

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

मजनीय श्री मनोज कुमार अग्रवाल, लेखक सदस्य एवं  
मजनीय श्री मनु कुमार गिरि, न्यायिक सदस्य के समक्ष।  
**BEFORE HON'BLE SHRI MANOJ KUMAR AGGARWAL, AM**  
**AND HON'BLE SHRI MANU KUMAR GIRI, JM**

**आयकर अपील सं. ITA No.1493/Chny/2023**  
**(निर्धारणवर्ष / Assessment Year: 2020-21)**

<b>M/s. Tractors and Farm Equipment Ltd.</b> 77, Potti Patti Plaza, Nungambakkam, Chennai-600 034.	<b>बनम/</b> Vs.	<b>DCIT</b> Corporate Circle-3(1) Chennai.
स्थायी लेखासं./जी आइ आर सं./PAN/GIR No. <b>AACT-2761-Q</b>		
(पीलार्थी/ <b>Appellant</b> )	:	(प्रत्यर्थी / <b>Respondent</b> )

अपीलार्थी की ओरसे/ <b>Appellant by</b>	:	Shri R.Vijayaraghavan (Advocate) -Ld.AR
प्रत्यर्थी की ओरसे/ <b>Respondent by</b>	:	Shri S. Easwar (JCIT) - Ld. DR

सुनवाई की तारीख/ <b>Date of Hearing</b>	:	21-05-2024
घोषणा की तारीख / <b>Date of Pronouncement</b>	:	03-06-2024

**आदेश / ORDER**

**Manoj Kumar Aggarwal (Accountant Member)**

1. Aforesaid appeal by assessee for Assessment Year (AY) 2020-21 arises out of an order passed by Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi [CIT(A)] on 23-10-2023 in the matter of an assessment framed by Ld. Assessing Officer [AO] u/s 143(3) of the Act on 19-09-2022. The grounds raised by the assessee read as under: -

1. The order of the CIT-A, National E Assessment Centre is contrary to law, facts and circumstances of the case
2. The CIT erred in confirming the disallowance of the entire R&D capital expenditure for want of additional supporting evidence even though the same has been part of the

audited accounts and certified by Auditors once again in tax audit report The Appellant also requests that it be considered that due to technical difficulty in the system, the supporting invoices could not be uploaded,

3. The appellant objects the CIT-A upholding the invocation of Rule 8D, when the Appellant has voluntarily estimated and disallowed expenditure for earning exempt income,

4. Also, the appellant objects to the CIT-A, confirming the inclusion of the investments In subsidiaries which are strategic in nature for computing the amount to be disallowed as per Rule 8D

5. The Commissioner ought to have appreciated that the Appellant has not actually incurred any expenditure directly or indirectly far earning the exempt income.

6. The Appellant objects to the addition on account of ICDS adjustments based on draft particulars given by Appellant during assessment as against correct details in memo, ITR and 3CD. The Appellant requests that an opportunity be given to explain the same.

As is evident, three issues fall for our consideration i.e., (i) Disallowance of R & D expenditure; (ii) Disallowance u/s 14A; (iii) ICDS adjustments.

2. Having heard rival submissions, the same are disposed-off as under. The assessee is stated to be engaged in manufacture and sale of tractors, agricultural implements, automobile batteries, injection molded engineering plastic components and moulds.

### **3. Disallowance of R & D expenditure**

3.1 The assessee claimed deduction u/s 35(1)(iv) for Rs.269.34 Lacs which was denied since the assessee failed to furnish supporting documents.

3.2 During appellate proceedings, the assessee sought more time to file the documents. However, Ld. CIT(A) confirmed the denial of deduction against which the assessee is in further appeal before us.

3.3 The Ld. AR has pleaded for admission of additional evidences. The Ld. AR submitted that the assessee is in a position to substantiate its claim. Accepting the same, we restore this issue back to the file of Ld. AO to re-consider the claim of the assessee. The assessee is directed to substantiate the same. The corresponding grounds stand allowed for statistical purposes.

#### **4. Disallowance u/s 14A**

4.1 The assessee earned exempt dividend income of Rs.40.07 Crores. Against the same, the assessee offered disallowance u/s 14A for Rs.22.31 Lacs in the computation of income. The Ld. AO, holding the disallowance offered by the assessee was very less, proceeded to invoke Rule 8D and computed disallowance of Rs.199.21 Lacs. After adjusting suo-motu disallowance as already offered by the assessee, the differential of Rs.176.89 Lacs was further added to the income of the assessee. The disallowance was computed by taking 1% of monthly average of opening and closing investments.

4.2 During appellate proceedings, the assessee submitted that no effort was made to earn the dividend income and investments were strategic in nature. However, rejecting the same, Ld. CIT(A) upheld the disallowance against which the assessee is in further appeal before us.

4.3 The Ld. AR reiterated that the disallowance as offered by the assessee was on scientific basis and Ld. AO has not recorded any objective satisfaction before rejecting assessee's methodology. We are of the opinion that Rule 8D could not be invoked in a mechanical manner. Therefore, we direct Ld. AO to examine the suo-motu disallowance as offered by the assessee and if not satisfied, only then proceed to invoke the provisions of Rule 8D. The corresponding grounds stand allowed for statistical purposes.

#### **5. ICDS adjustments**

5.1 The Tax Auditor reported that there was loss of Rs.38.29 Crores from ICDS calculations. However, the assessee made adjustments u/s 145(2) for Rs.41.86 Crores. The difference between the two was Rs.3.57 Crores. The assessee only mentioned adjustments of Rs.3.17 Crores

and accordingly, difference of the two being Rs.39.33 Lacs was further added to the income of the assessee.

5.2 During appellate proceedings, the assessee submitted that it inadvertently gave first draft of working instead of final one. These adjustments were stated to be correctly made in memo. However, Ld. CIT(A) confirmed the stand of Ld. AO against which the assessee is in further appeal before us.

5.3 From the facts, it would appear that the disallowance has happened due to an inadvertent error. The Ld. AR has stated that correct adjustment has been offered in the memo. Considering the same, we direct Ld. AO to examine the claim of the assessee and re-decide this issue. The corresponding grounds stand allowed for statistical purposes.

### **Conclusion**

6. The appeal stand allowed for statistical purposes.

*Order pronounced on 3<sup>rd</sup> June, 2024*

Sd/- (MANU KUMAR GIRI) न्यायिक सदस्य / JUDICIAL MEMBER	Sd/- (MANOJ KUMAR AGGARWAL) लेखक सदस्य / ACCOUNTANT MEMBER
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चेन्नई Chennai; दिनांक Dated : 03-06-2024  
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### **आदेशकीप्रतिलिपिअग्रेषित/Copy of the Order forwarded to :**

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT Chennai
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF