

**IN THE INCOME TAX APPELLATE TRIBUNAL  
“C” BENCH, AHMEDABAD**

**BEFORE SHRI TR SENTHIL KUMAR, JUDICIAL MEMBER AND  
SHRI NARENDRA PRASAD SINHA, ACCOUNTANT MEMBER**

**ITA Nos. 1580 & 1581/AHD/2025  
Assessment Years: 2016-17 & 2018-19**

PG Foils Limited 6, Neptune Tower, Ashram Road, Ahmedabad - 380009 <b>[PAN – AAACP 9274 C]</b>		Vs.	Deputy Commissioner of Income Tax, Circle - 3 (1)(1), Ahmedabad - 380015
(Appellant)			(Respondent)
Assessee by	Shri M S Chhajed, AR		
Revenue by	Shri Yogesh Mishra, Sr. DR		
Date of Hearing	17.12.2025		
Date of Pronouncement	06.01.2026		

**ORDER**

**PER NARENDRA PRASAD SINHA, ACCOUNTANT MEMBER:**

These two appeals are filed by the assessee against the separate order of NFAC [hereinafter referred to as ‘CIT(A)’], both dated 09.07.2025 for the Assessment Years (AY) 2016-17 and 2018-19 in the proceedings u/s 143(3) of the Act.

2. As the issue involved and the grounds taken by the assessee in the two appeals were identical, both the matters were heard together and are being disposed off vide this common order for the sake of convenience. We will first take up the appeal in ITA No.1581/Ahd/2025 for the AY 2018-19.

**ITA No. 1581/Ahd/2025**

3. The brief facts of the case are that the assessee had filed its return of income for AY 2018-19 on 10.10.2018 declaring total income of Rs.19,04,38,060/- under normal provisions and Rs.16,75,71,092/- under MAT provisions. The case was selected for scrutiny under CASS. In the course of assessment, the AO had made various additions and the assessment was completed u/s 143(3) on 08.05.2021 at total income of Rs. 20,48,60,563/-.

4. Aggrieved with the order of the AO, the assessee had filed an appeal before the first appellate authority which was decided by the Ld. CIT(A) vide the impugned order and the appeal of the assessee was partly allowed.

5. Now the assessee is in second appeal before us. The following grounds have been taken in this appeal:

- "1. The order passed by the learned A.O. is against the law, equity and justice.*
- 2. The Ld. A.O. has erred in law and on facts in not allowing deduction U/S 801A of Rs.37,90,084/- claimed by appellant.*
- 3. The Ld. A.O. has erred in law and on facts in making addition of Rs. 1,04,64,559/- by invoking Sec. 14A of the Act.*
- 4. The Ld. A.O. has erred in law and on facts in not allowing credit of TDS of Rs. 16,12,402/-,*
- 5. The Ld. A.O. has erred in law and on facts in calculating tax on capital gain twice.*
- 6. The appellant craves liberty to add, amend, alter or modify all or any grounds of appeal before final appeal."*

6. The only ground taken by the assessee is against addition of Rs.1,04,64,559/- made u/s 14A of the Act. Shri M S Chhajed, the Ld. AR

of the assessee explained that in the course of assessment the AO had made the addition u/s 14A read with Rule 8D on account of interest and administrative expense. He explained that during the year the assessee did not earn any exempt income. Therefore, there was no question of invoking the provision of Section 14A of the Act. He further submitted that the assessee had sufficient interest free funds of its own and, therefore, the question of disallowing the interest by invoking the provision of Section 14A did not arise. In this regard, he relied upon the decision of Hon'ble Supreme Court in the case of *South Indian Bank Ltd.* 130 taxmann.com 178 (SC). The Ld. AR also relied upon various judicial decisions in support of his contention that no disallowance u/s 14A was called for if no exempt income was earned during the year.

7. Per Contra, Shri Yogesh Mishra, the Ld. Sr. DR relied upon the order of the lower authorities on this issue.

8. We have considered rival submissions. There is no dispute to the fact that no exempt income was earned by the assessee during the year. It is a settled position that for the year under consideration, no disallowance u/s 14A was called for if no exempt income was earned by the assessee. Hon'ble Supreme Court in the case of *CIT Vs. Chettinad Logistics (P.) Ltd.* 95 taxmann.com 250 (SC) has upheld the decision of Hon'ble Delhi High Court that where no exempt income was earned in the relevant assessment year by the assessee, the provision of Section 14A of the Act could not be invoked. Further, Hon'ble Gujarat High Court in the case of *Corrttech Energy (P.) Ltd.* 45 taxman.com 116 (Gujarat) has held that if the assessee did not make any claim for exemption of any income, disallowance u/s 14A of the Act could not be made. It is found from the

audited accounts as well as the computation of income brought on record in the paper book filed by the assessee, that no exempt income was earned by the assessee during the current year. In view of this fact and respectfully following the decisions referred above, no disallowance u/s 14A of the Act was called for in the current year. Accordingly, the addition as made by the AO is deleted. The ground taken by the assessee is allowed

9. In the result, the appeal of the assessee is allowed.

**ITA NO. 1580/Ahd/2025**

10. The grounds taken by the assessee in this appeal are as under:

- “1. The order passed by the learned A.O. is against the law, equity and justice.*
- 2. The Ld. A.O. has erred in law and on facts in making disallowance of deduction U/S 80IA of Rs.30,44,833/-.*
- 3. The Ld. A.O. erred in law and on facts in making disallowance of Rs.4003808/-u/s 14A.*
- 4. The Ld. A.O. erred in law and on facts in making addition of Rs. 40,03,808/- being disallowance made u/s 14A while calculating book profit for MAT.*
- 5. The Ld. A.O. has erred in law and facts in disallowing expenses incurred for employees of Rs. 40,45,000/-.*
- 6. The appellant craves liberty to add, amend, alter or modify all or any grounds of appeal before final appeal.”*

11. Shri M S Chhajed, Ld. AR of the assessee fairly conceded that the assessee had earned exempt income in the form of dividend during the current year. He, therefore, requested that the disallowance made by the

AO may be restricted to the extent of exempt income earned by the assessee. Per contra, the Ld. Sr. DR supported the order of the AO.

12. We have considered the submissions of the assessee. In the course of assessment, the AO had made addition of Rs.40,03,808/- u/s 14A of the Act. From the copy of the accounts brought on record in the paper book, it is found that the assessee had earned dividend income of Rs.32,95,039/- which was appearing as part of "other income" in the audited account. From the computation of income also, it is found that the assessee had reduced dividend of Rs. 32,95,039/- from its taxable income. It is a settled position that disallowance u/s 14A cannot exceed the exempt income earned by the assessee. Therefore, the addition made u/s 14A read with Rule 8D of the IT Rules is restricted to the exempt income of Rs.32,95,039/- earned by the assessee during the year. Accordingly, the ground taken by the assessee is partly allowed.

13. In the result, the appeal of the assessee is partly allowed.

14. In the final result, the appeal in ITA No. 1580/Ahd/2025 is partly allowed whereas the appeal in ITA No. 1581/Ahd/2025 is allowed.

**Order pronounced in the Court on 06/01/2026 at Ahmedabad.**

Sd/-  
**(TR SENTHIL KUMAR)**  
Judicial Member

Sd/-  
**(NARENDRA PRASAD SINHA)**  
Accountant Member

**Dated 6<sup>th</sup> January, 2026**  
*Nimisha Arora*

**आदेश की प्रतिलिपि अग्रेषित/Copy of the Order forwarded to :**

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण / DR, ITAT,
6. गार्ड फाईल /Guard file.

आदेशानुसार/BY ORDER,

उप/सहायक पंजीकार (Dy./Asstt.Registrar)  
आयकर अपीलीय अधिकरण, अहमदाबाद / ITAT, Ahmedabad