

**IN THE INCOME TAX APPELLATE TRIBUNAL,
DELHI BENCH: 'E' NEW DELHI**

**BEFORE SHRI SATBEER SINGH GODARA, JUDICIAL MEMBER
AND
SHRI NAVEEN CHANDRA, ACCOUNTANT MEMBER**

ITA Nos.6762, 6763, 7727 to 7729/Del/2025
Assessment Years: 2017-18, 2018-19, 2019-20, 2020-21

PNB Housing Finance Ltd., 9 th Floor, Antriksh Bhawan, 22, Kasturba Gandhi Marg, New Delhi -110 001	Vs.	DCIT, Central Circle-14, Delhi
PAN: AAACP3682N		
(Appellant)		(Respondent)

Assessee by	Sh. K. Sampath, Adv.
Department by	Ms. Amisha S Gupta, CIT(DR)

Date of hearing	18.05.2026
Date of pronouncement	29.05.2026

ORDER

PER SATBEER SINGH GODARA, JM

These assessee's five appeals ITA Nos.6762, 6763, 7727, 7728 & 7729/Del/2025 for assessment years 2017-18, 2018-19, 2019-20 & 2020-21, arise against the Commissioner of Income Tax (Appeals) [in short, the "CIT(A)"], Delhi's-26 orders dated 26.08.2025, 25.08.2025 and 19.09.2025 (in AY 2018-19, 2019-20 and 2020-21) having DINs and orders No. ITBA/APL/S/250/2025-26/1080035761(1), ITBA/APL/S/250/2025-26/1079974280(1),

ITBA/APL/S/250/2025-26/1080920783(1), ITBA/APL/S/250/2025-26/1080939378(1), and ITBA/APL/S/250/2025-26/1080918761(1); respectively. The relevant proceedings involved are u/s 143(3) & 271DA in ITA No.6762 & 6763/Del/2025 and u/s 143(3)/144 of the Income-tax Act, 1961 in its remaining three appeals ITA No.7727 to 7729/Del/2025, respectively.

Heard both the parties at length. Case files perused. We proceed appeal/assessment year-wise for the sake of convenience and brevity.

ITA No.6762/Del/2025
AY: 2017-18

2. We notice during the course of hearing that the assessee's former substantive ground raised in the instant appeal seeks to reverse the learned lower authorities' respective assessment findings dated 31.12.2019 making section 68 unexplained cash credits addition of Rs.1,91,92,932/- as upheld in the lower appellate discussion. That being the case, it is an undisputed fact that the assessee company is engaged in providing housing loans to individuals, corporate bodies etc. for construction/purchase and upgradation of housing etc. There is further no quarrel that it had

received cash deposits from its customers during demonetization which stand treated as unexplained cash credits in both the lower proceedings.

3. Both the parties vehemently reiterate their respective stands against and in support of the impugned addition. It transpires from perusal of the case records that the assessee has all along claimed and sought to prove the impugned cash deposits as coming from its regular customers only whereas the Revenue's case is that it could not discharge its entire onus to the satisfaction of the Assessing Officer as well as the CIT(A); as the case may be. We further wish to emphasize here that there is not much a dispute herein about the assessee's actual business activity all along as well as the list of corresponding customers forming its books of account as nowhere been disputed in principle in both the lower proceedings. We are of the considered view in this factual backdrop that a lumpsum addition of Rs. 2 lakhs only in the assessee's hands would be just and proper with a rider that the same shall not be treated as a precedent. Necessary computation shall follow as per law.

4. Learned Assessing Officer is further directed to assess the assessee under “normal” provisions than tax under section 115BBE of the Act in light of S.M.I.L.E. Microfinance Ltd. Vs. ACIT, W.P. (MD) No.2078 of 2020 & 1742 of 2020, dated 19.11.2024 (Madras). Its instant former substantive ground partly succeeds in the preceding terms.

5. The assessee’s latter substantive ground in the instant “lead” appeal is that both the learned lower authorities have erred in law and on facts in adding a sum of Rs.5,32,14,481/- representing interest income regarding its substandard assets duly recognized during year on accrual basis. Learned CIT(DR), Ms. Amisha Gupt takes us to page 18 para 7 of the CIT(A)’s detailed discussion that the assessee has failed to file its entire details regarding the corresponding substandard accounts, recoveries made therefrom for the purpose of verification and reconciliation thereof, both in assessment as well as in the lower appellate proceedings. We are of the considered view that keeping in view the assessee’s market presence and various branches across the country, possibility of some communication gaps and unintentional errors could not be altogether ruled out in such an instance. We therefore deem it

appropriate to restore the assessee's instant latter substantive ground back to the Assessing Officer for his afresh appropriate adjudication subject to a rider that it shall plead and prove all the relevant facts within three effective opportunities at its own risk and responsibility and failure thereof shall result in our instant remand direction getting automatically vacated. We order accordingly.

The assessee's instant "lead" appeal ITA No.6762/Del/2025 is partly allowed in above terms.

ITA No.7727/Del/2025
AY: 2018-19

6. Learned counsel at the outset very fairly states that it does not wish to press for the latter three substantive grounds involving section 40A(7) gratuity disallowance; refund of excess dividend distribution tax and TDS credit; involving varying sums, for the precise reason that the CIT(A)'s lower appellate directions has already restored the same back to the Assessing Officer. We thus reject the assessee's instant latter three substantive ground as not pressed subject to all just exceptions in very terms.

7. The assessee's first and foremost substantive ground herein regarding addition of interest income qua its substandard assets de-recognized during the year involving addition of Rs.7,65,11,479/- is hereby restored back to the Assessing Officer by adopting judicial consistency as discussed in the preceding paragraphs.

8. The assessee's second substantive ground herein claims section 80G deduction regarding CSR expenditure amounting to Rs.5,35,89,478/- as disallowed in both the learned lower authorities' respective findings quoting section 37(1) of the Act. We note in this factual backdrop that the same is no more res-integra in light of this tribunal's recent decision in (2024) 169 taxmann.com 507 (Del.-Trib.) Cheil Indian Pvt. Ltd. Vs. DCIT, deciding the same against the department; as under:

2. *"The brief facts of the case are that the assessee filed its return of income on 10.02.2021 and processing u/s. 143(3) was completed on 20.09.2022. The AO made the disallowance of claimed as donation u/s. 80G amounting to Rs. 2,57,66,663/-, charged interest u/s. 115P amounting to Rs. 5,79,69,120/- and initiated penalty proceedings u/s. 270A of the Act. Against the AO's action, assessee appealed before the Ld. CIT(A).*

3. *Upon assessee's appeal, Ld. CIT(A) confirmed the AO's order by observing as under:-*

"5.2 The claim u/s 80G amounting Rs. 2,57,66,663/- has been rightly disallowed, since the same has been mandatorily spent within the threshold limits as mandated in Section 135(5) of the Companies Act 2013. Further, the element of charity is missing in the sum paid by the assessee. The main characteristics of charity is that it is purely voluntary and there is no legal obligation to make that contribution. The amounts spent on CSR

activities, is an obligation fulfilled in accordance with Section 135 of the Companies Act, 2013. The Hon'ble Supreme Court in the matter of Ramnath And Co. v. The Commissioner of Income Tax, delivered on June 05, 2020, has categorically held that the exemption statutes have to be interpreted strictly and in case of ambiguity, it must be interpreted in favour of the Revenue. The underlying nature of payment is CSR expense and not a donation. Therefore, it can't be a voluntarily donation for the purpose of Section 80G. Accordingly, ground of appeal no. 1 to 3 is dismissed."

4. Against the above order of the Ld. CIT(A), assessee is in appeal before us.

5. We have heard both the parties and perused the records.

6. At the time of hearing, Ld. AR for the assessee submitted that the issue in dispute is squarely covered by the following catena of ITAT orders. Hence, he requested to follow the ratio of the following decisions in the instant case and allow the grounds raised in the appeal.

1.	Ratna Sagar Pvt. Ltd. v. ACIT, Central Circle- 4, New Delhi	[IT Appeal No. 2556 (Delhi) of 2023, dated 29-8-2024]
2.	Honda Motorcycle & Scooter India Pvt. Ltd. v. ACIT, Circle 1(1), Gurugram	ITANo. 1523/Del/22/[2023] 153 taxmann.com 567 (Delhi - Trib.)
3.	Interglobe Technology Quotient Private Limited v. ACIT, Circle 10(1), New Delhi.	ITA No. 95/Del/24/[2024] 163 taxmann.com 542/207 ITD 360 (Delhi - Trib.)
4.	M/s Goldman Sachs Services Pvt. Ltd. v. JOT, Special Range- 3, Bangalore.	IT(TP)A No. 2355/Bang/2019/[2020] 117 taxmann.com 535 (Bangalore - Trib.)
5.	M/s JMS Mining Pvt. Ltd. v. Pr. CIT, Kolkata- 2, Kolkata.	ITANo. 146/Kol/21/[2021] 130 taxmann.com 118/190 ITD 702 (Kolkata - Trib.)
6.	Ericsson India Global Services Private Limited v. DOT, Circle 7(1), New Delhi	ITANo. 1150/Del/22/[2024] 160 taxmann.com 599 (Delhi - Trib.)
7.	Optum Global Solutions (India) Private Limited, Hyderabad v. DOT, Circle 5(1), Hyderabad	ITA-TP Nos. 145 & 482/Hyd/2022/[2023] 154 taxmann.com 651/203 ITD 14 (Hyderabad - Trib.)

8. *Societe Generale Securities India (P) Ltd. v. Pr. CIT* [2023] 157 taxmann.com 533/204 ITD 796 (Mumbai - Trib.)

9. *Power Mech Projects Ltd. v. DCIT* [2023] 156 taxmann.com 575 (Hyderabad - Trib.)

7. Per contra, Ld. DR could not controvert the statement of the Ld. AR that the issue in dispute is squarely covered in favour of the assessee.

8. Upon careful consideration, we note that the Coordinate Bench of the Delhi Tribunal vide its order dated 29.08.2024 passed in ITA No. 2556/Del/2023 (AY 2018-19) in the case of Ratna Sagar Pvt. Ltd. (supra) has dealt the similar issue and held as under:-

"5. We have heard the rival contentions and perused the material available on record and also gone through the orders of the authorities below.

5.1 At the time of hearing, Ld. AR for the assessee contended that the issue in dispute is squarely covered by the several case laws of the ITAT. In this regard, he referred to the ITAT decisions dated 28.05.2024 passed in ITA No. 95/Del/2024 (AY 2020-21) in the case of Interglobe Technology Quotient

Private Limited; Honda Motorcycle and Scooter India Pvt. Ltd. v. ACIT in ITA No. 1523/Del/2022 (AY 2017-18) dated 22.8.2023; & Ericsson India Global Services (P) Ltd. v. DCIT in ITA No. 1150/Del/2022 (AY 2015-16) dated 05.03.2024. In view of above, he requested to follow the ratio of the aforesaid Tribunal's orders and allow the issue in dispute in favour of the assessee raised in the instant appeal.

5.2 Ld. Sr. DR did not controvert the aforesaid proposition made by the Ld. AR, but he supported the orders of the authorities below.

1.1 Upon careful consideration, we find considerable cogency in the contention of the Ld. AR that identical issue has been dealt by the Coordinate Bench of ITAT, Delhi vide order dated 28.05.2024 passed in ITA No. 95/Del/2024 (AY 2020-21) in the case of Interglobe Technology Quotient Private Limited, wherein the Coordinate Bench has held as under:-

1.2 Learned DR has failed to bring forth any decision to the contrary. Thus, we accept the plea of learned counsel on the basis of case law cited, denial of CSR expenditure u/s 37(1) of the Act is not embargo to claim deduction u/s 80G of the Act.

7.1 Further, we like to observe that as a matter of fact as per Section 135 of the Companies Act, 2013 ('CA 2013), the qualifying Companies as mentioned therein are required to spend certain percentage of profits of last three years on activities pertaining to Corporate Social Responsibility (CSR). The expenditure on CSR, could be by way of expenditure on projects directly undertaken by said companies, such as setting up and running schools, social business projects, etc. Such expenditure would include expenditure otherwise falling for consideration under section 37(1) of the Act. On the other hand, companies, instead of undertaking or participating directly in a project, may choose to give donations to institutions that are engaged in undertaking such projects, which is also a recognized way of compliance of CSR obligation.

7.2 The assessing officer and CIT(A) have relied upon General Circular 14/2021 dated 25.08.2021 issued by MCA and "Explanatory Notes to the provisions of the Finance (No.2) Act, 2014" to hold that donations made as part of CSR expenditure are not allowable as deduction. The foundation of their reasoning being that the donation is voluntary in nature, while CSR expenditures are under statutory obligations.

7.3 As we take notice of the fact that Parliament legislated that CSR expenses would not be eligible for deduction as business expenditure under section 37 of the Act by inserting Explanation 2 to section 37(1) vide the Finance (No.2) Act, 2014 (applicable from the assessment year 2015-16), which provided that any expenditure incurred by an assessee on the activities relating to CSR referred to in section 135 of the CA 2013, shall not be deemed to be an expenditure incurred by an assessee for the purpose of business or profession and shall not be allowed as deduction under section 37(1) of the IT Act. The intent of Parliament in bringing the aforesaid

provision is given in the Explanatory Memorandum to the Finance (No.2) Bill, 2014 and is reproduced as under ;

"CSR expenditure, being an application of income, is not incurred wholly and exclusively for the purposes of carrying on business, As the application of income is not allowed as deduction for the purposes of computing taxable income of a company, amount spent on CSR cannot be allowed as

deduction for computing the taxable income of the company, Moreover, the objective of CSR is to share burden of the Government in providing social services by companies having net worth/turnover/profit above a threshold. If such expenses are allowed as tax deduction, this would result in subsidizing of around one-third of such expenses by the Government by way of tax expenditure." (emphasis supplied)

7.4 The aforesaid explanatory memorandum categorically expresses the legislative intent and the rationale of disallowance of CSR expenditure referred to in section 135 of the Companies Act, that such expenditure is application of income and not incurred for the purposes of business. We are of considered view that this in itself justifies the grant of deduction u/s 80G. As CSR expenditure is application of income of the assessee under the Income Tax Act, that means it continues to form part of the Total income of the assessee. Section 80G(1) of the Act provides that in computing the total income of an assessee, there shall be deducted, in accordance with the provisions of this section, such sum paid by the assessee in the previous year as a donation. Further, section 80G(2) lists down the sums on which deduction shall be allowed to the assessee. Section 80G falls in Chapter VIA, which comes into play only after the gross total income has been computed by applying the computation provisions under various heads of income, including the Explanation 2 to section 37(1) of the Act. Thus, there is no correlation between suo-moto disallowance in section 37(1) and claim of deduction under section 80G of the Act.

7.5 As with regard to the reasoning that CSR expenditure are not voluntary but mandatory in nature due to penal consequences, we are of considered view that voluntary nature of donation is by nature of fact that it is not on the basis of any reciprocal promise of donee. The CSR expenditures are also without any reciprocal commitment from beneficiary being philanthropic in nature. The Act permits deduction of donations as per Section 80G of the Act, even though, assessee is not gaining any benefit out of any reciprocity from donee. Similar is the case of CSR expenditure. Thus the reasoning of learned Tax Authority, the CSR expenditure is mandatory, does not justify disallowance of these expenditures u/s 80G, if other conditions of section 80G are fulfilled. There is no allegation of Revenue that other conditions of Section 80G are not fulfilled. We, thus sustain the ground."

7.6 After perusing the aforesaid findings, we find that the facts of the present case are identical to that of the aforesaid case of other assessee, hence, the issue in dispute involved in the instant appeal is squarely covered in favour of the assessee. Therefore, respectfully following binding precedent (supra),

we delete the addition sustained by the Ld. CIT(A) and accordingly, allow the ground of appeal raised by the Assessee.

7.7 In the result, appeal of the assessee is allowed."

7. Respectfully following the precedent as aforesaid, we set aside the orders of the authorities below and accordingly decide the issue in dispute in favour of the assessee.

8. In the result, the Assessee's appeal is allowed."

9. We adopt the aforesaid detailed reasoning mutatis mutandis to accept the assessee's instant section 80G claim in very terms.

This assessee's appeal ITA No.7727/Del/2025 is partly accepted.

ITA No.6763/Del/2025
AY: 2018-19

10. The assessee's sole substantive ground raised in the instant appeal challenges correctness of both the learned lower authorities' action imposing section 271DA penalty of Rs.3,36,39,606/- levied in the Assessing Officer's order dated 20.08.2019 and upheld in the CIT(A)'s lower appellate discussion. Both the learned lower authorities conclude in their respective findings that the assessee's action in accepting its EMIs from regular customer by way of installments in cash has violated section 269ST of the Act inserted in the Act vide Finance Act, 2017 w.e.f. 01.04.2017.

11. We have given our thoughtful consideration to the assessee's and the Revenue's stands against and in support of the impugned penalty. We wish to emphasize here that the assessee is a Non-Banking Finance Company "NBFC" providing housing loans etc. (supra). It is noticed in this factual backdrop that the learned Assessing Officer has himself taken note of all the corresponding transactions in issue totaling to Rs.3,36,39,606/- involving receipt of EMIs against loan accounts already availed by the regular customers concerned. That being the clinching factual position, we are of the considered view that it has successfully pleaded and proved its case justifying the cash repayments of EMIs that there exists cogent and sufficient reason so as to satisfy the rigor of both section 269ST as well as section 271AD of the Act. We further take note of not only explanatory memorandum to the Finance Act, 2017 but also the CBDT's benevolent Circular No. 2/2018, dated 15.02.2018 that mitigating circumstances could indeed be accepted as a justifiable explanation against the impugned penalty. We thus accept the assessee's instant sole substantive ground to delete the impugned section 271DA penalty in very terms. This assessee's penalty appeal is allowed.

ITA Nos.7728 & 7729/Del/2025
AYs: 2019-20 & 2020-21

12. A combined perusal of the assessee's instant twin appeals suggests that its first and second substantive grounds herein raises section 80G deduction issue which already stands accepted in the preceding paragraphs. Both the parties fairly suggest that there is no exception involved herein, be it in law and on facts; as the case may be. This section 80G issue accordingly decided in the assessee's favour and against the department.

13. The assessee's latter twin substantive grounds in the instant former appeal in AY 2019-20 involve dividend distribution tax as well as TDS credit etc. issues already remanded by the learned CIT(A) to the Assessing Officer. The factual position is hardly any different in assessment order 2020-21 as well wherein its first, third and fourth substantive grounds regarding dividend income issue, dividend distribution tax and short grant of TDS credit as well as consequential interest issue have been restored back to the Assessing Officer in the CIT(A)'s detailed discussion. Learned

counsel submits very fairly that the assessee does not wish to press for the same subject to all just exceptions. Rejected accordingly. These assessee's twin appeals ITA Nos. 7728 & 7729/Del/2025 are partly accepted.

No other ground or argument has been pressed.

14. These assessee's four appeals ITA Nos.6762, 7727, 7728 & 7729/Del/2025 are partly allowed and ITA No. 6763/Del/2025 is allowed. A copy of this common order be placed in the respective case files.

Order pronounced in the open court on 29th May, 2026

Sd/-
(NAVEEN CHANDRA)
ACCOUNTANT MEMBER

Sd/-
(SATBEER SINGH GODARA)
JUDICIAL MEMBER

Dated: 29th May, 2026.

RK/-

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(A)
5. DR

Asst. Registrar, ITAT, New Delhi