

**IN THE INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCH 'E' NEW DELHI**

**BEFORE SHRI VIMAL KUMAR, JUDICIAL MEMBER AND  
SHRI AMITABH SHUKLA, ACCOUNTANT MEMBER**

**ITA No.7383/Del/2025  
Assessment Year : 2017-18**

<b>M/s HCL Training &amp; Staffing Services Private Limited, 806, Siddharth, 96, Nehru Place, New Delhi – 110 019. PAN : AADCH6369R.</b>	<b>Vs.</b>	<b>Circle 11(1), New Delhi.</b>
(Appellant)		(Respondent)

Appellant by	:	Shri Aditya Vohra, Advocate.
Respondent by	:	Ms. Ankush Kalra, Senior DR.

Date of hearing	:	19.02.2026
Date of pronouncement	:	11.03.2026

**ORDER**

**PER AMITABH SHUKLA, AM**

This appeal by the assessee is directed against the order of learned CIT(A), National Faceless Appeal Centre, Delhi dated 25<sup>th</sup> September, 2025 pertaining to assessment year 2017-18.

2. The only issue in this appeal of the assessee is as regards the action of the learned CIT(A) in upholding the disallowance of `60,06,137/- made by the Assessing Officer under Section 14A of the Income-tax Act, 1961 (in short 'the Act') read with Rule 8D(ii) of the Income-tax Rules, 1962 (in short 'the Rules'). The assessee has raised following grounds of appeal"-

1. That on the facts and circumstances of the case and in law, the order dated 25.09.2025 passed by the Commissioner of Income-tax (Appeals) ["CIT(A)] upholding the assessment order passed under section 143(3) of the Income-tax Act, 1961 ("the Act"), assessing income of the Appellant at Rs. 50,27,86,300 is bad in law, unsustainable and invalid.

2. That the CIT(A) erred on facts and in law in upholding the action of the assessing officer in making disallowance of Rs.60,06,137 under section 14A of the Act read with rule 8D(ii) of the Income-tax Rules, 1962 ("the Rules").

2.1 That the CIT(A) erred on facts and in law in upholding the disallowance under section 14A of the Act, despite noting the fact that no exempt income was earned by the Appellant during the relevant previous year.

2.2 That the CIT(A) erred on facts and in law in holding that Explanation inserted to section 14A of the Act vide Finance Act, 2022 will apply retrospectively.

3. That the assessing officer erred on facts and in law in levying incremental interest under section 234B and 234C of the Act.

3. Brief factual matrix of the case is that the appellant filed its return on income on 31.10.2017 declaring total income of Rs. 48,86,64,360/-. The case was selected for scrutiny through CASS for Limited scrutiny on the issues mentioned therein and notice u/s 143(2) was issued on 27.08.2018. The appellant has been engaged in the business of imparting training and education to the candidates and to carry on recruitment & placement for such candidates to other business or commercial entities. In the case of the appellant, the assessment u/s 143(3) of the Act for A.Y. 2017-18 was completed vide order dated 05.11.2019 at assessed income of Rs. 50,27,86,300/- after making addition of Rs.60,06,137/- on account of disallowance u/s 14A read with rule 8D. The appellant proceeded to file an appeal before the Id. First Appellate Authority qua invocation of section 14A in its case, who dismissed the appeal with the following observations:-

“.....5.2.3 I have gone through the submission of the appellant, the assessment order and the judicial pronouncements. As per section 14A of the Act no deduction shall be allowed in respect of expenditure incurred by the assessee in relation to such income which does not form part of the total income. In the present case, the AO has made disallowance as per

*Rule 8D(2)(iii) holding that investment made for earning exempt income are to comprise for calculating the average investment under the said clause. The appellant has however claimed that only those investments are to be taken from which actual exempt income has been received during the year.*

*5.2.4 In this context it is important to refer to the amendment brought to section 14A vide Finance Act 2022. Clauses 4, 5, 6 & 7 of the Memorandum of Finance Bill, 2022 are as reproduced hereinbelow provide following guidelines:*

*"4. In order to make the intention of the legislation clear and to make it free from any misinterpretation, it is proposed to insert an Explanation to section 14A of the Act to clarify that notwithstanding anything to the contrary contained in this Act, the provisions of this section shall apply and shall be deemed to have always applied in a case where exempt income has not accrued or arisen or has not been received during the previous year relevant to an assessment year and the expenditure has been incurred during the said previous year in relation to such exempt income.*

*This amendment will take effect from 1st April, 2022"*

*5. This Explanation was considered by ITAT Guwahati Bench in ACIT v. Williamson Financial Services Ltd., which observed that in order to remove the prevailing doubts about the interpretation of the provisions of section 14A and to overcome the interpretation given by the various High Courts regarding the applicability of provisions of section 14A and to make the intention of the legislation clear and to make it free from any misinterpretation, the Parliament has brought in an Explanation to section 14A. Further, sub-section (1) of section 14 has been amended so as to include a non obstante clause to provide that no deduction shall be allowed in relation to exempt income, notwithstanding anything contrary contained in the Act. It is also held that this Explanation is clarificatory in nature and will therefore, be applicable retrospectively...."*

4. The Id. Counsel for the assessee argued that the invocation of section-14A in its case is totally wrong. It was submitted that the appellant has not earned any exempt income so as to attract invocation of section 14A r.w.r. 8D in its case. The Ld. Counsel vehemently argued that the explanation to section 14A referred by Id. CIT(A) is prospective and not retrospective in nature and hence no case for any addition was made out in this case. In support of its contentions, the Id. Counsel invited our attention to decision of Hon'ble Delhi High Court in the case of Era Infrastructure India Ltd. 448 ITR 674 and Sahara India Financial Corporation Ltd. 168 taxmann.com 165.

5. Per Contra, the Id. DR placed reliance on the orders of lower authorities.
6. We have noted that Hon'ble Delhi High Court in the case of Sahara India Financial Corporation Ltd.(supra) as held that in the event of the assessee not offering any exempt income during a particular assessment year, invocation of section 14A read with Rule-8D would not be permissible. We have further noted that The Hon'ble jurisdictional High Court in the cases of Era Infrastructure India Ltd. and Sahara India Financial Corporation Ltd.(supra) have held that the explanation brought to section 14A by the Finance Act, 2022 is applicable prospectively and not retrospectively. Accordingly, Considering the facts of the present case and in respectful compliance to the decision of Hon'ble High Courts (supra), we are of the considered view that no addition is liable to be made in the hands of the assessee under section 14A read with Rule-8D during year under consideration. Grounds of the appeal raised by the assessee are therefore allowed.
7. In the result, the appeal of the assessee is allowed.

Decision pronounced in the open Court on 09<sup>th</sup> March, 2026.

**Sd/-**  
**(VIMAL KUMAR)**  
**JUDICIAL MEMBER**

**Sd/-**  
**(AMITABH SHUKLA)**  
**ACCOUNTANT MEMBER**

VK/ *Shekhar*

Copy forwarded to: -

1. Appellant
2. Respondent
3. CIT
4. CIT(A)
5. DR, ITAT

Assistant Registrar  
 New Delhi