

LEGAL UPDATES

ITAT: DISALLOWANCE FOR FAILURE TO DEDUCT TDS SHOULD BE LIMITED TO A 30% FINE

In an appeal decided by ITAT in [Draipl-Mskel \(JV\)](#) case, the assessee's asserted interest expense was denied by the AO due to the failure to deduct TDS. Additionally, the CIT later confirmed the AO's disallowance (A). The question before the appellate tribunal is whether the disallowance of the expense should be limited to 30% in accordance with the revised provisions of Section 40(a)(ia) of the Act, which was enacted into law by the Finance Act (No. 2) 2014. ITAT while relying on the Muradul Haque case(184 ITD 58) held that the disallowance must be capped at 30% for expenses on which TDS was not deducted by the assessee as per section 40(a)(ia) of the Act. Thus, the appellate tribunal partly allowed the ground of appeal of the assessee.