

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

BEFORE SHRI SHAILENDRA KUMAR YADAV, JUDICIAL
MEMBER,
AND SHRI RAJESH KUMAR, ACCOUNTANT MEMBER.

ITA. No. 6224/Mum/2014
(Assessment Year:2011-12)

D.C.I.T. 1(2),
5th Floor, Aayakar Bhavan,
M.K. Road, Mumbai 400020

Appellant

Vs.

M/s. IDFC Alternatives Limited
201, Naman Chambers, C-32,
G-Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400 051

Respondent

PAN: AABCI0920K

अपीलार्थी की ओर से /By Appellant : Mr. Javed Akhtar, D.R.
प्रत्यर्थी की ओर से/By Respondent : Mr. Dhanesh Bafna &
Siddharth Shah, A.R.

सुनवाई की तारीख/Date of Hearing : 29.06.2016

घोषणा की तारीख/Date of
Pronouncement : 30.06.2016

ORDER

PER SHAILENDRA KUMAR YADAV, J.M:

This appeal has been filed by Revenue against the order of
Commissioner of Income-Tax (Appeals)-2, Mumbai, dated
17.06.2014 for A.Y. 2011-12 on following ground:

“1. Whether on the facts and circumstances of the case and in law, the Ld. CIT(A) erred in allowing relief to the assessee without appreciating that mere existence of a service agreement when the assessee has failed to justify the nature of services provided by IDFC LTD., and has failed to provide documentary evidences to establish actual supply of services does not satisfy the requirements of section 37(1) of being “wholly and exclusively for the purpose of business” and therefore, could not have been allowed as expenditure.”

2. Assessee is a public limited incorporated under the Companies Act, 1956, engaged in the business of rendering investment management and investment advisory services. Assessee had filed its return of income electronically declaring a total income of Rs.52,47,12,726/-. The assessment was completed u/s.143(3) of the Act, determining a total income at Rs.52,92,12,730/-. Assessing Officer made disallowance of shared service cost of Rs.45lacs.

2.1 Aggrieved by the order of Assessing Officer, matter was carried before the First Appellate Authority, wherein various contentions were raised on behalf of assessee and having considered the same, CIT(A) has granted relief to the assessee. Same has been opposed before us on behalf of Revenue inter alia submitted that order of CIT(A) be set aside and that of Assessing Officer be restored. On other hand, ld. Authorized Representative supported the order of CIT(A).

2.2 After going through rival submissions and material on record, we find that as stated above, assessee is running his office from the same business premises wherein the holding

company viz. IDFC Ltd., is also located. The stand of assessee has been that there are certain services, which by their very nature are feasible for sharing and incurring costs, based on a concept of cost centre, for which reimbursements among the group companies was found to be a better business practice for achieving cost efficiencies. Assessee has provided full details of nature of services for which costs were incurred together by all group entities based on the usage. There was no mark up while making the reimbursements by assessee, for the services rendered, to the holding company viz. IDFC Ltd. The stand of assessee has been that it has also deducted TDS at the applicable rates u/s. 194J of the Act. Having regard to all these important facts and the methodology followed by assessee for obtaining certain services and making the payments to IDFC there cannot be any doubt about the bonafide nature of services rendered by the IDFC and the payments made by assessee. It was also observed that Assessing Officer has merely stated that assessee has diverted profits to IDFC in form of payments made on account of shared services costs. However, Assessing Officer has not brought out any material to even remotely suggest as to how such a proposition or inference was made in the assessment order. It was also pointed out that similarly placed a company has also claimed the similar expenses which had not been disturbed by Assessing Officer. Thus, assessee has established the fact of receiving services from IDFC Ltd., for which Rs.45 lacs has been paid, after deducting the applicable TDS u/s.194J of the

Act. In such a situation, disallowance made by Assessing Officer was not justified and same was rightly deleted by CIT(A) by reasoned finding. This reasoned finding of CIT(A) needs no interference from our side. We uphold the same.

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

Pronounced in the open Court on this the 30th day of June, 2016.

Sd/-
(RAJESH KUMAR)
ACCOUNTANT MEMBER

Sd/-
(SHAIENDRA KUMAR YADAV)
JUDICIAL MEMBER

Mumbai: Dated 30/06/2016

True Copy

S.K.SINHA

आदेश की प्रतिलिपि अग्रेषित / Copy of Order Forwarded to:-

1. राजस्व / Revenue
2. □ वेदक / Assessee
3. संबंधित □ यकर □ युक्त / Concerned CIT
4. □ यकर □ युक्त- अपील / CIT (A)
5. विभागीय प्रतिनिधि, □ यकर अपीलीय अधिकरण, मुंबई /
DR, ITAT, Mumbai
6. गार्ड फाइल / Guard file.

By order/□ देश से,

उप/सहायक पंजीकार,
□ यकर अपीलीय अधिकरण, मुंबई ।