आयकर अपीलीय अधिकरण, 'बी' न्यायपीठ, चेन्नई

**IN THE INCOME TAX APPELLATE TRIBUNAL**
**'B' BENCH, CHENNAI**

श्री जॉर्ज जॉर्ज के, उपाध्यक्ष एवं श्री एस.आर.रघुनाथा, लेखा सदस्य के समक्ष

**BEFORE SHRI GEORGE GEORGE K, VICE PRESIDENT AND SHRI S.R. RAGHUNATHA, ACCOUNTANT MEMBER**

आयकर अपील सं./**ITA No.: 1649/CHNY/2025**

निर्धारण वर्ष/Assessment Year: 2015-16

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| **The ACIT,**<br>Corporate Circle 1 (1),<br>Chennai. | Vs. | **IDFC Limited,**<br>KRM Towers,<br>7th Floor, No.1,<br>Harrington Road,<br>Chetpet,<br>Chennai – 600 031.<br><br>**PAN: AAACI 2663N** |
| (अपीलार्थी/Appellant) | | (प्रत्यर्थी/Respondent) |

अपीलार्थी की ओर से/Appellant by : Shri Shiva Srinivas, CIT
प्रत्यर्थी की ओर से/Respondent by : Shri Ketan K. Ved, CA
(Through virtual mode)

सुनवाई की तारीख/Date of Hearing : 02.09.2025
घोषणा की तारीख/Date of Pronouncement : 03.09.2025

## आदेश/ O R D E R

## PER GEORGE GEORGE K, VICE PRESIDENT:

This appeal filed by the Revenue is directed against the order of Commissioner of Income Tax (Appeals), Chennai-16 dated 23.10.2024, passed under section 250 of the Income Tax Act, 1961 (hereinafter called 'the Act'). The relevant Assessment Year is 2015-16.

2. There is a delay of 125 days in filing this appeal. The Assessing Officer has filed an affidavit stating therein the reasons for belated filing of this appeal and also prayed for condonation of delay. We have perused the reasons stated in the affidavit for belated filing of this appeal and we are satisfied that there is sufficient cause for late filing of this appeal and no latches can be attributed to the Department. Hence, we condone the delay in filing this appeal and proceed to dispose off the appeal on merits.

3. The grounds raised by the Department reads as follows:-

*1. The order of the learned CIT(A) is contrary to the facts and circumstances of the case.*

*2. The CIT(A) has erred in directing the AO to restrict the disallowance u/s.14A read with Rule 8D to 3% of exempt income by relying on the Hon'ble ITAT's order in the assessee's own case for the AY.2016-17.*

*2.1 It is submitted that the CIT(A)'s relied upon order of the Hon'ble ITAT is not accepted by the Department and the Department's appeal u/s.260A is pending before the Hon'ble High Court of Madras.*

*3. The CIT(A) has erred in directing the AO to verify and allow TDS credit to the appellant as to whether the TDS credit claimed by the appellant is in respect of income declared by the appellant and the VCF has paid tax on such income in the capacity of representative.*

*3.1. The CIT(A) has failed to follow the order (Para No.20 of the order) of the Hon'ble ITAT in ITA No. 1263 (Chny) of 2023 & 817 (chny.) of 2024 dt.04.12.2024 in the assessee's own case for the AY.2011-12, wherein the issue has been decided in favour of the revenue as.*

*3.2. The CIT(A) has erred in not taking into cognizance of the fact that the taxes paid by VCFS in their returns of income would be qua income*

*derived by them in their own accord (other than income qualifying for exemption under section 10(23FB)) and therefore taxes paid on such income could not be claimed by way of credit by assessee contending that it was paid on his behalf.*

*4. For these and other grounds that may be adduced at the time of hearing, it is prayed that the order of the learned CIT may be set aside and that of the Assessing Officer restored.*

4. Brief facts of the case are as follows: The assessee is a company primarily engaged in the business of financing infrastructure projects. For the assessment year 2015-16, the return of income was filed on 13.11.2015 declaring total income of Rs.23,60,39,66,360/- under the normal provisions of the Act. Subsequently, the assessee filed revised return of income declaring the same income but enhancing the claim for credit of tax deduction at source (TDS). The assessment was selected for scrutiny and order u/s.143(3) of the Act was passed on 27.12.2018, wherein the AO had made the following additions / disallowances:-

i. Disallowance u/s.14A of the Act amounting to Rs.108,59,77,385/-
ii. Disallowance of TDS credit claimed amounting to Rs.1,16,45,884/-.

5. Aggrieved by the assessment completed u/s.143(3) of the Act, assessee preferred appeal before the CIT(A). The CIT(A)

following the Tribunal's order in assessee's own case for assessment year 2016-17 (ITA No.819/CHNY/2024, order dated 04.09.2024), decided the issues by restoring the case to the AO with specific directions.

6. Aggrieved by the order of the CIT(A), the Department has filed the present appeal before the Tribunal. The Ld.DR relied on the grounds raised.

7. The Ld.AR on the other had submitted that the issues raised by the Department are squarely covered in favour of the assessee by the order of the Tribunal in assessee's own case for assessment year 2016-17 (*supra)*.

8. We have heard rival submissions and perused the material on record. The two issues arise for our adjudication namely (i) disallowance u/s.14A of the Act amounting to Rs.108,59,77,385/- and (ii) disallowance of TDS credit amounting to Rs.1,6,45,884/-.

9. As regards disallowance u/s.14A of the Act is concerned, the assessee for the relevant assessment year had disclosed tax free

income of Rs.114,59,82,319/-. The assessee had excluded administrative expenses directly relatable to earning the above exempted income to the tune of Rs.1,90,16,604/-. The AO calculated the disallowance as per section 14A of the Act r.w.Rule 8D(2) of the Income Tax Rules, 1962, whereby disallowance was arrived at Rs.108,60,00,000/-. On further appeal, as regard interest cost, the CIT(A) by following the Tribunal's order in assessee's own case for assessment year 2016-17, directed the AO to examine the details of own funds and investment of the assessee for earning exempt income (which was furnished during the course of appellate proceedings) and if the incremental investment are out of own funds, no disallowance u/s.14A of the Act is called for. As regards computation of administrative expenses in terms of Rule 8D(2)(iii), the CIT(A) following the Tribunal's order for assessment year 2016-17 in assessee's own case had directed the AO to restrict the disallowance at 3% of the exempt income. Further, the CIT(A) directed the AO to verify what is the nature of expenses disallowed by the assessee and if the disallowance made by the assessee is on account of administrative expenditure, deduction for the same must be given from the disallowance at 3% of the exempt income. Further, it was clarified by the CIT(A) if the disallowance is made

on a ground other than administrative expenses, no such deduction is required to be given in the disallowance computed as per the above directions. The relevant findings of the CIT(A) in this regard reads as follows:-

> *4.1.3 I have carefully considered the facts of the case and the judgement in the Appellant's own case available on record. Furthermore, the appellant relied on the order u/s 250 of the Commissioner of Income Tax (NFAC) Delhi in appellant's own case for the AY's 2016-17 in ITA No. ITBA/NFAC/S/250/2023-24/1056361253(1) dated 21.09.2023. During the hearing held on 21.10.2024, the appellant stated that for AY 2016-17, the Department had subsequently preferred an appeal before the honourable Income Tax Appellate Tribunal, Chennai ('ITAT') against the favourable order passed by the CIT(A). Recently, vide order dated September 4, 2024, the Honourable ITAT in ITA Nos:818 and 819/Chny/2024 has passed an order dismissing the Department's appeal on all the aforesaid grounds (refer para 13 to 25 of the ITAT order) and confirming the action of the CIT(A). Based on the same, it was submitted that the appeal for AY 2015-16 also be decided in accordance with the Honourable ITAT's order for AY 2016-17.*
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> *4.1.4 In light of the above, relying on the above facts and judicial precedents cited supra in Appellant's own case, and since, the facts in the current year are similar to that of earlier and subsequent years, respectfully following the Hon'ble ITAT order for A.Y. 2016-17, it is held that no disallowance under Section 14A of the Act with respect to interest cost is called for on such investments subject to verification of the details (regarding own funds and investment in exempt income yielding funds) furnished by the appellant during the appellate proceedings.*
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> *4.1.5 Now coming to the second issue regarding computation of administrative expenditure in accordance with Rule 8D(2)(iii), the appellant has claimed that it has suo-moto disallowed expenses of Rs 1.90 crores in its computation of income. I have carefully considered the facts of the case and the judgement in the Appellant's own case available on record. Furthermore, the appellant relied on the order*

*Hon'ble ITAT's order in the appellant's own case for earlier years wherein it has been directed that the disallowance be restricted to 3% of the exempt dividend income. Also, the appellant has relied on the order u/s 250 of the Commissioner of Income Tax (NFAC) Delhi in appellant's own case for the AY's 2016-17 in ITA No. ITBA/NFAC/S/250/2023-24/1056361253(1) dated 21.09.2023 wherein the CIT(NFAC) has held as under:*

> "As far as the appellant's request for deduction of disallowance already made by it against the disallowance of administrative expenditure computed @3% of exempt income, the AO must verify what is the nature of expenses disallowed by the appellant. If the disallowance made by the appellant is on account of administrative expenditure, deduction for the same must be given from the disallowance @ 3% of exempt income. If the disallowance is made on a ground other than administrative expenses, no such deduction is required to be given in the disallowance computed as per the above direction."

*4.1.6 In light of the above, relying on the above facts and judicial precedents cited supra in Appellant's own case, and since, the facts in the current year are similar to that of earlier and subsequent years, respectfully following the Hon'ble ITAT order for A.Y. 2016-17, as far as the appellant's request for deduction of disallowance already made by it against the disallowance of administrative expenditure computed @3% of exempt income, the AO is directed to verify what is the nature of expenses disallowed by the appellant. If the disallowance made by the appellant is on account of administrative expenditure, deduction for the same must be given from the disallowance @ 3% of exempt income. If the disallowance is made on a ground other than administrative expenses, no such deduction is required to be given in the disallowance computed as per the above direction. Thus, Ground of Appeal No.1 is treated as allowed for statistical purposes.*

10. The Ld. DR was unable to point out any infirmity in the above direction of the CIT(A). Hence, we confirm the order of CIT(A) as correct and in accordance with law. It is ordered

accordingly. In the result, ground Nos.2 & 2.1 raised by Revenue are rejected.

11. As regards Ground No.3 and sub-grounds, we find that during the year under consideration, assessee had received income from investments made with various 'venture capital funds' (VCFs). As against income declared from these VCFs, assessee had claimed credit for TDS stating that VCFs have made TDS on behalf of the assessee as a beneficiary. However, the claim of the assessee was rejected and AO denied TDS credit to the extent of Rs.1,16,45,884/-.

12. On further appeal, CIT(A) directed the AO to verify if the income has been offered for tax by the beneficiary (assessee) and any tax has been paid by VCFs in the capacity of representative assessee on behalf of beneficiary. It was directed that in such an eventuality, the TDS credit for the same should go to the beneficiary. The CIT(A) followed his predecessor order for assessment year 2016-17, which was confirmed by the Tribunal in assessee's own case for assessment year 2016-17 (supra). The relevant finding of the CIT(A) reads as follows:-

> *"4.2.2 The appellant has relied on the order u/s 250 of the Commissioner of Income Tax (NFAC) Delhi in appellant's own case*

*for the AY's 2016-17 in ITA No.ITBA/NFAC/S/250/2023-24/1056361253(1) dated 21.09.2023 wherein the CIT(NFAC) has held as under :*

> "It is the position of law that if income has been offered for tax by the beneficiary and any taxes are paid by the VCFs in the capacity of representative assessee on behalf of the beneficiary, the TDS credit for the same should go to the beneficiary. However in the instant case the AO has categorically given a finding in the assessment order that the VCFs have paid taxes on their own PAN. In the appellant proceedings the appellant has failed to comment and counter the said finding of the AO. The AO is hence directed to verify and allow TDS credit to the appellant after verification of the fact that the TDS credit claimed by the appellant is in respect of income declared by the appellant and the VCF has paid tax on such income in the capacity of representative assessee of the appellant."

*4.2.3 Subsequently ITAT in ITA Nos.818 and 819/Chny/2024 dated 04.09.2024 has confirmed the order of the CIT(A) for AY 2016-17 directing the AO for verification that if income has been offered for tax by the beneficiary and any taxes were paid by VCFs in the capacity of representative of assessee on behalf of the beneficiary. If that is the case, the TDS credit for the same should go to the beneficiary.*

*4.2.4 In light of the above, relying on the above facts and judicial precedents cited supra in Appellant's own case, and since, the facts in the current year are similar to that of earlier and subsequent years and relying on the order of the Honourable Tribunal in the Appellant's own case for A.Y. 2016-17, the AO is directed to verify and allow TDS credit to the appellant as to whether the TDS credit claimed by the appellant is in respect of income declared by the appellant and the VCF has paid tax on such income in the capacity of representative assessee of the appellant. The Ground of Appeal No.2 is allowed for statistical purposes subject to factual verification by the AO."*

13. On perusal of the above order of CIT(A), we find there is no infirmity in the directions given by the CIT(A) to the AO. The

CIT(A) has directed the AO to verify whether income has been offered to tax by the beneficiary and taxes have been paid to VCFs on behalf of the beneficiary. Hence, we affirm the order of the CIT(A) and reject ground No.3 and it is sub-grounds. It is ordered accordingly.

14. Ground Nos.1 & 4 are general and no specific adjudication is called for. Hence, the same are rejected.

15. In the result, the appeal filed by the Revenue is dismissed.

Order pronounced in the open court on 3rd September, 2025 at Chennai.

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| *Sd/-* | *Sd/-* |
| (एस.आर. रघुनाथा) | (जॉर्ज जॉर्ज के) |
| **(S.R. RAGHUNATHA)** | **(GEORGE GEORGE K)** |
| लेखा सदस्य/ACCOUNTANT MEMBER | उपाध्यक्ष /VICE PRESIDENT |

चेन्नई/Chennai,
दिनांक/Dated, the 3rd September, 2025

***RSR***

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त /CIT, Chennai
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF.