

**IN THE INCOME TAX APPELLATE TRIBUNAL
KOLKATA 'D' BENCH, KOLKATA**

Before

**SHRI SONJOY SARMA, JUDICIAL MEMBER
&
SHRI RAKESH MISHRA, ACCOUNTANT MEMBER**

**ITA Nos.: 1044 & 1045/KOL/2025
Assessment Years: 2018-19 & 2020-21**

Patton International Limited (Appellant)	Vs.	ACIT, Circle-7(1), Kolkata (Respondent)
PAN: AABCP7901M		

Appearances:

Assessee represented by : V.K.Jain, FCA.
Department represented by : S.B. Chakraborty, Addl. CIT, Sr. DR.
Date of concluding the hearing : 24-November-2025, 25-November-2025
Date of pronouncing the order : 10-February-2026

ORDER

PER RAKESH MISHRA, ACCOUNTANT MEMBER:

Both these appeals filed by the assessee are against the separate orders of the Commissioner of Income Tax (Appeals)-NFAC, Delhi [hereinafter referred to as Ld. 'CIT(A)'] passed u/s 250 of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') for AYs 2018-19 & 2020-21 dated 05.05.2025 and 23.04.2025, respectively. Since the issues relate to the common assessee, therefore, they are being decided vide this common order for the sake of convenience and brevity.

2. The assessee is in appeal before the Tribunal raising the following grounds of appeal:

I. ITA No. 1044/KOL/2025; AY 2019-20:

"1. The CIT (A) (NFAC) erred by not allowing the opportunity to the appellant to make the submission through VC. The CIT(A) NFAC did not consider the request of the appellant to defer the hearing by one day.



2. The CIT (A) (NFAC) erred in law as well as on the fact, by affirming, the addition made by AO under section 14A read with rule 8D(2)(ii) for Rs. 1,45,94,658 against the provisions of Section 14A and rule 8D, hence the addition be deleted.

3. The CIT (A) (NFAC) erred in law, as well as in fact by not considering the submission of the applicant about the disallowance under rule 8D(2)(ii) amount of expenditure related to earning of the exempt income for ₹16,29,044 only and rather affirming the amount of rupees 1,45,94,658 determined by the assessing officer. Hence the disallowance be restricted to Rs. 16,29,044.

4. The CIT(A) NFAC erred in law in affirming the addition of Rs. 6,70,929 made by AO despite of fact that same amount has been already added back by the assessee while computing the returned income under rule 8D(2)(i) of the Act. Hence this addition made twice be deleted.

5. The CIT (A) (NFAC) was wrong in adjudicating the appeal for non-submission of details of investment on which the taxable income are also earned which are not the intention of the legislature and also not the provision of the law.

6. That the grounds raised hereinabove are independent and without prejudice to one another and the Appellant seeks leave of this Hon'ble Tribunal to raise such other and further grounds of challenge as may be available to them during the hearing of the appeal.

7. The appellant also craves leave to submit the evidences which were not filed earlier before the Hon'ble Tribunal by following the rules and regulations”

II. ITA No. 1045/KOL/2025; AY 2020-21:

“1. The Ld. CIT(A) NFAC erred in law to deny the claim of the deduction of donation made to Chief minister relief fund on the failure of the assessee to file the revised return when the CIT(A) had plenary and conterminous power that of the assessing officer.

2. That the Ld. CIT (A) NFAC erred in law as well as on facts to deny the claim of the assessee for 100% deduction us 80G for the donation made to chief minister relief fund by not considering the submission and documentary evidence filed.

3. The Ld. CIT (A) erred in law by upholding that the decision of the AO, which was in contrary to the principle of justice and equity.

4. The appellant craves leave to press any additional grounds or submit additional evidences during the course of hearing.”

A. We shall first take up **ITA No. 1044/KOL/2025** for adjudication.

3. Brief facts of the case are that the assessee company is a Government Recognized Export House having multi location manufacturing units and was engaged in export of industrial fasteners, builders hardware, conduit and cable fitting stamped & tubular products for export and for domestic market. The assessee filed its return of income for the AY 2018-19 showing total income of ₹49,30,29,010/-. The case was selected for complete scrutiny under Computer Assisted Scrutiny Selection (in short 'CASS') for verifying the issues relating to i. Depreciation Claim, ii. Duty Drawback, iii. Refund Claim, iv. Expenses Incurred for Earning Exempt Income and v. Deduction from Total Income under Chapter VI-A. During the year, the assessee had shown income under the head capital gains amounting to ₹87,36,580/-. The Assessing Officer (hereinafter referred to as Ld. 'AO') noted that the assessee had declared exempt income of ₹1,14,87,689/- as Interest Income and Dividend Income. It was observed by the Ld. AO from the balance sheet that the assessee had made certain investments in the form of quoted shares, unquoted shares and units of mutual fund. During the course of the assessment proceedings, the assessee failed to submit the bifurcation of funds/ledger month-wise and hence, the Ld. AO calculated the total disallowance as per Section 14A of the Act read with Rule 8D of the Income Tax Rules, 1962 to ₹1,83,51,518/-. Since, the assessee had already disallowed ₹37,56,860/- as expenditure incurred to earn exempt income, hence the sum of ₹1,45,94,658/- [₹1,83,51,518 - ₹37,56,860] was disallowed and added back to the total income of the assessee. Aggrieved with the assessment order, the assessee filed an appeal before the Ld. CIT(A) who, vide order dated 05.05.2025 dismissed the appeal of the assessee by holding as under in paragraph 6.1.3:



"I have carefully examined the assessment order u/s. 143(3) of the Income Tax Act, written submissions of the appellant, Income Tax Return and related judicial rulings on the subject matter.

The Appellant had declared exempt Income of Rs.1,14,87,689/- consisting of interest on tax free bonds of Rs.46,63,684/- and dividend on quoted equity shares of Rs.68,24,005/-. It had investment in Quoted Share, Unquoted Share and Unit of Mutual Fund of an amount Rs 141.53 crores. Appellant had disallowed Rs.37,56,860/- as expenditure incurred to earn exempt income. AO computed the disallowance as per Rule 8D to Rs. 1,83,51,518/-.

Appellant gave the working of disallowance Rs. 16,20,044/- based on investment on which dividend was earned. AO stated that the entire fund which is likely to have potential to earn exempt income is to be considered. The amount of disallowance is equal to 1% of annual average of monthly average of opening and closing balances of value of investment whose income is or shall be exempt. Since monthly average was not available with AO he took the annual value and took 1% of same. AO took opening and closing value of investment as Rs 136.93 crores and Rs 141.53 crores which gives average of Rs 139.23 crores and took 1% of it, which comes to Rs 1.39 crores. What appellant submitted before AO regarding monthly average value was investment on which dividend income was earned and not the total monthly average value on which dividend income could have been earned. Because of this reason AO did not rely on details submitted by the appellant. Appellant has been emphasising that AO did not consider the monthly average values submitted whereas it is clear that AO did not consider it as it contained investment from which dividend income has been earned and did not consider investment from which dividend income could have been earned. In fact appellant himself submitted part of Rule 8D which states ... annual average of monthly averages of value of investments income from which does not or shall not form part of the total income..". This clearly shows that those investments have to be considered income from which (i) does not form part of total income and (ii) income from which shall not form part of total income.

Appellant also submitted that FAO has not given any reasoned satisfaction note for not accepting the submission of the assessee. AO had specifically noted his dissatisfaction by the amount of disallowances made by appellant. He has specifically mentioned that the calculation made by the assessee company is not being considered as no details of month wise opening and closing balance of investments and nature of investment whether taxable or not taxable has been submitted. The contentions of appellant that details have been submitted have already been discussed in



preceding paragraph which shows that the reply of appellant was not complete. It did not give investment from which dividend income could have been earned and so could not be considered by AO.

From above discussion it is clear that AO has specifically noted his dissatisfaction by the amount of disallowances made by appellant and hence appellant contention on this issue is not accepted. Also regarding appellant claim that AO did not consider its submission is also not acceptable as discussed in above paragraphs that appellant submitted before AO regarding monthly average value was investment on which dividend income was earned and not the total monthly average value on which dividend income could have been earned. Hence the addition is sustained and grounds of appeal no. 1 to 6 are dismissed.

6.2 Ground of appeal No. 7:-

This ground is general in nature and the appellant has not filed any specific submission on this ground. There is nothing apparent from record to support such ground and hence do not need any independent adjudication.

7. Result:

In the result, the appeal filed by the appellant for A.Y. 2018-19 is treated as "Dismissed".

4. Aggrieved with the order of the Ld. CIT(A), the assessee has filed the appeal before the Tribunal.
5. Rival contentions were heard and the submissions made have been examined. The Ld. AO has considered the annual average and then applied whereas the amendment refers to monthly average and thereafter, annualised. The assessee requested for the Ld. AO to be directed to compute the disallowance as per law.
6. The Ld. DR on the other hand, relied upon the order of the Ld. AO para 4.4. It was submitted that the change in rule is w.e.f. AY 2016-17. The Ld. DR stated that the Ld. AO computed the disallowance as per the documents available on record.

7. We have considered the facts of the case, the submissions made and the documents filed. The provisions of rule 8D for the impugned A.Y. are as under:

“Method for determining amount of expenditure in relation to income not includible in total income.

8D. (1) Where the Assessing Officer, having regard to the accounts of the assessee of a previous year, is not satisfied with—

(a) the correctness of the claim of expenditure made by the assessee;
or

(b) the claim made by the assessee that no expenditure has been incurred,

in relation to income which does not form part of the total income under the Act for such previous year, he shall determine the amount of expenditure in relation to such income in accordance with the provisions of sub-rule (2).

51[(2) The expenditure in relation to income which does not form part of the total income shall be the aggregate of following amounts, namely:—

(i) the amount of expenditure directly relating to income which does not form part of total income; and

(ii) an amount equal to one per cent of the annual average of the monthly averages of the opening and closing balances of the value of investment, income from which does not or shall not form part of total income:

Provided that the amount referred to in clause (i) and clause (ii) shall not exceed the total expenditure claimed by the assessee.”

8. it was observed that there was merit in the contention of the Ld. AR that one percent of the annual average of the monthly averages of the opening and closing balance as the value of investment had to be taken. It was further submitted that only the investment yielding exempt income should be considered for the purpose of disallowance. In view of the decision of honourable Delhi High Court in the case of ACB India Ltd. v ACIT (Del) in ITA 615/2014, Order dated 24.03.2015.



In the interest of justice and fair play it was considered that the request of the assessee to set aside the case before the Ld. AO may be allowed so that a proper opportunity of being heard may be provided. Hence, after examining the facts of the case, we deem it appropriate to set aside the order of the Ld. CIT(A) and remit the matter back to the Ld. AO for making the reassessment *de novo*. Needless to say, the assessee shall be given a reasonable opportunity of being heard to make any further submission it wants to make in support of its grounds of appeal and shall not seek unnecessary adjournments. Accordingly, the grounds taken by the assessee in its appeal are allowed for statistical purposes.

9. In the result, the appeal filed by the assessee in **ITA No. 1045/KOL/2025** is partly allowed for statistical purposes.

B. Now, we shall take up **ITA No. 1045/KOL/2025** for adjudication.

10. Brief facts of the case are that the assessee company filed its return of income for the AY 2020-21 showing total income of ₹62,24,90,870/-. The case was selected for complete scrutiny under Computer Assisted Scrutiny Selection (in short 'CASS') for verifying the issues relating to i. Income from Other Sources, ii. ICDS Compliance and Adjustment and iii. Deduction from Total Income under Chapter VI-A. During the assessment year under consideration, the assessee had claimed ₹2,19,00,000/- (50% of ₹4,38,00,000) as a deduction u/s 80G of the Act. During the assessment proceedings, the assessee was asked to furnish the details of CSR expenses by the Ld. Assessing Officer in response to which the assessee stated that the expenses amounting to ₹1,35,00,000/- were eligible for deduction u/s 80G of the Act and furnished the CSR. Considering the submission of the assessee, the Ld. AO held that claiming the CSR expenses u/s 80G of the Act were

clearly against the intent of the legislature as it resulted in subsidizing the CSR as well. Hence, the said CSR expenses of ₹67,50,000 (50% of ₹1,35,00,000) claimed as a deduction u/s 80G of the Act were disallowed by the Ld. AO and added back to the total income of the assessee. Further, during the course of assessment proceedings, the assessee had requested to give claim for deduction for the contribution of ₹25,00,000/- made to West Bengal Emergency Relief Fund, as they could not file the claim while filing the return of income as the certificate was not issued by the West Bengal Government. However, the request of the assessee could not be accepted by the Ld. AO by citing the decision of the Hon'ble Supreme Court in the case of **Goetz (India) Ltd. v. CIT (284 ITR 323)**. The Ld. AO held that it was necessary for an assessee to revise its return of income for raising any new claim which was not raised in the original return of income. Aggrieved with the assessment order, the assessee filed an appeal before the Ld. CIT(A) who dismissed the appeal of the assessee by holding as under:

“The issue is claim of deduction u/s 80G for donation made to chief minister relief fund. Appellant did not claim the deduction in its ITR. Appellant submitted that it did not claim in its ITR as the donation receipts were not available while filing ITR. Appellant relied on decision of Hon'ble Supreme Court in case of Goetze (India) Ltd vs CIT 284 ITR 323 [SC]. Appellant had filed the ITR on 05/01/2021. Date of receipt of certificate from West Bengal government has not been mentioned by the appellant in its submission and so it could not be ascertained if the mistake was on part of the appellant or not. Mowever (sic) decision of Hon'ble Supreme Court in case of Goetze (India) Ltd (supra) does not relate to the power of AO to entertain a claim for deduction otherwise than by filing a revised return. Hence on facts of the case the decision of AO in not allowing the relief is sustained. Accordingly, ground of appeal no. 6 is dismissed.”



11. Aggrieved with the order of the Ld. CIT(A), the assessee has filed the appeal before the Tribunal.

12. Rival submissions were heard and the record and the submissions made have been examined. We have considered the submissions made, gone through the facts of the case and perused the record and the order of the Ld. CIT(A). The certificate for donation to West Bengal Emergency Relief Fund was received on 26.07.2021. The Ld. AO did not allow the deduction u/s 80G of the Act as according to him the return had to be revised in view of the decision in **Goetze (India) Ltd.** (supra). Notice u/s 143(2) of the Act was issued on 29.06.2021 and the claim for deduction section 80G of the Act and education cess was made. The advice for the donation u/s 80G of the Act was received on 29/07/2021. The Bench noted that there is a discrepancy in the name of the fund for which the donation was made and the certificate is undated. In the return of income, no claim u/s 80G of the Act was made.

13. We have considered the facts of the case, the submissions made and the documents filed. In the interest of justice, as the required evidence was not filed either before the Ld. AO or before the Ld. CIT(A), the order of the Ld. CIT(A) is hereby set aside and the issue is remanded to the Ld. AO to verify whether the claim for deduction u/s 80G of the Act is justified and whether the fund has been approved by the concerned authority under the provision of the Income Tax Act, 1961. The assessee shall file the necessary details of the approval for the same and also copy of the bank account in support of the relief claimed that the amount was debited to the West Bengal Emergency Relief Fund as in the details filed there is discrepancy in the name. Hence, the grounds



of appeal taken by the assessee are partly allowed for statistical purposes.

14. In the result, both the appeals filed by the assessee in **ITA Nos. 1044 and 1045/KOL/2025** are partly allowed for statistical purposes.

Order pronounced in the open Court on 10th February, 2026.

Sd/-

[Sonjoy Sarma]
Judicial Member

Sd/-

[Rakesh Mishra]
Accountant Member

Dated: 10.02.2026

Bidhan (Sr. P.S.)



Copy of the order forwarded to:

1. **Patton International Limited, C/o. Jain Vinod K & Associates, 41A, A.J.C. Bose Road, Diamond Prestige Nirman, Suite No.613, 6th Floor, Kolkata, West Bengal, 700017.**
2. **ACIT, Circle-7(1), Kolkata.**
3. CIT(A)-NFAC, Delhi.
4. CIT-
5. CIT(DR), Kolkata Benches, Kolkata.
6. Guard File.

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By order

Assistant Registrar
ITAT, Kolkata Benches
Kolkata