

**आयकर अपीलीय अधिकरण 'ए' न्यायपीठ चेन्नई में।**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**'A' BENCH, CHENNAI**

**माननीय श्री महावीर सिंह, उपाध्यक्ष एवं**  
**माननीय श्री मनोज कुमार अग्रवाल, लेखा सदस्य के समक्ष।**  
**BEFORE HON'BLE SHRI MAHAVIR SINGH, VICE PRESIDENT AND**  
**HON'BLE SHRI MANOJ KUMAR AGGARWAL, AM**

आयकर अपील सं./ **ITA No.55/Chny/2020**  
(निर्धारण वर्ष / **Assessment Year: 2015-16**)

<b>Rama Chandiramani</b> Old No.28, New No.61, Poes Garden, Gopalapuram, Chennai-600086.	<b>बनाम</b> / Vs.	<b>ITO</b> Corporate Circle-5(4), Chennai.
स्थायी लेखा सं./जीआइ आर सं./ <b>PAN/GIR No. AACPC-0166-F</b>		
(□ पीलार्थी/ <b>Appellant</b> )	:	(प्रत्यर्थी / <b>Respondent</b> )

अपीलार्थी की ओरसे/ <b>Appellant by</b>	:	None
प्रत्यर्थी की ओरसे/ <b>Respondent by</b>	:	Shri R. Mohan Reddy (CIT) –Ld. DR
सुनवाई की तारीख/ <b>Date of Hearing</b>	:	21-11-2022
घोषणा की तारीख / <b>Date of Pronouncement</b>	:	21-11-2022

**आदेश / ORDER**

**Manoj Kumar Aggarwal (Accountant Member)**

1. Aforesaid appeal by assessee for Assessment Year (AY) 2015-16 arises out of the order of learned Commissioner of Income Tax (Appeals)-3, Chennai [CIT(A)] dated 07-11-2019 in the matter of an assessment framed by Ld. Assessing Officer [AO] u/s.153C r.w.s. 143(3) of the Act on 19-11-2018. The sole issue that fall for our consideration is disallowance u/s 14A.
2. At the time of hearing, none appeared for the assessee. Accordingly, the appeal was proceeded with the able assistance of Ld.

CIT-DR who pleaded for dismissal of the appeal. Having considered material on record, the appeal is disposed-off as under.

3. During assessment proceedings, it transpired that the assessee earned income from mutual fund and dividend income which were exempt from tax. However, no disallowance u/s 14A was made on the ground that no expenses could be attributable to such activity. However, Ld. AO computed disallowance of Rs.16.07 Lacs u/r 8D(2) which include interest expense disallowance u/r 8D(2)(ii) for Rs.0.21 Lacs and indirect expense disallowance u/r 8D(2)(iii) for Rs.15.85 Lacs. The argument that completed assessment could be interfered only to the extent of incriminating material was rejected on the ground that seized document led to the fact that the assessee was in receipt of exempt income. However, in the remand report, the correct amount of disallowance as reported by Ld. AO was Rs.14.62 Lacs. However, rejecting all the pleas of the assessee, Ld. CIT(A) confirmed the impugned disallowance of Rs.16.07 Lacs against which the assessee is in further appeal before us.

4. Upon perusal of assessee's submissions dated 03.09.2019 as made before Ld. CIT(A), as placed on record, it could be gathered that considering average of investments from which exempt income is earned or which has the potential of yielding exempt income, the disallowance u/r 8D(2)(iii) would be Rs.7.04 Lacs whereas the total expenditure debited in Profit & Loss Account is only Rs.2.21 Lacs. Therefore, we direct Ld. AO to consider only those investments which have yielded or which have the potential to yield exempt income while computing the disallowance. In any case, disallowance could not exceed expenditure debited in the Profit & Loss Account. The Ld. AO is

directed to rework the same. The legal argument would not hold good since the fact of exempt income has been borne out of seized material.

5. The appeal stands partly allowed in terms of our above order.

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

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

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

चेन्नई / Chennai; दिनांक / Dated : 21-11-2022  
EDN/-

**आदेश की प्रतिलिपि ँ ग्रेषित/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