

**IN THE INCOME-TAX APPELLATE TRIBUNAL "A" BENCH,  
MUMBAI**

**BEFORE SHRI PAWAN SINGH, JUDICIAL MEMBER  
&  
SMT.RENU JAUHRI, ACCOUNTANT MEMBER**

**ITA No.5403/MUM/2025  
(A.Y.2022-23)**

ACIT 16(1) Room No. 439, Aaykar Bhavan, MK Road, Marine Lines, Mumbai-400020.	Vs.	Aishwarya Rai Bachchan Jalsa B-2 Kapole CHS V L Mehta Road JVPD Scheme Juhu, Mumbai-400049.
<b>स्थायी लेखा सं./जीआइआर सं./PAN/GIR No:ADLPR35537P</b>		
<b>Appellant</b>	<b>..</b>	<b>Respondent</b>

Appellant by :	Shri Mani Jain
Respondent by :	Shri Surendra Mohan- Sr. DR

Date of Hearing	29.10.2025
Date of Pronouncement	31.10.2025

**आदेश / ORDER**

**PER RENU JAUHRI [A.M.] :-**

This appeal is filed by the Revenue against the order of the Learned Commissioner of Income-tax (Appeals), Mumbai/National Faceless Appeal Centre, Delhi [hereinafter referred to as "CIT(A)"] dated 16.06.2025 passed u/s. 250 of the Income-tax Act, 1961 [hereinafter referred to as "Act"] for the Assessment Year [A.Y.] 2022-23.

2. The grounds of appeal are as follows:

*“1. Whether the Ld. CIT(A) erred in not applying the principle laid down by the Hon'ble Supreme Court in Maxopp Investment Ltd. v. CIT (2018) 402 ITR 640 (SC) that Section 14A is attracted where the expenditure is incurred in relation to exempt income, and the availability of interest-free funds is not a standalone defense unless proven to be directly used for investments?”*

3. The brief fact of the case are that the assessee filed her return for A.Y. 2022-23 on 22.10.2022 declaring total income of Rs. 39,33,02,240/-. The case was selected for complete scrutiny for verification of several issues. After considering the assessee response, the ld. AO proposed to make disallowance of expenses relating to exempt income u/s. 14A r/w Rule 8D of the Act. The assessee submitted that suo-moto disallowance of Rs. 49,08,657/- has already been made despite no expenditure being incurred for earning the exempt income.

However, ld. AO did not accept the assessee contention and made disallowance u/s. 14A r.w.s 8D as per the following computation:

S. No.	Particulars	Investment as on 31.03.2021 (Rs.)	Investment on 31.03.200(Rs.)	Total
1	Investment in Tax Free Income Earning Assests	4,49,43,98,145	4,71,82,79,581/-	9,21,26,77,726/-
	Aug. Value of investment			4,60,63,38,863/-

Disallowance @1% of above = Rs. 4,60,63,388/-

After reducing the suo-moto disallowance of Rs. 49,08,657/- balance amount of Rs. 4,11,54,731/- was disallowed u/s. 14A of the Act and assessment completed at an income of Rs. 43,44,56,971/- vide order u/s. 143(3) dated 16.03.2024.

3.2 Aggrieved, the assessee preferred an appeal before the Id. CIT(A). After detailed examination of the issue, Id. CIT(A) allowed the assessee's appeal with the following observations:

4.6. It is observed from the above that the appellant had voluntarily made disallowance of Rs. 49,08,657/- u/s 14A which includes direct expense of Rs. 37,59,718/- and transaction tax of Rs. 1,65,189/- and the STT of Rs. 4,95,328/- and indirect other expenses of Rs. 4,88,422/- being 5% of the total expense u/s 14A.

4.7. Further perusal of the financials as furnished by the appellant clearly indicates that the total expenses occurred involves many administrative and miscellaneous expenses as well. Moreover, as per the computation as furnished by the appellant w.r.t the exempt income, the disallowance worked out at Rs. 21,95,734/- which is lesser than the suo-moto disallowance made by the appellant. The relevant calculation is as below-

AISHWARYA RAI BACHCHAN  
Scenario-2

Investments from whom exempt income are earned

Name of Investment	April	May	June	July	August	September
Edelweiss Alternative Equity Scheme Class A 000830	7,39,37,235	7,39,37,235	7,39,37,235	7,39,37,235	7,39,37,235	7,39,37,235
Edelweiss Alternative Equity Scheme Class A 255427	6,10,97,575	6,10,97,575	6,10,97,575	6,10,97,575	6,10,97,575	6,10,97,575
Edelweiss Alternative Equity Scheme Class A 277401	2,87,63,306	2,87,63,306	2,87,63,306	2,87,63,306	2,87,63,306	2,87,63,306
Edelweiss Alternative Equity Scheme Class A 278665	1,22,75,899	1,22,75,899	1,22,75,899	1,22,75,899	1,22,75,899	1,22,75,899
Edelweiss Alternative Equity Scheme Class A 278772	58,57,040	58,57,040	58,57,040	58,57,040	58,57,040	58,57,040
Edelweiss Alternative Equity Scheme Class A 281822	1,95,23,467	1,95,23,467	1,95,23,467	1,95,23,467	1,95,23,467	1,95,23,467
Icon Prudential Venture MF	1,15,24,838	1,06,89,888	1,06,89,888	1,06,89,888	1,06,89,888	1,06,89,888
India Post Fund Scheme IV	(28,61,505)	(28,61,505)	(28,61,505)	(28,61,505)	(28,61,505)	(28,61,505)
Irish Tax Free Bond 8 1/8 38423P627 Fvrs1000 (Pip)	-	-	-	-	-	-
Shri-5 38423P627 Fvrs1000 (Pip)	-	-	-	-	-	-
Pic Tax Free Bonds Se-4d-38401P627 Fvrs1000 (Pip)	-	-	-	-	-	-
Rac Se-2.8 12/8 3284-276427 Fvrs1000 (Pip)	-	-	-	-	-	-
Rac Se-2AS 4d-2 45p-28 Fvrs1000 (Pip)	-	-	-	-	-	-
Total	21,01,17,866	20,92,82,905	20,92,82,905	20,92,82,905	20,92,82,905	20,92,82,905

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October	November	December	January	February	March
7,39,37,235	7,39,37,235	7,39,37,235	7,39,37,235	7,39,37,235	7,34,07,000
6,10,97,575	6,10,97,575	6,10,97,575	6,10,97,575	6,10,97,575	6,04,70,645
2,87,63,306	2,87,63,306	2,87,63,306	2,87,63,306	2,87,63,306	2,82,27,441
1,22,75,899	1,22,75,899	1,22,75,899	1,22,75,899	1,22,75,899	1,20,99,344
58,57,040	58,57,040	58,57,040	58,57,040	58,57,040	58,10,278
1,95,23,467	1,95,23,467	1,95,23,467	1,95,23,467	1,95,23,467	1,91,99,374
1,06,89,888	1,06,89,888	1,06,89,888	1,06,89,888	1,06,89,888	1,06,89,888
(28,61,505)	(28,61,505)	(28,61,505)	(28,61,505)	(28,61,505)	(29,37,998)
-	-	-	-	-	2,70,97,000
-	-	-	-	-	8,02,26,000
-	-	-	-	-	1,40,18,000
-	-	-	-	-	5,71,12,000
-	-	-	-	-	7,00,00,000
20,92,82,905	20,92,82,905	20,92,82,905	20,92,82,905	20,92,82,905	45,54,18,973

14A disallowance calculation		
Month	Opening	Closing
April	21,01,17,855	20,92,82,905
May	20,92,82,905	20,92,82,905
June	20,92,82,905	20,92,82,905
July	20,92,82,905	20,92,82,905
August	20,92,82,905	20,92,82,905
September	20,92,82,905	20,92,82,905
October	20,92,82,905	20,92,82,905
November	20,92,82,905	20,92,82,905
December	20,92,82,905	20,92,82,905
January	20,92,82,905	20,92,82,905
February	20,92,82,905	20,92,82,905
March	20,92,82,905	45,54,18,973
<b>Total</b>	<b>2,51,22,29,815</b>	<b>2,75,75,30,933</b>
Monthly Average		2,63,48,80,374
Annual Monthly Average		21,95,73,365
Amount of Disallowance u/s 14A		21,95,734

4.8. Further perusal of ITR revealed that the appellant has earned total exempt income of Rs. 2,14,26,224/- and suo-moto disallowed the expenses of Rs. 49,08,657/- including 5% indirect expenses incurred to manage the investments. The relevant portion of ITR is as below-

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A.Y. 2022-23  
ITBA/NFAC/S/250/2025-26/1077076405(1)

5.	Income credited to Profit and Loss account (included in 1) which is exempt			
a.	share of income from firm(s)	5a		0
b.	Share of income from AOP/ BOI	5b		0
c.	Any other exempt income (specify nature and amount)			
	Sl.No.	Nature	Amount	
	1	AIF - CAT-III - CAPITAL GAINS		8,11,279
	2	INTEREST ON TAX FREE BONDS		2,05,76,603
	3	BUY-BACK GAINS		38,342
	Total	5c		2,14,26,224
d.	Total exempt income (5a + 5b + 5c)	5d		2,14,26,224
6.	Balance (1- 2a - 2b - 3a -3b - 3c - 3d -3e -3f - 4a - 4b - 5d)	6		4,49,00,363
7.	Expenses debited to profit and loss account considered under other heads of income/related to income chargeable u/s 115BBF or u/s 115BGG			
a.	Salaries	7a		0
b.	House property	7b		0
c.	Capital gains	7c		0
d.	Other sources	7d		0
e.	u/s 115BBF	7e		0
f.	u/s 115BGG	7f		0
8a	Expenses debited to profit and loss account which relate to exempt income	8a		0
8b	Expenses debited to profit and loss account which relate to exempt income and disallowed u/s 14A (16 of Part A-OI)	8b		49,08,657
9	Total (7a - 7b - 7c + 7d +7e + 7f+ 8a+8b)	9		49,08,657
10	Adjusted profit or loss (6+9)	10		4,98,09,020
11	Depreciation and amortisation debited to profit and loss account	11		31,875
12.	Depreciation allowable under Income-tax Act			
1	Depreciation allowable under section 32(1)(u) and 32(1)(ia) (item 6 of Schedule-DEP)	12i		31,875

4.9. Also reliance is placed on the decision of Hon'ble Supreme court in the case of Maxopp Investment Ltd.. vs Commr.Of I.T New Delhi, as below-

"41) Having regard to the language of Section 14A(2) of the Act, read with Rule 8D of the Rules, we also make it clear that before applying the theory of apportionment, the AO needs to record satisfaction that having regard to the kind of the assessee, suo moto disallowance under Section 14A was not correct. It will be in those cases where the assessee in his return has himself apportioned but the AO was not accepting the said apportionment. In that eventuality, it will have to record its satisfaction to this effect. Further, while recording such a satisfaction, nature of loan taken by the assessee for purchasing the shares/making the investment in shares is to be examined by the AO."

4.10. In view of the above decision and also the fact that the appellant has already made the applicable disallowance suo moto in her ITR, I find merit in the

appellant's contention that the AO has to record his/her satisfaction for such non-acceptance of the accounts computation as furnished by the assessee. In view of the above discussion, I find that there is merit in the claim of the appellant and therefore, direct the AO to delete the addition made of Rs. 4,11,54,731/-. Thus, the ground raised by the appellant stands **allowed**.

Aggrieved with the order above of ld. CIT(A), the revenue is in appeal before the Tribunal.

4. Before us, ld. DR has vehemently argued that the ld.AO has correctly applied the provisions of section 14A r.w.r. 8D to compute the disallowance of expenses incurred on earning the exempt income. He has further submitted that the ld. AO has duly recorded his satisfaction for invoking the provisions of section 14A r.w.r 8D in para 3.4 of his order. In view of these facts, the order of the ld. AO deserves to be upheld.

4.2 Ld. AR, on the other hand, has submitted that no proper satisfaction had been recorded by the ld. AO. In response to the show-cause notice, the assessee had submitted a detailed reply dated 09.03.2024 which has been reproduced in the assessment order by the ld. AO but it has been rejected without due consideration. Ld. AO has not given any findings on the merits of the assessee's submissions and no satisfaction has been recorded as to why the AO disagrees with the explanation of the assessee. Ld. AR has further pointed out that the total expenditure incurred by the assessee is only Rs. 2.48 cr as against which the disallowance of Rs. 4.60 cr has been computed by the ld. AO which is preposterous. Lastly, Ld. AR has also placed reliance on the ld. CIT(A)'s order for A.Y. 2014-15 wherein on similar facts, he had deleted the addition made by ld. AO.

5. We have heard the rival submissions and perused the material available on record. Admittedly, the assessee had suo-moto made a disallowance of Rs. 49,08,657/- u/s. 14A in respect of total exempt income of Rs. 2,14,26,224/- at the time of filing her return of income. This amount includes direct expenses of Rs. 37,59,718/- transaction tax of Rs. 1,65,189/-, STT of Rs. 4,95,328/- and indirect expenses of Rs. 4,88,422/- being 5% of the total expenses. As per the settled legal position, in view decision of Hon'ble Apex Court in the case of *Maxopp Investments Ltd. Vs. CIT(2018) 402 ITR 640*, ld. AO had to record his satisfaction as to why the suo-moto disallowance made by the assessee was not acceptable which has not been done and, therefore, ld. CIT(A) has rightly allowed relief to the assessee.

5.2 Further, the assessee had submitted the working as per section 14A r.w.r 8D after considering only those investments from which exempt income was earned during the year in view of the decision of the special bench in *Vireet Investments Pvt. Ltd. V ACIT 165 TRD 27*, as per which the disallowance works out to Rs. 21,95,734/-. Ld. AO simply rejected the computation submitted by the assessee and proceeded to compute the disallowance u/s. 14A r.w.r 8D at Rs. 4,60,63,388/- without segregating the investments from which exempt income was derived. Moreover, it is seen that the total expenses debited to the P&L account are only Rs. 2,48,11,639/- and thus the computation of disallowance of Rs. 4,60,63,38,863/- is devoid of any logic and clearly unreasonable. Thus it

is clear that ld. AO has not considered the entire factual matrix of the case nor gone through the relevant accounts and the disallowance has been made without proper appreciation of facts in the light of the settled legal position. Accordingly, we are of the considered view, that the disallowance made by the ld. AO over and above the suo-moto disallowance made by the assessee is without any basis and deserves to be deleted.

6. In the result, the appeal of the revenue is dismissed.

Order Pronounced in Open Court on 31.10.2025

Sd/-  
(PAWAN SINGH)  
(JUDICIAL MEMBER)

Sd/-  
(RENU JAUHRI)  
(ACCOUNTANT MEMBER)

Place: Mumbai

Date 31.10.2025

Anandi.Nambi/STENO

आदेश की प्रतिलिपि अग्रेषित/Copy of the Order forwarded to :

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