the turnover from the business is less than Rs.50 Crs. Therefore, the AO is erred in applying 30% rate of tax.

**:: 4 ::**

**4.** The Ld.DR, on the other hand, supporting the order of the Ld.CIT(A), submitted that the Ld.CIT(A) has discussed the issue on the basis of explanation furnished by the assessee and directed the AO to exclude certain other income to compute total turnover and to adopt particular rate of tax as per the Act. Therefore, there is no error in the findings given by the Ld.CIT(A) and thus, the appeal filed by the assessee should be dismissed.

**5.** We have heard both the parties, perused the materials available on record and gone through orders of the authorities below. As per ITR-6 filed by the assessee for the AY 2018-19, the Revenue from operations was at Rs.42.82 Crs. The assessee had also shown other income of Rs.7.78 Crs. The total of credits to P & L A/c was at Rs.50.60 Crs. If you take income from operations, being sales Revenue, it is less than Rs.50 Crs. If you take total of credits to P & L A/c, which includes other income, which is more than Rs.50 Crs. The rate of tax applicable for domestic companies for the impugned AY, if turnover is less than Rs.50 Crs. was at 25%. In case, the turnover is above Rs.50 Crs. then the rate of tax is 30%. The DCIT-CPC has adopted 30% rate of tax on the ground that the turnover of the assessee for the year under consideration was more than Rs.50 Crs., which is based on total of credits to P & L A/c as reported by the assessee in ITR-6. Otherwise, there is no dispute with regard to rate of tax applicable to domestic companies if turnover is less than Rs.50 Crs. In this case, the Revenue from operations being sale of goods/services was at Rs.42.82 Crs.

**:: 5 ::**

The assessee has reported other income including interest income and profit on sale of fixed assets, which is at Rs.7.78 Crs. The total of sum credits to P & L A/c is Rs.50.60 Crs. The arguments of the assessee that interest income and profit on sale of fixed assets, cannot be considered as part of turnover. We find merit in the arguments of the assessee, because interest is in the nature of income from other sources, which cannot be part of operations from the Revenue. Similarly, profit on sale of fixed assets cannot be formed part of turnover. If you exclude above two items, the turnover of the assessee for the impugned assessment year comes below Rs.50 Crs. even if you include other items like miscellaneous income, profit on account of currency fluctuation, compensation received, etc. Therefore, we are of the considered view that the AO was erred in applying 30% rate of tax for computing tax liability of the assessee. Hence, we direct the AO to re-compute the turnover by excluding those items, which are not part of turnover of the assessee and apply 25% rate of tax as applicable to domestic company, in case the turnover of the assessee comes below Rs.50 Crs. as prescribed under the Act.

**6.** In the result, the appeal filed by the assessee is allowed.

Order pronounced on the 22<sup>nd</sup> day of April, 2022, in Chennai.

**Sd/-**

(वी. दुर्गा राव)

**(V. DURGA RAO)**

न्यायिक सदस्य/**JUDICIAL MEMBER**

**Sd/-**

(जी. मंजूनाथा)

**(G. MANJUNATHA)**

लेखा सदस्य/**ACCOUNTANT MEMBER**

:: 6 ::

चेन्नई/Chennai,  
दिनांक/Dated: 22<sup>nd</sup> April, 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