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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

+ ITA 81/2018, CM APPL.2787/2018
ITA 83/2018, CM APPL.2788/2018

PRINCIPAL COMMISSIONER OF INCOME TAX (CENTRAL)-1

..... Appellant

Through: Mr. Rahul Chaudhary, Sr. Standing
Counsel.

versus

M/S MOONSTAR SECURITIES TRADING AND FINANCE CO.
PVT. LTD.

..... Respondent

Through: None.

CORAM:

HON'BLE MR. JUSTICE S. RAVINDRA BHAT

HON'BLE MR. JUSTICE A. K. CHAWLA

ORDER

24.01.2018

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In these two appeals, identical questions are sought to be urged with respect to the disallowance made under Section 14A. The assessee had claimed receipt of tax exempt income by way of dividends for the relevant years. It was subjected to search and was issued with notices under Section 153A. Disallowances were made in the course of the search assessment proceedings. The relief granted by the impugned order was based upon the decision of this Court in *CIT-VI v. Taikisha Engineering India Ltd., 370 ITR 338 (Del)* where it was held that unless the Assessing Officer rejected the explanation

or the rationale which induced the assessee to offer particular amount as expenditure with some reasoning, the mere rejection *per se* cannot be accepted. In this case for both years, the assessee had offered amounts as disallowance claiming them to be expenditure for tax exempt income. The Assessing Officer merely proceeded to reject such amount as expenditure and straightaway applied Rule 8D without adducing any reasons. Consequently, the principle enunciated in *Taikisha Engineering (supra)* clearly applied.

As a result, it is held that the ITAT did not fall into error in holding as it did; no substantial question of law arises. The appeals are accordingly dismissed.

S. RAVINDRA BHAT, J

A. K. CHAWLA, J

JANUARY 24, 2018

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