

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

**BEFORE SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER
& SHRI NARENDRA PRASAD SINHA, ACCOUNTANT MEMBER**

I.T.A. No.497/Ahd/2025
(Assessment Year: 2017-18)

M Pratapray Prints Pvt. Ltd., M P House, Nr. Krupa Petrol Pump, Sharda Mandir Char Rasta, Ellisbridger, Ahmedabad-380006	Vs.	Assistant Commissioner of Income Tax, Circle-2(1)(2), Ahmedabad
[PAN No.AADCM1158P]		
(Appellant)	..	(Respondent)

Appellant by :	Shri Mahesh Chhajed, A.R.
Respondent by:	Shri C Dharani Nath, Sr. DR

Date of Hearing	10.03.2026
Date of Pronouncement	12.03.2026

O R D E R

PER SIDDHARTHA NAUTIYAL - JUDICIAL MEMBER:

This appeal has been filed by the Assessee against the order passed by the Ld. Commissioner of Income Tax (Appeals), (in short “Ld. CIT(A)”), ADDL/JCIT(A)-1, Lucknow vide order dated 09.08.2024 passed for A.Y. 2017-18.

2. The assessee has taken the following grounds of appeal:

“1. The order passed by the Ld. CIT(A) is against law, equity & justice.

2. The Ld. CIT(A) has erred in law and facts in upholding the disallowance made u/s 14A of the Act of Rs. 20,18,138/- by the Ld. A.O.

3. The appellant Craves liberty to add, amend, alter or modify all or any grounds of appeal before final appeal.”

3. The assessee has filed application for condonation of delay along-with an Affidavit for delay of 125 days in filing of the present appeal. In the

affidavit the assessee submitted that the order passed by the learned Commissioner of Income Tax (Appeals) dated 09.08.2024 was uploaded on the income-tax portal and the assessee was not aware of the same at the relevant time. It has been further submitted that that the delay occurred because the assessee came to know about the passing of the order only when the status of the appeal was subsequently checked on the portal, whereafter immediate steps were taken to file the present appeal. It has also been stated that the delay was neither intentional nor deliberate but occurred due to bona fide reasons beyond the control of the assessee. After considering the contents of the affidavit and the explanation furnished by the assessee, we are satisfied that the assessee was prevented by sufficient cause from filing the appeal within the prescribed time limit. The Hon'ble Supreme Court in the case of **Collector, Land Acquisition v. Mst. Katiji & Others (1987) 167 ITR 471 (SC)** has held that a liberal approach should be adopted while considering applications for condonation of delay so that substantial justice is advanced and technical considerations do not defeat the cause of justice. The Hon'ble Supreme Court in the case of **N. Balakrishnan v. M. Krishnamurthy (1998) 7 SCC 123** has further held that the length of delay is not material and what is material is the acceptability of the explanation for the delay. Similarly, the Hon'ble Supreme Court in **Vedabai @ Vijayanatabai Baburao Patil v. Shantaram Baburao Patil & Others (2001) 253 ITR 798 (SC)** has reiterated that a pragmatic and justice-oriented approach should be adopted while deciding applications for condonation of delay. In the present case, the explanation offered by the assessee appears to be bona fide and there is nothing on record to suggest that the delay was deliberate or due to negligence on the part of the assessee. Further, if the delay

is not condoned, the assessee would be deprived of an opportunity to contest the matter on merits. Considering the facts and circumstances of the case and respectfully following the principles laid down in the judicial precedents referred to above, we are of the considered view that the assessee has shown sufficient cause for the delay. Accordingly, in the interest of justice, the delay of 125 days in filing the present appeal is condoned and the appeal is admitted for adjudication on merits.

4. On merits, the brief facts of the case are that the assessee company filed its original return of income on 28.09.2017 declaring total income of ₹12,01,91,670/-. The case of the assessee was selected for limited scrutiny under CASS with respect to the issue of disallowance of expenditure under section 14A read with Rule 8D of the Income-tax Act, 1961 ("the Act"). During the course of assessment proceedings, the Assessing Officer observed that the assessee had made substantial investments in mutual funds amounting to ₹23,32,11,359/- and had earned exempt dividend income of ₹43,98,990/- during the relevant assessment year. The Assessing Officer further noted that the assessee had debited interest expenditure of ₹51,70,668/- relating to working capital in its profit and loss account but had not made any disallowance under section 14A of the Act while filing the return of income. The assessee submitted before the Assessing Officer that the investments were made out of its own funds and that no borrowed funds had been utilized for making such investments. The assessee also submitted that the assessee had sufficient share capital and free reserves which were far in excess of the investments made. However, the Assessing Officer observed that the assessee had not furnished day-to-day fund flow statements or any

specific explanation demonstrating that no expenditure had been incurred for earning exempt income. Accordingly, invoking the provisions of section 14A read with Rule 8D of the Income-tax Rules, the Assessing Officer computed disallowance of expenditure at ₹20,81,138/- and added the same to the income of the assessee.

5. Aggrieved by the assessment order, the assessee preferred an appeal before the Commissioner of Income Tax (Appeals). Before the learned CIT(Appeals), the assessee challenged the disallowance of ₹20,81,138/- made under section 14A read with Rule 8D. The learned CIT(Appeals) observed that the case of the assessee had been selected for limited scrutiny specifically on the issue of disallowance under section 14A and that the Assessing Officer had computed the disallowance in accordance with Rule 8D of the Income-tax Rules. The learned CIT(Appeals) further noted that the assessee had earned exempt dividend income of ₹43,98,990/- during the year and had claimed substantial interest expenditure. According to the learned CIT(Appeals), in view of the existence of exempt income, the provisions of section 14A were clearly applicable in the case of the assessee. The learned CIT(Appeals) also observed that despite several notices issued under section 250 of the Act during the course of appellate proceedings, the assessee did not furnish any submissions or documentary evidence in support of the grounds of appeal. The CIT(Appeals) held that the assessee had failed to substantiate its claim and that the Assessing Officer had rightly invoked the provisions of section 14A read with Rule 8D. Accordingly, the learned CIT(Appeals) confirmed the disallowance made by the Assessing Officer and

dismissed the appeal of the assessee both on merits and on account of non-prosecution.

6. The assessee is in appeal before us against the order passed by CIT(Appeals) dismissing the appeal of the assessee.

7. We have considered the rival submissions and perused the material available on record. It is observed from the record that the assessee had made substantial investments in mutual funds amounting to ₹23,32,11,359/- and had earned exempt dividend income of ₹43,98,990/- during the relevant assessment year. The assessee had not made any disallowance towards administrative expenses while computing the income on the ground that no expenditure had been incurred for managing the investment decisions of the assessee. In our considered view, the proposition that absolutely no administrative expenditure was incurred for managing such huge investments cannot be accepted. At the same time, we are also of the view that the disallowance of ₹20,81,138/- computed by the Assessing Officer under section 14A read with Rule 8D appears to be on the higher side considering the facts of the case and also considering the fact that the assessee earned exempt dividend income of ₹43,98,990/- during the relevant assessment year. We further note that the order passed by the learned CIT(Appeals) is essentially an ex-parte order and the issues raised by the assessee were not examined with the benefit of proper submissions and evidences.

8. Considering the totality of the facts and circumstances of the case and particularly the fact that the order of the CIT(Appeals) has been passed ex-parte, we deem it appropriate, in the interest of justice, to set aside the

impugned order and restore the matter to the file of the CIT(Appeals) for de-novo adjudication. The assessee shall be at liberty to furnish before the CIT(Appeals) an appropriate computation alongwith an explanation regarding the administrative expenditure incurred for managing the investment decisions and earning exempt income. The learned CIT(Appeals) shall examine the issue afresh in accordance with law after providing adequate opportunity of being heard to the assessee and shall decide the matter in the light of the judicial principles governing disallowance under section 14A of the Act.

9. In the result, the appeal of the assessee is allowed for statistical purposes.

This Order is pronounced in the Open Court on

12/03/2026

Sd/-

**(NARENDRA P. SINHA)
ACCOUNTANT MEMBER**

Ahmedabad; Dated 12/03/2026

TANMAY, Sr. PS

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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, अहमदाबाद / DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

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