

Setback To Axis Bank: ITAT upholds Disallowance on account of Interest Expenses incurred on Capital Work in progress

Fact of the Case

1. The assessee, Axis Bank Limited in the present case is a Scheduled Bank and engaged in the business of banking. The assessee in the year under consideration has earned exempt income of Rs. 13,83,14,263/- by way of dividend.
2. The assessee against such income has made the disallowance of Rs. 1,06,39,198/- under the computation of income under protest in pursuance to the provision of section 14A of the Act. However, the AO during the assessment proceedings found that there was no basis for making the disallowance of Rs. 1,06,39,198/- against the exempted income.
3. The onus lies upon the assessee to justify the expenses incurred in relation to exempt income. If the assessee failed to discharge the onus, the only option available to Revenue is to make the disallowance by resorting to the provisions of Rule 8D of Income Tax Rules.
4. However, in the interest of justice, fair play, and keeping in view to the fact that assessee has made suo moto disallowance of Rs. 1,06,38,000, we are inclined to extend one more opportunity to the assessee to provide the basis of such disallowance by furnishing the necessary details.

Decision of the Case

1. The coram headed by the Vice President Jaypal Yadav and Accountant Member Waseem Ahmed noted that the issues raised by the Revenue in its grounds of appeal for the AY 2014-15 are identical to the issues raised by the Revenue for the assessment year 2012-13.
2. Therefore, the findings given shall also be applicable for the year under consideration i.e. AY 2014-15. The appeal of the Revenue for the assessment 2012- 13 has been decided of this order against the Revenue.
3. The learned AR and the DR also agreed that whatever will be the findings for the assessment year 2012-13 shall also be applied for the year under consideration i.e. A.Y 2014-15.