

## No Disallowance of Interest for earning exempt Income u/s 14A: ITAT grants relief to Bajaj

M/s Bajaj Resources Ltd vs. The A.C.I.T, New Delhi

ITA No. 4018/DEL/2018 [A.Y 2014-15]

Date of Judgement/Order : 24.09.2021

### Fact of the Case

1. The assessee company, M/s Bajaj Resources Ltd is engaged in the business of Ownership of FMCG product brands activities for development of brands and inter-corporate deposits.
2. Return of income for the year under consideration was filed admitting a total income under normal provisions and under the provisions of section 115JB of the Income-tax Act, 1961. The return was selected for scrutiny assessment and accordingly, notices were issued and duly served on the assessee.
3. During the course of scrutiny assessment proceedings, the Assessing Officer noticed that the assessee has claimed exemption in respect of dividend income and profit in LLP. The Assessing Officer found that no expenditure in relation to exempt income was disallowed by the assessee u/s 14A of the Act.
4. It was strongly contended that the assessee has sufficient own interest free funds to make investments and, therefore, there is no question of investment made out of borrowed funds.
5. It was brought to the notice of the CIT(A) that all these investments have been made in earlier assessment years and no borrowed funds were utilised for making these investments.
6. The CIT(A) held that the submissions of the appellant are comprehensive regarding why Section 14A should not be applicable. There is no doubt that investment has been made to enhance the business of the group company and lesser intention of getting interest free income, which was challenged by the Revenue.

### Decision of the Case

1. The coram of Judicial Member Sudhanshu Shrivastava and Accountant Member, N.K.Billaiya in light of the financial statements exhibited elsewhere, and in light of the ratio laid down by the Supreme Court in the case of South Indian Bank Ltd held that there cannot be any disallowance of interest for earning exempt income and there is no reason to interfere with the findings of the CIT(A).
2. In so far as the disallowance on account of administrative expenses is concerned, the ITAT found that there is no dispute that all the investments are made in the sister concern in which the assessee has deep business interests and under business expediency, it has invested various amounts in shares of group companies. These investments are strategic investments made for furtherance of business of its sister concern.
3. In a relief to Bajaj Resources Ltd, the Delhi bench of Income Tax Appellate Tribunal (ITAT) ruled that no disallowance can be made on interest for earning exempt income under section 14A of the Income Tax Act.