

**IN THE INCOME TAX APPELLATE TRIBUNAL
"A" BENCH, AHMEDABAD**

**BEFORE DR. B.R.R. KUMAR, VICE-PRESIDENT
SHRI T.R. SENTHIL KUMAR, JUDICIAL MEMBER**

I.T.A. No. 164/Ahd/2026
(Assessment Year: 2020-21)

Joint Commissioner of Income-tax (OSD), Circle 3(1)(1), Ahmedabad	Vs.	Nirma Chemical Works Private Limited, Nirma House, Near Income Tax Circle, Ashram Road, Ahmedabad-38009 [PAN : AAACN 5353 L]
(Appellant)	..	(Respondent)
Assessee represented by :	Shri Hemanshu Shah, CA	
Revenue represented by:	Shri Alpesh Parmar, CIT (DR)	
Date of Hearing	25.02.2026	
Date of Pronouncement	26.02.2026	

ORDER

PER DR. B.R.R. KUMAR, VICE-PRESIDENT :

This appeal has been filed by the Revenue against the order of the Ld. Commissioner of Income-tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi (hereinafter referred to as "CIT(A)" for short) dated 07.11.2025, passed under Section 250 of the Income-tax Act, 1961 [hereinafter referred to as "the Act" for short], for Assessment Year (AY) 2020-21.

2. The solitary ground raised by the Revenue reads as under:-

"Ld. CIT(A) has erred in deleting the addition of Rs. 7,50,65,938 under section 14A computed as per Rule 8D applicable during AY 2020-21, without appreciating CBDT's Circular 05/2014 and the clarificatory Explanation to Section 14A, by relying upon decisions applicable for the period before insertion of Explanation to Section 14A and amendment of Rule 8D w.e.f. 02/06/2016."

3. In this case, the Assessing Officer completed assessment under section 143(3) r.w.s. 144B on 16.09.2022 and made disallowance under section 14A of Rs. 7,50,65,938/-, observing that the assessee had investments of Rs. 750.64 crores. The assessee contended that no exempt income was earned during the year and that own funds i.e. Rs. 910.74 crores, exceeded investments.

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4. Aggrieved by the order of the Assessing Officer, the assessee filed appeal before the Ld. CIT(A). The Ld. CIT(A), following various decisions of the Hon'ble Gujarat High Court, including in the case UTI Bank Ltd. (32 taxmann.com 370)(Guj.), CIT Vs. Gujarat State Fertilizers & Chemicals Ltd. (217 Taxman 229)(Guj. HC), CIT Vs. Suzlon Energy Ltd. (354 ITR 630) (Guj. HC), CIT Vs. Gujarat Power Corporation Ltd. (325 ITR 583) (Guj. HC), as also relying on his predecessor's orders in assessee's own case for preceding assessment years i.e. AY 2015-16, 2017-18, 2018-19, deleted the disallowance holding that no nexus with borrowed funds was established and **no exempt income was earned.**

5. Aggrieved by the order of the Ld. CIT(A), the Revenue is now in appeal before the Tribunal.

6. We have heard the rival contentions of both the parties and perused the material available on record. It is undisputed that the assessee did not earn any exempt income during the year. Further, own funds were substantially higher than investments and no direct nexus of borrowed funds with investments has been shown by the Assessing Officer. Therefore, in view of binding judicial precedents of the jurisdictional High Court (supra), we find no infirmity in the order of the Ld. CIT(A) deleting the disallowance of Rs. 7,50,65,938/- u/s 14A of the Act. The ground raised by the Revenue is thus dismissed.

7. In the result, the appeal of the Revenue is dismissed.

The order is pronounced in the open Court on 26.02.2026

Sd/-

(T.R. SENTHIL KUMAR)
JUDICIAL MEMBER

Ahmedabad; Dated 26/02/2026

**btk

Sd/-

(DR. B.R.R. KUMAR)
VICE-PRESIDENT

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आदेश की प्रतिलिपि ँ ग्रेषित/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, अहमदाबाद / DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

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