

IN THE INCOME TAX APPELLATE TRIBUNAL, DELHI 'E' BENCH,
NEW DELHI

BEFORE SHRI N.K. BILLAIYA, ACCOUNTANT MEMBER, AND
SHRI YOGESH KUMAR, JUDICIAL MEMBER

ITA No. 4380/DEL/2019 [A.Y 2014-15]
ITA No. 4381/DEL/2019 [A.Y 2015-16]

The Addl. C.I.T
Special Range - 6
New Delhi

Vs.

M/s M.M.T.C Ltd
Core -1, Scope Complex
Lodhi Road, New Delhi

PAN: AAACM 1433 E

(Applicant)

(Respondent)

Assessee By : Shri Rohit Jain, Adv
Ms. Deepashree Rao, CA
Ms. Shivangi Jain, CA

Department By : Ms. Neha Tomar, Sr.DR

Date of Hearing : 27.07.2022
Date of Pronouncement : 27.07.2022

ORDER

PER N.K. BILLAIYA, ACCOUNTANT MEMBER:-

Both the above captioned separate appeals by the Revenue are preferred against two separate orders of the CIT(A)-37, New Delhi dated 22.02.2019 pertaining to Assessment Years 2014-15 and 2015-16.

2. Since common grievance is involved in both the appeals, they were heard together and are disposed of by this common order for the sake of convenience and brevity.

3. The common grievance relates to the deletion of addition on account of disallowance made u/s 14A of the Income-tax Act, 1961 [hereinafter referred to as 'The Act'] r.w.r 8D of the Rules, though the amount may differ in both the years.

4. The representatives of both the sides were heard at length, the case records carefully perused.

5. For the sake of convenience, we would refer to the facts of Assessment Year 2014-15 in ITA No. 4380/DEL/2019.

6. During this year, the assessee had received dividend income of Rs. 3,26,37,846/- which included dividend from liquid fund Rs. 3,14,80,620/- and other income earned on growth fund Rs. 11,57,226/.

7. We find that the other income earned on growth fund had been offered to tax and only dividend from liquid fund amounting to Rs. 3,14,80,620/- was claimed as exempt. We find that the assessee made suo moto disallowance of Rs. 2 lakhs in Assessment Year 2014-15 and Rs. 14 lakhs in Assessment Year 2015-16.

8. We find that the Assessing Officer has mechanically applied the provisions of section 14A r.w.r 8D of the Rules and computed the disallowance at Rs. 4,69,34,810/- and after deducting suo moto disallowance of Rs. 2 lakhs, the Assessing Officer made addition of Rs. 4,67,34,810/-.

9. The assessee challenged the assessment before the ld. CIT(A) and strongly contended that the investment which resulted in exempt income was made out of own funds and the Assessing Officer has accepted the suo moto disallowance in earlier years. It was brought to the notice of the ld. CIT(A) that the interest earned far exceeded the interest expenditure and the assessee has not incurred any expenditure for earning dividend income.

10. The Id. CIT(A) was convinced with the contentions of the assessee but was of the opinion that disallowance of Rs. 17.75 lakhs should meet the ends of justice and after reducing the suo moto disallowance of Rs. 2 lakhs, restricted the disallowance to the extent of Rs. 15.75 lakhs.

11. It is an undisputed fact that capital and reserves, and surplus of the assessee, is far more than the investments which yielded exempt income. It is also not in dispute that the assessee has earned interest income and interest paid is much less than the interest earned by the assessee and, when netted off, there is a positive interest income. Therefore, it can be said that no borrowed funds were utilized by the assessee in making the investment and no part of interest is assignable to the investment.

12. In Assessment Year 2014-15, the assessee has suo mosto disallowed Rs. 2 lakhs which was increased to Rs. 17.75 lakhs by the Id. CIT(A) and in Assessment Year 2015-16, disallowance has been confirmed to the extent of Rs. 22,72,300/- and thereafter, suo moto disallowance of Rs. 14 lakhs was reduced.

13. Considering the facts of the case in totality, we do not find any error or infirmity in the findings of the ld. CIT(A).

14. In the result, both the appeals of the Revenue in ITA Nos. 4380 and 4381/DEL/2019 are dismissed.

The order is pronounced in the open court on 27.07.2022.

Sd/-

**[YOGESH KUMAR]
JUDICIAL MEMBER**

Sd/-

**[N.K. BILLAIYA]
ACCOUNTANT MEMBER**

Dated: 27th July, 2022.

VL/

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(A)
5. DR

Asst. Registrar,
ITAT, New Delhi

Date of dictation	
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