

## **Section 10A deductions to be made from Gross Total Income and not from Total Income: ITAT**

### **Fact of the Case**

- The assessee, Ocwen Financial Solutions Pvt. Ltd. is engaged in the business of providing IT-enabled services
- The assessee herein is a wholly-owned subsidiary of M/s Ocwen Asia Holdings Limited, Mauritius.
- The AO noticed that the interest income has accrued/received to/by the assessee from the deposits kept with the bank for availing bank guarantees and those bank guarantees have been given in favor of the Income-tax department towards the income tax liability of the assessee. Accordingly, the AO took the view that the interest income is not related to any particular undertaking and hence it cannot be considered as income derived from “anyone undertaking”.
- The assessee has challenged the action of the AO in setting off of brought forward losses prior to computing deduction under section 10AA of the Act.

### **Decision of the Case**

- The coram headed by the Vice-President, N.V. Vasudevan, and Accountant Member, B.R. Baskaran relied on the decision of the Supreme Court in the case of Yokogawa India Ltd wherein it was held that the deduction under section 10A has to be made independently and immediately after the stage of determination of its profits and gains.
- The Supreme Court held that the deductions under Section 10A therefore would be prior to the commencement of the exercise to be undertaken under Chapter VI of the Act for arriving at the total income of the assessee from the gross total income.
- In the present case, the deduction claimed by the assessee is under section 10AA, which is akin to the deduction allowed u/s 10A of the Act.
- The ITAT directed the AO to allow deduction u/s 10AA without setting off or bringing forward losses.