IN THE INCOME TAX APPELLATE TRIBUNAL "D" BENCH, MUMBAI

BEFORE SHRI SAKTIJIT DEY, VICE PRESIDENT AND
SHRI MAKARAND VASANT MAHADEOKAR, ACCOUNTANT MEMBER

ITA Nos.	Assessment Years
7852/Mum/2025	2013-14
7853/Mum/2025	2014-15
7854/Mum/2025	2016-17
7855/Mum/2025	2017-18

ACIT-8(1)(1), Room No. 439, Aaykar Bhavan, M.G. Road, Mumbai – 400020	Vs.	Rallis India Limited. 23rd Floor, Vios Tower off Eastern Freeway, New Cuffe Parade, BPT Colony S.O. Mumbai – 400037
(**Appellant**)	:	(**Respondent**)
PAN NO. AABCR 2657N		

and

CO Nos.	Arising out of ITA No.	Assessment Years
06/Mum/2026	7852/Mum/2025	2013-14
07/Mum/2026	7853/Mum/2025	2014-15
08/Mum/2026	7854/Mum/2025	2016-17
09/Mum/2026	7855/Mum/2025	2017-18

Rallis India Limited. 23rd Floor, Vios Tower off Eastern Freeway, New Cuffe Parade, BPT Colony S.O. Mumbai - 400037	Vs.	ACIT-8(1)(1), Room No. 439, Aaykar Bhavan, M.G. Road, Mumbai – 400020
(**Appellant**)	:	(**Respondent**)
PAN NO. AABCR 2657N		

Assessee by	:	Shri MM Golvala, Shri Darshit Naik, Shri Azim Jiwani and Shri Subhay Jathan
Revenue by	:	Shri Annavaran Kosuri, Sr.AR

Date of Hearing	:	17.02.2026
Date of Pronouncement	:	27.03.2026

O R D E R

Per Saktijit Dey, Vice President:

Captioned appeals by the Revenue and cross objections of the assessee arise out of separate orders of learned First Appellate Authority pertaining to Assessment Years (AYs) 2013-14, 2014-15, 2015-16 and 2016-17. Since, they relate to the same assessee and issues are common, they have been clubbed together and disposed of in a common order for the sake of convenience.

ITA No. 7852/Mum/2025 (AY 2013-14)

2. Ground No.1, relates to relief granted by learned First Appellate Authority in the matter of disallowance made under section (u/s.) 14A read with Rule (r.w.r.) 8D.

3. Briefly the facts are, the assessee is a resident corporate entity stated to be engaged in manufacturing and trading of pesticides and plant growth nutrients, seeds and tanning materials etc. For the assessment year under dispute, assessee filed its return of income on 27.11.2013 declaring income of Rs.114,89,68,967/-. The return of income filed by the assessee was picked up for scrutiny. In course of assessment proceeding, the Assessing Officer, while verifying the return of income, noticed that in the year under consideration, the assessee had received exempt income by way of dividend income amounting to Rs.87,61,334/-. Whereas, *suo-motu* assessee has disallowed expenditure of RS.8,294/- u/s. 14A of the Act. Upon going through the financial statements of the assessee, the Assessing Officer noticed that the assessee had incurred interest expenditure of Rs.11,84,72,000/- on the borrowings. Whereas, it had not disallowed proportionate interest expense u/s. 14A attributable to the earning of exempt income. He, therefore, called upon the assessee to furnish the necessary details of the expenses incurred for earning exempt income and also

to explain why the disallowance should not be computed in terms with Section 14A read with Rule 8D.

4. In response to the queries raised by the Assessing Officer, the assessee submitted that only one employee looks after the investment activities in addition to his normal work. Therefore, proportionate salary expenditure attributable to earning of exempt income has been disallowed. In so far as interest expenditure is concerned, the assessee submitted that investment in exempt income yielding assets was made out of interest-free funds available with the company and no borrowed fund was utilized. Therefore, no disallowance of interest expenditure u/s. 14A can be made. The submissions made by the assessee did not find favour with the Assessing Officer. Relying upon the decision of the ITAT Special Bench, Delhi in the case of Chem Invest Ltd. and Division Bench decision of the Tribunal in case of HDFC Bank Ltd., the Assessing Officer held that irrespective of the fact whether all the investments have yielded exempt income or not and whether investments were made out of interest bearing funds or own funds, disallowance has to be computed strictly in terms with Rule 8D. Accordingly, he proceeded to compute disallowance by applying the provisions of Rule 8D(2). While doing so, he computed disallowance on account of interest expenditure at Rs.2,11,64,951/- under Rule 8D(2)(ii). Additionally, he disallowed administrative/indirect expenses in terms with Rule 8D(2)(iii) at Rs.93,60,482/-. Thus, aggregate disallowance computed by the Assessing Officer was Rs.305,25,433/-. After adjusting suo-motu disallowance made by the assessee, the Assessing Officer made a net disallowance of Rs.305,17,139/-.

5. The assessee contested the aforesaid disallowance before learned First Appellate Authority. After considering the submissions of the assessee in the context of facts and

materials on record, learned First Appellate Authority found that the assessee had enough surplus funds to take care of the investments made in exempt income yielding assets. Further, he found that in assessee's own case in AYs, 2007-08, 2008-09, 2009-10 and 2011-12, the Income Tax Appellate Tribunal (ITAT) deleted similar disallowances made by the Assessing Officer and restricted the disallowance to 2% of the dividend income earned in the respective assessment years. Thus, following the decisions of the ITAT, learned First Appellate Authority restricted the disallowance to 2% of the exempt income.

6. Before us, learned Departmental Representative (DR) strongly relied upon the observations of the Assessing Officer and submitted that the Assessing Officer has proceeded to make disallowance in terms with Section 14A read with Rule 8D after recording dissatisfaction. He submitted, as against the exempt income earned of Rs.87,61,334/-, the assessee has disallowed paltry amount of Rs.8,294/- on purely adhoc basis without following the methodology under Rule 8D(2). He submitted, the learned First Appellate Authority also fell in error by directing disallowance at 2% of the exempt income. He submitted, when there are specific statutory provisions specifying the mode and manner of computing disallowance, discarding such provisions, disallowance cannot be made on adhoc basis. Thus, he submitted, the disallowance made by the Assessing Officer should be restored.

7. Countering the contentions of learned Departmental Representative, learned counsel for the assessee submitted that the assessee has computed the disallowance u/s. 14A following the method consistently followed over the years. He submitted, the only expenditure which can be attributed to earning of exempt income is proportionate salary expenditure of one employee who looks after the investment activity in addition to his

normal work. He submitted, the Assessing Officer without recording his dissatisfaction regarding the deficiency in assessee's computation having regard to the books of account, has made the disallowance. Proceeding further, he submitted, in assessee's case in A.Ys. 2007-08, 2008-09, 2010-11 and 2011-12, the ITAT has consistently expressed the view that the disallowance should be restricted to 2% of the exempt income. He submitted, in A.Y. 2012-13, disallowance made by the Assessing Officer was deleted by the First Appellate Authority. Whereas, the Department did not challenge such decision. Thus, he submitted, there is no need for interference with the decision of learned First Appellate Authority.

8. We have considered rival submissions in the light of judicial precedents cited before us and perused the materials on record. Undisputedly, in the year under consideration, the assessee had earned exempt income to the tune of Rs.87.61 lacs, whereas, *suo moto* assessee has disallowed Rs.8,249/- u/s. 14A. On perusal of the computation of disallowance, it is noticed that the assessee had computed the disallowance by considering the proportionate time that would have been allocated by a manager of the treasury department for the purpose of investing cash balances in the mutual funds. Otherwise, there is no direct link between the expenditure debited to the Profit and Loss account and the exempt income earned. On perusal of the financial statements of the assessee, it is further relevant to note, the assessee had sufficient surplus funds available with it during the year and the beginning of the year as opening balance. Therefore, in our considered view, no part of the interest expenditure can be disallowed u/s. 14A r.w.r. 8D(2)(ii). In fact, this reasoning of ours is well supported by various judicial precedents including the decision of the Hon'ble jurisdictional High Court in the case CIT vs. HDFC Bank Ltd. [2014] 366

ITR 505 and decision of the Hon'ble Supreme Court in the case of South Indian Bank Ltd. vs. CIT [2021] 438 ITR 1. The couple of decisions relied upon by the A.O. have subsequently been reversed by the Hon'ble High Court. In so far as disallowance under Rule 8D(2)(iii) is concerned, we have already discussed the methodology adopted by the assessee to make the suo-motu disallowance. Suffice to say, assessee is following this method consistently over the years. However, in assessee's case in earlier assessment years the Coordinate Benches, while deciding identical issue, have consistently held that disallowance has to be computed at 2% of the exempt income earned during the year. In this context, we may refer to following observations of the Bench in order dated 06.04.2017 passed in ITA No. 1095/Mum/2015 for A.Y. 2011-12:

> *"2. Only grievance of assessee relates to disallowance made u/s.14A r.w.r.8D (2)(iii). At the outset, learned AR placed on record the order of the Tribunal in assessee's own case wherein under similar facts and circumstances, disallowance made under Rule 8D (2)(iii) was restricted to 2% of the exempt income in the A.Y.2007-08, 2008-09 and 2009-10. The precise observation of Tribunal in its order dated 16/12/2016 in A.Y. 2009-10 was as under:-*
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> > *21. We have considered the submissions of the parties and perused the material available on record in the light of the decisions relied upon. It is evident, before the first appellate authority assessee had specifically taken a plea that it has own interest free fund of ` 348.67 crore to make the investment of ` 127 crore. However, the aforesaid contention of the assessee did not find favour with the learned Commissioner (Appeals). The fact that assessee was having substantial interest free funds available with it to take care of the exempt income yielding investment has not been disputed by the Departmental Authorities. Therefore, applying ratio laid down by the Hon'ble Jurisdictional High Court in HDFC Bank Ltd. v/s DCIT, [2016] 383 ITR 529 (Bom.) and CIT v/s HDFC Bank Ltd. v/s DCIT, [2014] 366 ITR 505 (Bom.), we hold that no disallowance of interest expenditure under rule 8D(2)(ii) can be made. As far as disallowance of administrative expenditure under rule 8D(2)(iii) is concerned, it is the contention of the assessee that one of the employee is looking after the investment activity. Therefore, the salary cost of the employee has already been disallowed by the assessee. We have noted, in assessment year 2007-08, the Tribunal in assessee's own case has M/s. Rallis India Ltd. held 2% of the dividend income earned by the assessee to be a reasonable disallowance under section 14A . Applying the same principle, we direct the Assessing Officer to disallow 2% of the dividend income under section 14A . partly allowed.*
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> *3. We had considered rival contentions and found from record that assessee Suo-moto disallowed the sum of Rs.19,905/- under Rule 8D (2)(iii). However, AO has computed disallowance of Rs.68.40 lakhs. Tribunal in assessee's own case consistently has recorded a finding to the effect that one of the employees was looking after investment activity, salary cost of which employee has already been disallowed by the assessee. After considering the entire facts and circumstances, the Tribunal has restricted the disallowance to 2% of the dividend income earned by the assessee. As the facts and circumstances during the year under consideration are exactly same, respectfully following the order of the Tribunal in assessee's own case, we direct the AO to restrict the disallowance to the extent of 2% of the exempt income. We direct accordingly."*

9. Though, learned DR has stressed before us that factual position is different in the impugned assessment year, however, after careful analysis of facts of the year under consideration as also the earlier assessment years, we do not find any perceptible difference in facts. Therefore, respectfully following the consistent view expressed by the Coordinate Benches in earlier assessment years in assessee's case, we uphold the decision of the First Appellate Authority. Ground is dismissed.

10. In ground No.2, the Department has challenged the deletion of disallowance of Rs.37,77,780/-, being professional fees paid to Shri Ajit Gujral.

11. Briefly the facts are, in course of assessment proceedings, the Assessing Officer noticed that in the year under consideration, the assessee had debited expenses amounting to Rs.37,77,780/-, being professional fee paid to Mr. Ajit Gujral on account of strategic planning. After calling for and verifying the necessary details, the Assessing Officer was of the view that by incurring the expenditure, the assessee would be deriving enduring benefit. Hence, it is in the nature of capital expenditure. Expressing such view, the Assessing Officer, disallowed the expenditure. Assessee contested the disallowance before learned First Appellate Authority. Noticing that similar disallowance made by the Assessing Officer was deleted by the ITAT in assessee's case in AY 2012-13, learned First Appellate Authority, deleted the disallowance.

12. Having considered rival submissions, we find, in assessee's case in AY 2012-13, the Assessing Officer made identical disallowance. However, while deciding the issue in appeal, the coordinate Bench in ITA No. 3044/Mum/2017 and order dated 30.11.2018 deleted the disallowance with the following observations:

> *"9. Aggrieved, the Revenue is in appeal before the Tribunal. We heard rival contentions and gone through facts and circumstances of the case. We find from the fact of the case that the assessee-company fosters cordial relations with its customers i.e. farmers and to identify new opportunity in the agro-chemical space, it hired a consultant Shri Ajit Gujral. Shri Ajit Gujral was given job to devise strategies to take the agribusiness forward. In this direction Shri Ajit Gujral carried out research on account of agro services, which are integral part of assessee's business and also aids in developing synergistic competencies along with its pesticides business. As per annual report, share of revenue from non-pesticides business was only 10% of the total revenue and by connecting as aspiring increase the revenue there from, the company position to market its pesticides and seed products and also to identify customer's demand/need and to identify new opportunity, it has hired the services of Shri Ajit Gujral. The Assessing Officer not doubted the genuineness of the payment or need for payment for this business expenses. The Assessing Officer only held that this expenditure i.e. professional fee paid to Shri Ajit Gujral will give enduring benefit to the assessee and hence this is capital in nature. We find that the assessee's agro chemical and pesticide business was already doing very good and on side by side they also wanted to identify new opportunity in the agro chemical space. We find that there is interconnection, inter lacing and inter dependency and moreover funds are also interconnected as against all units and this is not new business. Hence, we are of the view that the assessee's predominant business of pesticide and agrochemical space is one and the same and hence professional fees paid to one adviser for developing new opportunity in agro business space is neither in the nature of enduring benefit nor in capital in nature. This view of ours is supported by the decision of Hon'ble P&H High Court in the case of CIT Vs. Max India Ltd. (74 taxmann.com 263). Even on P&H High Court in the case of CIT Vs. JCT Electronics Ltd. (188 Taxman 191) also considered identical issue and held that word 'capital' connotes permanency and capital expenditure is therefore closely akin to the concept of securing something tangible or intangible property, corporeal or incorporeal right so that they could be of a lasting or enduring benefit to the enterprise in issue. The Revenue nature expenditure, on the other hand, is operational in its perspective and solely intended for the furtherance of the enterprises. In our view professional fees paid by the assessee to one of its adviser is for furtherance of business of the enterprise and hence revenue in nature. We find no infirmity in the order of the learned CIT(A) and hence the same is upheld."*

13. Finding parity in facts, respectfully following the decision of the Coordinate Bench, we uphold the order of learned First Appellate Authority on the issue. Ground raised is dismissed.

14. In Ground No.3, the Revenue has challenged deletion of disallowance of bad debts written off amounting to Rs.57,79,000/-.

15. Briefly the facts are, in course of assessment proceeding, while verifying the financial statements and computation of income, the Assessing Officer noticed that the assessee had claimed deduction of Rs.303.45 lacs on account of bad debts written off. On further verification, he found, the amount included an amount at Rs.55.79 lacs due from

M/s Voltas Ltd. After calling upon the assessee to justify the claim, the Assessing Officer finally rejected the claim of the assessee on the following reasons:

(i) The transactions are between two sister concerns of same group.
(ii) It is in the nature of accounting entries only.
(iii) No effort has been made by the assessee to recover the demand.
(iv) No legal proceedings have been initiated to recover the debt.
(v) No communication in the form of letter, mail and notices has been submitted to prove the efforts by the assessee.

16. Assessee contested the disallowance before learned First Appellate Authority. After considering the submissions of the assessee in the context of facts and materials on record, learned First Appellate Authority deleted the disallowance by taking note of the amendment to Section 36(1)(vii) after 01.04.1989 as also the ratio laid down by the Hon'ble Supreme Court in the case of TRF Ltd. vs. CIT [2010] 190 taxman 391 (SC).

17. We have considered rival submissions and perused the materials on record. Having carefully analyzed the reasoning of the Assessing Officer while making the disallowance, we are of the view that they are not only irrelevant but misconceived. When, both the assessee and Voltas are listed companies having independent identities, merely because they happen to be sister concerns, bad debt written off cannot be disallowed. As rightly observed by learned First Appellate Authority, post amendment of Section 36(1)(vii) of the Act, there is no necessity for an assessee to establish that debt has actually become bad and is not recoverable Only two conditions have to be satisfied, firstly, the bad debt must have been written off as irrecoverable in the accounts of the assessee and secondly, the corresponding income must have been offered to tax in earlier assessment years.

18. Facts on record reveal that the debt was continuing for more than ten years. Thus, ultimately, having no chance of recovery, the assessee wrote off the debt in its books of

account. The Assessing Officer has not doubted the fact that the bad debt has actually been written off by the assessee. The Assessing Officer is only doubting the efforts made by the assessee to recover the debt. This line of reasoning of the Assessing Officer, in our view, is contrary to the ratio laid down by the Hon'ble Supreme Court in the case of TRF vs. CIT (Supra). Therefore, finding no merit in the grounds raised, we uphold the decision of leaned First Appellate Authority on this issue.

19. In the result, appeal is dismissed.

CO No.06/Mum/2026 (A.Y. 2013-14)

20. In view of our decision in the Departmental Appeal, the cross objection, which is on the issue of section 14A disallowance, having become infructuous, is dismissed.

ITA No. 7853/Mum/2025 Revenue's (AY 2014-15)

21. Ground no. 1 relates to relief granted by ld. First appellate authority in the matter of disallowance made u/s. 14A read with Rule 8D(2).

22. Briefly the facts are, in the previous year relevant to the assessment year under dispute, the assessee had earned exempt income by way of dividend amounting to Rs.1,60,67,711/-*Suo motu*, the assessee computed disallowance u/s. 14A amounting to Rs.10,34,859/- being the expenditure attributable to earning of exempt income.

23. In course of assessment proceeding, the A.O. called upon the assessee to furnish the details of exempt income and also to explain the mode and manner in which the *suo motu* disallowance was made. In response to the query raised by the A.O., the assessee furnished a detailed explanation justifying its claim. However, the A.O. was not convinced with the submissions of the assessee. While verifying the financial statements, the A.O. noticed that

the assessee has incurred interest expenditure of Rs.8,05,12,000/- on borrowings, whereas the assessee has not disallowed proportionate interest expense attributable to earning of exempt income. Therefore, he called upon the assessee to explain why disallowance should not be computed in terms with Rule 8D(2). Though the assessee objected to the proposed disallowance, however, rejecting the objections of the assessee, the A.O. proceeded to compute disallowance under Rule 8D(2). In the process, he disallowed an amount of Rs.1,43,55,624/- under Rule 8D(2)(ii), being proportionate interest expenditure towards earning of exempt income and an amount of Rs.1,02,07,365/- under Rule 8D(2)(iii) towards indirect/administrative expenses. Thus, total disallowance computed by the A.O. was to the tune of Rs.2,45,62,989/-. After reducing the *suo motu* disallowance made by the assessee, the A.O. made a net disallowance of Rs.2,35,28,130/- u/s. 14A of the Act.

24. The assessee contested the aforesaid disallowance before ld. First appellate authority.

25. After considering the submissions of the assessee, in the context of the facts and materials on record, ld. First appellate authority found that the assessee had sufficient interest free surplus fund available for investment activities. Thus, he held that no proportionate disallowance of interest expenditure can be made. Insofar as disallowance of administrative expenditure under Rule 8D(2)(iii), ld. First appellate authority noticed that while dealing with identical issue in assessee's case in preceding assessment years the Tribunal had restricted the disallowance to 2% of exempt income earned during the year. Following the same, ld. First appellate authority directed the A.O. to restrict the disallowance to 2% of the exempt income earned during the year.

26. Being aggrieved, the Revenue is before us. Of course in the cross objections, the assessee has raised various grounds for accepting the *suo motu* disallowance.

27. We have considered rival submissions and perused the materials available on record. It is noted from materials placed before us, in course of assessment proceeding, while explaining the mode and manner of *suo motu* disallowance, the assessee had stated before the A.O. that some employees in the treasury department, in addition to their normal work look after investments activities. It was submitted that the total salary expenditure of such employees during the year was to the tune of Rs.94,07,812/-. The other ancillary expenditure attributable to the treasury department was to the tune of Rs.9,40,781/-. It was submitted by the assessee that only a small part of the activities of the treasury department is directed towards investment, 10% of the aggregate expenditure can reasonably be considered for contribution to earning of exempt income. Accordingly, the assessee has disallowed the amount of Rs.10,34,859/-.

28. So far as interest expenditure is concerned, it was the say of the assessee that there is no question of disallowing even a part of such expenditure, as the assessee had sufficient interest free surplus funds to take care of investment activities. Therefore, as per settled judicial principles, proportionate disallowance of interest expenditure made under Rule 8D(2)(ii) cannot be sustained.

29. Insofar as disallowance of administrative expenditure under Rule 8D(2)(iii), it is noted, the A.O. has computed disallowance on the overall investments without examining whether the entire investments have given rise to exempt income during the year or not. In any case of the matter, while deciding identical issue in assessee's case in A.Ys. 2007-08,

2008-09, 2009-10 and 2011-12, ITAT has consistently held that disallowance u/s.14A read with Rule 8D has to be restricted to 2% of the exempt income earned during the year. The factual position on the current year is identical to the earlier assessment year. Therefore, we find no valid reason to deviate from the consistent view expressed by ITAT in assessee's case. At this stage, we must observe that the reasoning of the A.O. is flawed as he has come to such conclusion by relying upon certain judicial precedents which subsequently stood reversed by the decisions of the Hon'ble High Court. In view of the aforesaid, we uphold the decision of ld. First appellate authority by dismissing the ground.

30. In ground no.2, the Revenue has challenged the deletion of disallowance of Rs.66 lacs, being payment made to Rediffusion Dentsu Young & Rubicam Pvt. Ltd. ('Rediffusion' in short) to avail certain services. Rediffusion was basically engaged in the business of providing services in relation to business communication strategy, advertisement, public relation and media solution. Being desirous of availing such services for the entire group, the assessee entered into this agreement. The scope of services are strategic planning, media relations, public affairs, strategic advice and public relations management in India. As per the terms of the agreement, Rediffusion was required to allocate resources and expenditure to service each of the Tata Group companies in all the business segment in which they operate. The holding company entered into an agreement with Rediffusion for and on behalf of the entire group, consisting of 28 companies, including the present assessee. As per the cost sharing model, Tata Sons Ltd. will bear 50% of the entire cost, representing payments to be made to Rediffusion and the remaining 50% was to be distributed amongst rest of the companies at the same ratio as was in the past. Assessee's share in the cost was fixed at Rs.5.50 lacs per month, excluding taxes, which

roughly worked out to 1.10% of the over all cost. Assessee's share in the cost paid during the year amounting to Rs.66 lacs was debited to the profit and loss account as 'expenditure'. At this stage, we must mention, the assessee along with the other companies, entered into separate deed of confirmation ratifying the main agreement.

31. In course of assessment proceeding, the A.O. called upon the assessee to furnish the requisite details involving such expenditure and also to justify the claim. In response to the query raised, the assessee furnished the agreement and other details in relation to the expenditure incurred. After going through the details furnished by the assessee, the A.O. observed that the deed of agreement did not specify the exact nature of services rendered by Rediffusion. He further alleged that the assessee has not furnished a single piece of evidence to show that services of Rediffusion were actually availed by it in the year under consideration. Hence, the purpose of the expenditure remained unverified. On the aforesaid reasoning, the A.O. disallowed the expenditure claimed.

32. The assessee contested the disallowance before ld. First appellate authority.

33. After considering the issue in totality, ld. First appellate authority was convinced that assessee did avail the services from Rediffusion in terms with the agreement. In this context, he referred to the correspondence between the assessee and service provider, detailed break down of actual services rendered etc. He also took note of the fact that in preceding assessment years, similar payments made by the assessee to Rediffusion have been allowed even in scrutiny assessments. Thereafter, relying upon the following decisions of the Hon'ble Supreme Court, *CIT vs. Walchand and Company Private Limited* 65 ITR 381 (SC) and *CIT v. Dhanrajgirji Raja Narsingirji* (1973) 91 ITR 544 (SC), ld. First appellate authority concluded that assessee's claim of having incurred the

expenditure for business purpose stands established. Accordingly, he deleted the disallowance.

34. Before us, strongly relying upon the observations of the A.O., ld. DR submitted that in course of the assessment proceedings, the assessee not only failed to furnish the requisite documentary evidences to establish the commercial expediency, but even whether the services were actually availed during the year. He submitted, before ld. first appellate authority, the assessee furnished fresh evidences, upon considering which relief has been granted. He submitted, ld. First appellate authority failed to appreciate the fact that no evidence was furnished before the A.O. Thus, he submitted, the disallowance made by the A.O. should be restored.

35. Per contra, ld. Counsel for the assessee strongly relied upon the observations of the first appellate authority. He drew our attention to the terms of the agreement and other documentary evidences placed on record to demonstrate that not only services were availed during the year but they were for the purpose of business. Thus, it was submitted that the order of ld. First appellate authority should be upheld.

36. We have considered rival submissions and perused the materials available on record. As discussed earlier, Tata Sons Ltd., on behalf of all other group companies, entered into an agreement with Rediffusion on 17.11.2011 to avail certain services and their experts. The scope of services to be availed have already been narrated earlier. As per the cost sharing model, Tata Sons Ltd. was to bear 50% of the cost and rest 50% was to be borne by the other group companies, including the assessee. It is a fact on record that the main agreement between Tata Sons Ltd. and Rediffusion was subsequently ratified by the other group companies, including the assessee through deed of confirmation. While

disallowing the expenditure claimed by the assessee, the A.O. has made two broad allegations. Firstly, the agreement did not specify the specific service provided by Rediffusion and secondly, no evidence was furnished by the assessee to demonstrate actual availing of services to prove the commercial expediency. As discussed earlier, as per the scope of services, Rediffusion was to provide strategic planning, media relations, public affairs, strategic advice and public relations management in India by allocating resources and expertise to each of the group companies, including the assessee. Various correspondences have been placed on record to demonstrate regular interaction between the assessee and Rediffusion to enhance the promotion and visibility of the products in the market. In this context, ld. Counsel for the assessee has drew our attention to the press releases, interviews in media and various other contents, not only to promote the business of the assessee, but also increase the market share. As a result of such services relating to strategic planning and strategic advice, there was substantial increase in the profit earing. The documentary evidences placed in the paper book clearly demonstrate these facts. Pertinently, these documents also formed the basis of finding of ld. First appellate authority. Nothing contrary has been brought on record by the department to controvert the factual finding of the first appellate authority. A reading of the assessment order clearly reveals that the A.O. has merely glossed over the facts and materials brought on record by the assessee. He has failed to appreciate the evidences brought on record in proper perspective. The disallowance has been made just for the sake of it. In view of the aforesaid, we do not find any infirmity in the decision of the first appellate authority. Ground is dismissed.

37. In the result, the appeal in ITA No. 7853/Mum/2025 for AY 2014-15 is dismissed.

CO No.07/Mum/2026 (A.Y. 2014-15)

38. In view of our decision *qua* in ground no.1 in Revenue's appeal in ITA No. 7853/Mum/2025, the grounds raised in the cross objection on the issue of the disallowance made u/s. 14A read with Rule 8D having become infructuous, do not require separate adjudication. Accordingly, it is dismissed.

ITA No. 7854/Mum/2025 Revenue's (AY 2016-17)

39. In ground no. 1, the Revenue has challenged the decision of ld. First appellate authority in the matter of disallowance made u/s. 14A read with Rule 8D. The facts relating to this issue are more or less identical to A.Ys. 2013-14 and 2014-15 dealt by us in the earlier part of this order. However, for the sake of completeness, we must observe, in the year under consideration, the assessee earned exempt income by way of dividend amounting to Rs.24,11,354/-. Whereas, *suo motu* the assessee had disallowed an amount of Rs.14,73,246/- adopting the same mode and manner in which *suo motu* disallowance was made in the earlier assessment years. Whereas, the A.O. following the methodology adopted in earlier assessment year, disallowed interest expenditure amounting to Rs.24,09,822/- under Rule 8D(2)(ii) and administrative expenditure of Rs.13,07,180/- under Rule 8D(2)(iii). Consistent with the view expressed in earlier assessment years, ld. First appellate authority restricted the disallowance to 2% of exempt income earned during the year.

40. Having heard the parties and examined the materials on record, we note that in the year under consideration, the interest free surplus fund available with the assessee was to

the extent of Rs.865.46 crores. Whereas, the investments are to the tune of Rs.305.58 crores. Thus, there was sufficient interest free fund available with the assessee to take care of the investments. In view of the aforesaid, our decision on the issue in A.Ys. 2013-14 and 2014-15 (supra) will apply *mutatis mutandis*. Accordingly, we uphold the decision of ld. First appellate authority and dismiss the ground.

41. In ground no.2, the Revenue has challenged the deletion of disallowance of Rs.66 lacs, being payment made to Rediffusion towards public relation services. This ground is identical to ground no. 2 in ITA No. 7853/Mum/2025, decided by us in the earlier part of the order. Following our reasoned discussion therein, we uphold the decision of ld. First appellate authority by dismissing the ground.

42. In ground no.3, the Revenue has challenged the deletion of disallowance of deduction claimed u/s. 80IA of the Act.

43. Briefly the facts are, while verifying the return of income of the year under consideration, the A.O. noticed that the assessee had claimed deduction of an amount of Rs.6,75,04,335/- u/s. 80IA of the Act in respect of incinerator treating it as infrastructure facility. Noticing the above, the A.O. called upon the assessee to justify the claim. In response to the query raised by the A.O., the assessee furnished a detailed reply justifying the claim. The A.O., however, was not convinced. He observed that the assessee had stated that the deduction is claimed on notional savings. He further observed, no authentic data was available which can give the market value of treating the waste. Therefore, the computation of deduction by the assessee cannot be stated to be realistic. He further observed that cost of transportation of the waste plays a key role. Whereas, in assessee's case cost is Nil. Referring to the decision of Hon'ble Supreme Court in case of *Liberty*

India v. Commissioner of Income Tax [2009] 317 ITR 218 (SC), the A.O. observed that since deduction u/s. 80IA is a profit linked incentive, it cannot be computed on notional basis. Thus, ultimately, he rejected assessee's claim of deduction.

44. The assessee contested the disallowance before ld. First appellate authority.

45. Ld. First appellate authority having found that identical issue was decided by ITAT in assessee's appeal arising out of an order passed u/s. 263 of the Act in A.Y. 2015-16, he followed the same and directed the A.O. to allow assessee's claim of deduction u/s. 80IA of the Act. Strongly relying upon the observations of the A.O., ld. DR submitted that the deduction u/s. 80IA of the Act was claimed by the assessee not on actual profit but on notional basis. He submitted, since the deduction u/s. 80IA of the Act is linked with the profits of business, unless there is actual profit, no deduction can be allowed. He submitted, before the A.O., the assessee had failed to demonstrate that there was actual profit by the assessee. Thus, he submitted, ld. First appellate authority was wrong in allowing assessee's claim of deduction.

46. Per contra, ld. Counsel for the assessee submitted that all statutory conditions for claiming deduction were fulfilled by the assessee. He submitted, in the audit report, the statutory auditors have confirmed the deduction. In this context, he drew our attention to the audit report in Form No. 10CCB. He submitted, the assessee manufactures various pesticides (agro chemicals). In course of manufacturing process various types of waste is generated which has to be thermally decomposed under high temperature by way of incineration in Primary Combustion chamber & secondary combustion chamber with a residual timeline. He submitted, the waste has to be incinerated at temperatures between 1000° C & 1150°C. For this purpose, the assessee has installed the incinerator having all

required controls with due permission from the regulatory authority, which is the Pollution Control Board. He submitted, the incinerator has been designed to meet the minimum thermal capacity of 6 million K calories with a suitable support fuel and maintained minimum temperature of 1150°C in primary and secondary combustion chamber. The waste generated are segregated and supplied to the incinerator in the form of a continuous supply to decompose thermally. He submitted, the A.O. has rejected the claim of deduction stating that it has been computed on notional savings. Drawing our attention to section 80IA(8) of the Act, ld. Counsel submitted that the assessee has installed the incinerator for captive use and the provision specifically refers to captive consumption of services. He submitted, in terms with the provision, the assessee has considered available market value of such goods or services and applying such market value, has computed the deduction. Therefore, assessee's claim has to be allowed.

47. Without prejudice, ld. Counsel submitted, in assessee's case in A.Y. 2015-16, in an appeal arising out of an order dated 263 of the Act, being ITA No. 913/Mum/2021, the Tribunal in order dated 04.07.2022, while dealing with the directions given by the Revisionary Authority in the matter of deduction claimed u/s. 80IA of the Act in respect of incinerator, has upheld the decision of the A.O. in allowing assessee's claim of deduction. Thus, he submitted, once the deduction claimed has been allowed in earlier assessment years, the issue cannot be revisited for the purpose of disallowance in subsequent assessment years.

48. We have considered rival submissions and perused the materials available on record. Undisputedly, the assessee is engaged in manufacturing of various agro chemicals, pesticides, plant nutrients, etc. For this purpose, the assessee has set up several plants at

Ankleshwar. In course of manufacturing process, solid and liquid waste is generated. The management of hazardous solid and liquid waste is regulated under the Environment Protection Act, 1986. One of the conditions as per the said Act and Rule is that it has to be certified by The Pollution Control Board. While certifying the manufacturing unit to Pollution Control Board ensures that the manufacturing unit has set up adequate infrastructure and facility for management of solid and liquid waste as required under law. Being satisfied that the assessee has fulfilled the conditions, Gujarat State Pollution Control Board has certified the manufacturing units of the assessee at Ankelshwar to manage solid and liquid waste. The assessee has invested an amount of Rs.1130.80 lacs in setting up the incinerator. The services of incineration is captively provided by the assessee to its manufacturing plants at Ankleshwar. When the assessee did not had the capability to provide such service, it had to incur such expenditure to deal with such waste.

49. In fact, sub section (8) of section 80IA of the Act provides for setting up of infrastructure facility for captive consumption. As per the said provision, when the transaction of such services are between related parties, the market value in relation to such services would be the price at which such services are ordinarily available in the open market. While computing the deduction u/s. 80IA of the Act, for the incinerator services the assessee had referred to a Circular issued by Bharuch Enviro Infrastructure Limited dated 22.12.2014, wherein the market value of various types of solid and liquid waste has been prescribed. Notably, in Form No. 10CCB, the statutory Auditor has reported that the gross revenue from incinerator-2 declared at Rs.1165.40 lacs is based on market price. Form No. 10CCB further states that incinerator-2 was set up in 08.03.2011 and the initial assessment year wherein the deduction was claimed for the first time was A.Y. 2014-15.

Undisputedly, plants and machineries installed for waste management falls in the category of infrastructure facilities u/s. 80IA of the Act.

50. The issue which arises for consideration is whether the A.O. was justified in disallowing assessee's claim of deduction on the reasoning that the deduction has been computed on notional basis without having actual profit. There is no controversy with regard to the fact that the assessee has installed the incinerator for management of solid and liquid waste generated in its various units at Ankaleshwar. Therefore, the incinerator was for captive use. Had the assessee not installed the incinerator, it would have availed such services from outside agency, thereby incurring cost. The only difference the assessee had made by installing the incinerator is instead of paying the cost to outside agencies, it had paid to itself by way of captive use. Thus, there cannot be any dispute with regard to the fact that the assessee has availed the services of incinerator and there is a cost involved. Therefore, the cost of providing such services has to be determined by applying the market value. In this context, the Circular referred to above provides adequate guidance. Therefore, in our view, the reasoning of the A.O. that the assessee has claimed deduction on a notional value is unacceptable. In fact, there are innumerable instances where manufacturing units avail uninterrupted electricity supply by setting up captive power plants. The profit generated by captive power plants from supply of electricity for captive use is claimed as deduction u/s. 80IA of the Act. The same principle applies to the present case also.

51. As stated earlier, the initial assessment year wherein the assessee had claimed deduction u/s. 80IA of the Act was A.Y. 2014-15. Pertinently, while examining the issue in the scrutiny assessment, A.O. has allowed assessee claim. In fact, in A.Y. 2015-16 also

the A.O. had allowed assessee's claim. Though, the revisionary authority revised the decision of the A.O. in exercise of power conferred u/s. 263 of the Act, however, while deciding assessee's appeal arising out of order passed u/s. 263 of the Act, the co-ordinate bench has upheld the decision of A.O. Thus, it is a fact on record that assessee's claim of deduction u/s. 80IA of the Act on incinerator was examined and allowed by the A.O. in A.Ys. 2014-15 and 2015-16. There being no difference either in the factual position or the eligible conditions in the impugned assessment year, a contrary view with regard to assessee's claim of deduction u/s. 80IA of the Act cannot be taken in the impugned assessment year, as, in absence of any factual difference, rule of consistency has to be followed. Thus, on over all consideration of facts and materials on record, we are inclined to concur with the view expressed by ld. First appellate authority. Ground raised is dismissed.

52. In the result, the appeal in ITA No. 7854/Mum/2025 for AY 2016-17 is dismissed.

CO No.08/Mum/2026 (A.Y. 2016-17-15)

53. The main grounds raised in the cross objection are with reference to disallowance made u/s. 14A read with Rule 8D. In view of our decision with reference to ground no. 1 in Revenue's appeal being ITA No. 7854/Mum/2025 (supra), the grounds having become infructuous do not require separate adjudication. In addition to the main cross objection, through letter dated 12.02.2026, the assessee had raised an additional ground challenging the levy of interest u/s. 234A of the Act for an amount of Rs.2,10,590/-. Since, this ground of the assessee arises out of the respective orders of the departmental authorities and can be decided based on the facts and materials on record, we are inclined to admit the ground.

54. We have considered rival submissions and perused the materials available on record. It is the say of the assessee that since the return of income was filed within the due date, there is no question of chargeability of interest u/s. 234A of the act. In principle, we agree with the aforesaid submission of ld. Counsel. The A.O. is directed to factually verify the date of filing of return of income by the assessee and delete the interest levied u/s. 234A of the Act. Cross Objection is partly allowed.

ITA No.7855/Mum/2025 (A.Y. 2017-18)

55. In ground no. 1, the Revenue has challenged the decision of ld. First appellate authority in the matter of disallowance made u/s. 14A read with Rule 8D. The facts relating to this issue are more or less identical to A.Y. 2016-17 dealt by us in the earlier part of this order. In view of the aforesaid, our decision on the issue in A.Y. 2016-17 (supra) will apply mutatis mutandis. Accordingly, we uphold the decision of ld. First appellate authority and dismiss the ground.

56. In ground no.2, the Revenue has challenged the deletion of disallowance of Rs.66 lacs, being payment made to Rediffusion towards public relation services. This ground is identical to ground no. 2 in ITA No. 7854/Mum/2025, decided by us in the earlier part of the order. Following our reasoned discussion therein, we uphold the decision of ld. First appellate authority by dismissing the ground.

57. In ground no.3, the Revenue has challenged the deletion of disallowance of deduction claimed u/s. 80IA of the Act. This ground is identical to ground no. 3 in ITA No. 7854/Mum/2025, decided by us in the earlier part of the order. Following our reasoned discussion therein, we uphold the decision of ld. First appellate authority by dismissing the ground.

CO No. 09/Mum/2026 (A.Y. 2017-18)

53. In view of our decision qua ground no.1 in Revenue's appeal in ITA No. 7853/Mum/2025, the grounds raised in the cross objection on the issue of the disallowance made u/s. 14A read with Rule 8D having become infructuous do not require separate adjudication. Accordingly, it is dismissed.

To sum up:

ITA Nos.	Assessment Years	Result
ITA No. 7852/Mum/2025	2013-14	Dismissed
ITA No. 7853/Mum/2025	2014-15	Dismissed
ITA No. 7854/Mum/2025	2016-17	Dismissed
ITA No. 7855/Mum/2025	2017-18	Dismissed

And

CO Nos.	Assessment Years	Result
06/Mum/2026	2013-14	Dismissed
07/Mum/2026	2014-15	Dismissed
08/Mum/2026	2016-17	Partly allowed
09/Mum/2026	2017-18	Dismissed

Order pronounced in the open court on 27/03/2026.

Sd/- Sd/-

(Makarand Vasant Mahadeokar) (Saktijit Dey)
Accountant Member Vice President

Mumbai; Dated : 27/03/2026
Aks/- and Roshani, Sr. PS

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent
3. The CIT(A)
4. CIT - concerned
5. DR, ITAT, Mumbai
6. Guard File

BY ORDER,

(Dy./Asstt. Registrar)
ITAT, Mumbai