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

+ ITA 446/2026, CM APPL. 36357/2026, CM APPL. 36358/2026
PR. COMMISSIONER OF INCOME TAX, CENTRAL-3, DELHI
.....Appellant

Through: Mr.Gaurav Gupta, SSC,
Mr.Shivendra Singh JSC, Mr.Yojit
Pareek JSC and Ms. Aryama Singh
Rajput, Adv.

versus

JINDAL SAW LTD. Respondent
Through: Mr. Rohit Jain, Mr. Saksham Singhal
& Mr. Tavish Venna, Advocates.

CORAM:
HON'BLE MR. JUSTICE DINESH MEHTA
HON'BLE MR. JUSTICE RAJNEESH KUMAR GUPTA

ORDER
08.07.2026

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1. The instant appeal has been preferred on the following questions:-

“2.1 Whether on the facts and the circumstances of the case, ITAT is justified in deleting the disallowance under section 14A of the I.T. Act amounting to Rs.6,77,46,043/-.

2.2 Whether for application of Section 14A of the Income Tax Act, 1961 the earning of exempt income is an essential legal requirement?

2.3 Whether the term in relation to' as used in Section 14A of the Act contemplates a direct and proximate nexus between 'expenditure incurred' and earning of exempt income?

2.4 Whether ITAT is legally justified in deleting disallowance under section 14A of the Act because the assessee had not earned tax exempt income during the year, under considering the legislative intent of introduction of Section 14A by the Finance Act, 2001



and subsequent clarification issued by CBDT vide circular No. 5/2014 dated 10/02/2014?

2.5 Whether the ITAT is legally justified in deleting the disallowance under section 14A of the Act by not considering a legal principle that allowability/disallowability of expenditure under the Act is not conditional upon the earning of the income as held by Hon'ble Supreme Court in the case of CIT Vs Rajendra Prasad Moody (1978) 15 ITR 519?.

2.6 Whether on the facts and circumstances of the case ITAT is justified in deleting the disallowance u/s 40(a)(ia) of the Income-tax Act, 1961 amounting to Rs. 1,66,16,422/-?

2.7 Whether on the facts and circumstances of the case ITAT is justified in deleting the disallowance under section 40(a)(ia) of the Income-tax Act, 1961 amounting to Rs. 1,66,16,422/- by ignoring the order under sections 201(1) and 201(1A) passed by ITO(TDS) on 28.03.2011.

2.8 Whether on the facts and circumstances of the case ITAT is justified in deleting the disallowance u/s 40(a)(ia) of the Income-tax Act, 1961 amounting to Rs. 1,66,16,422/- by ignoring the detailed finding of the Assessing Officer?"

2. Mr. Jain, learned counsel appearing on behalf of the respondent-assessee, at the outset, submitted that so far as the first issue regarding deletion of disallowance under Section 14A of the Income Tax Act, 1961 (*hereinafter referred to as 'the Act of 1961'*) is concerned, the same has been decided by this Court against the Department in the case of **CIT vs. Caraf Builders & Constructions Pvt. Ltd.** 101 Taxmann.com 167 and an SLP filed thereagainst also has been rejected by the Hon'ble the Supreme Court.

3. While advertng to question Nos. 2.7 and 2.8 in relation to Section 40(a)(ia) of the Act of 1961 whereby the Assessing Officer (*hereinafter*



referred to as 'AO') had disallowed the expenditure of Rs. 1,66,16,422/-, Mr. Jain submitted that disallowance was made, as the assessee had deducted tax under Section 194 C of the Act of 1961 whereas according to the AO, it should have been under Section 194I of the Act of 1961.

4. Mr.Jain, further submitted that so far as the order 201(1) and 201(1A) of the Act dated 28.03.2011 relied upon by the AO are concerned, the Tribunal has set aside the same and since the AO's view that the tax was deducted under the wrong provision itself has been reversed, there cannot be any justification for disallowing the expenditure.

5. Having heard learned counsel for the parties, we are of the view that when the tax has been deducted and simply because it has been deducted citing a provision, the assessee can neither be held to be in default nor can the amount be disallowed by invoking Section 40(a)(ia) of the Act of 1961. More particularly, when the Tribunal has set aside the order holding the assessee to be in default, these grounds of appeal are, therefore, also decided against the Revenue.

6. As a result of the discussion aforesaid, the appeal filed by the Revenue is dismissed.

7. All pending applications, including the application(s) seeking condonation of delay in filing/re-filing also stand disposed of.

DINESH MEHTA, J.

RAJNEESH KUMAR GUPTA, J.

JULY 8, 2026/neelam