

Date: February 04, 2026

To,  
The Manager,  
**National Stock Exchange of India Limited**  
Exchange Plaza, C-1, Block – G,  
Bandra Kurla Complex,  
Bandra (E), Mumbai – 400 051

Dear Sir/ Ma'am,

**Subject: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015-Receipt of a favorable order**

**Ref: TAC Infosec Limited (SYMBOL/ISIN: TAC/ INE0SOY01013)**

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and in continuation of our earlier disclosure dated May 03, 2025 regarding IT Notice. We wish to inform that the Company **has received a favourable order** dated February 03, 2026 from CIT(A)/NFAC under Section 250 of the Income-tax Act, **relieving it from a potential adverse financial impact** comprising disallowance under Section 80-IAC of Rs. 5,03,31,263/- and consequential tax demand of Rs. 77,36,010/-, as per the order there *shall be no financial impact on the Company for the said amount.*

Further, pursuant to the said favourable order, there is no pending litigation against the Company under the Income-tax Act.

*The requisite disclosure as required under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Master Circular No. SEBI/HO/CFD/PoD2/CIR/P/0155 dated November 11, 2024 is enclosed as Annexure A.*

Kindly take the same on your record and oblige us.

Thanking you,

Yours faithfully,

For, **TAC Infosec Limited**

**Chinmay Tikendrakumar Chokshi**  
Company Secretary  
FCS: 13425

**Annexure - I**

**Details required under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Master Circular No. SEBI/HO/CFD/PoD2/CIR/P/0155 dated November 11, 2024**

**Income Assessment Proceedings – Assessment Year (AY) 2023-24:**

Sr. No.	Particulars	Descriptions
1.	Name of the authority	Commissioner of Income-tax (Appeals) Income Tax Department/ National Faceless Appeal Centre (NFAC)
2.	The details of any change in the status and/or any development in relation to such proceedings:	Order passed under Section 250 of the Income-tax Act, 1961 allowing the Company's appeal and deleting disallowance of deduction under Section 80-IAC amounting to Rs. 5,03,31,263/- along with consequential demand of Rs. 77,36,010/- for AY 2023-24.
3.	Date of receipt of direction or order, including any ad-interim or interim orders, or any communication from the authority	February 03, 2026
4.	In the case of litigation against key management personnel or its promoter or ultimate person in control, regularly provide details of any change in the status and / or any development in relation to such proceedings:	Not applicable.
5.	In the event of settlement of the proceedings, details of such settlement including - terms of the settlement, compensation/ penalty paid (if any) and impact of such settlement on the financial position of the listed entity:	Not applicable.
6.	Impact on financial, operation or other activities of the listed entity, quantifiable in monetary terms to the extent possible	Nil.

For, TAC Infosec Limited

**Chinmay Tikendrakumar Chokshi**  
Company Secretary  
FCS: 13425



भारत सरकार / GOVERNMENT OF INDIA  
वित्त मंत्रालय / MINISTRY OF FINANCE  
आयकर विभाग / INCOME TAX DEPARTMENT  
राष्ट्रीय पहचानविहीन अपील केन्द्र / NATIONAL FACELESS APPEAL CENTRE (NFAC)  
दिल्ली / DELHI

To, TAC INFOSEC LIMITED 04th Floor, World Tech Tower, ,Plot No.C-203, Phase 8B Industrial Area, Sector 74 Mohali 160059 ,Punjab India	
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PAN: AAFCT8822R	AY: 2023-24	Dated: 03/02/2026	DIN & Order No : ITBA/NFAC/S/250/2025-26/1085532887(1)
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**Order u/s 250 of Income Tax Act,1961**

Instituted on **23/04/2025** from the order of **ASSESSMENT UNIT - NFAC, ITD** dated 24/03/2025

<b>Appeal No</b>	NFAC/2022-23/10485709
<b>Status/Deductor Category</b>	Company
<b>Residential Status</b>	Resident
<b>Nature of Business</b>	Others
<b>Section under which the order appealed against was passed</b>	143(3)
<b>Date of Order under which the order appealed against was passed</b>	24/03/2025
<b>Income/Loss Assessed (in Rs .)</b>	51758573
<b>Tax/Penalty/Fine/Interest Demanded (in Rs.)</b>	7736010
<b>Present for the appellant</b>	Not Applicable
<b>Present for the Department</b>	Not Applicable

The present appeal was instituted on 23.04.2025 against the order u/s 143(3) r.w.s 144B of the Income Tax Act for the AY 2023-24 on 24.03.2025 passed by Assessment Unit, Income Tax Department (hereinafter referred as 'AO'). The said appeal filed by the appellant was notified to the National Faceless Appeal Centre (NFAC) in terms of

Note:- The website address of the e-filing portal has been changed from [www.incometaxindiaefiling.gov.in](http://www.incometaxindiaefiling.gov.in) to [www.incometax.gov.in](http://www.incometax.gov.in).

Notification No. 76 of 2020 in S. O. 3296 (E) dated 25.09.2020 issued by the CBDT, New Delhi. The appellant filed this appeal in time. The case is taken up for adjudication on merit.

## **2.0 The Statement of facts filed by the appellant are as under:**

*“The assessee is a company engaged in providing risk-based vulnerability management and assessment solutions, cybersecurity quantification and services of penetration testing to organizations of any scale, size and business through its SaaS model. The assessee had claimed itself a recognised start-up having eligible business approved by inter-ministerial board of DPIIT vide certificate dated 10/03/2023. The assessee had filed its original return of income on 31/10/2023 declaring a total income of Rs.14,27,310/-. Subsequently, the assessee filed a revised return of income declaring the total income of the same Rs.14,27,310/-. The case was selected for scrutiny under Faceless Assessment Scheme 2019 for the following reasons:*

- (i) First Year of Deduction claimed u/s 80IA/80IAB/80IAC/80IBA.*
- (ii) High related party transactions in undertaking claiming deduction under section 80IA/80IC.*

*During the year in the return of income the assessee has claimed deduction 80-IAC of Rs.5,03,31,263/- for the first time and had paid taxes u/s 115JB of the Act.*

*It was noticed that the assessee had opted for taxation u/s 115BAA of the Act for an earlier year. Hence, after affording opportunities to the assessee and after considering the replies and evidences filed, the assessment proceedings were concluded by the assessment unit of the Income Tax department in faceless manner, by way of an order section 143(3) of the Act on 24/03/2025. In the said assessment order the*

*assessing officer held that the assessee was not eligible for deduction u/s 80IAC and the sum of Rs.5,03,31,263/- was added back to the total income. The total income assessed was Rs.5,17,58,570/- as against the income returned of Rs.14,27,310/-. Penalty proceedings u/s.270A(9)(a) of the I.T. Act was initiated separately for under reporting of income in consequence of misreporting thereof.*

*2. Aggrieved against the addition and the initiation of the said penalty proceedings, the assessee had preferred this appeal u/s 246A of the Act. The issues involved in this case, is whether the assessee is,*

*(i) eligible to claim deduction u/s 80IAC and*

*(ii) particularly so after having opted for the provisions of section 115BAA, though invalidly”.*

**3.0 Grounds of appeal filed by the appellant are as under:**

**“Ground No. 1**

**Section of IT Act 80-IAC**

**Issue**

*Ld. AO has not granted deduction u/s 80-IAC from gross total income provided by the Act even if the appellant is engaged in business activity of cybersecurity and other security software related products and services through its SaaS model is doing an eligible business of innovation, development and improvement of products and services and duly satisfy all the conditions for being eligible start-up as defined under the provisions of Section 80-IAC and there is no restriction u/s 80-IAC in respect of opting of new regime of taxation u/s 115BAA.*

**Ground of Appeal**

*Ld. AO erred in law as well as in facts by not granting eligible deduction u/s. 80-IAC of the Act even if there is no restriction u/s 80-IAC in respect of opting of new regime of taxation u/s 115BAA.*

**Ground No. 2**

**Section of IT Act 80-IAC(4)**

**Issue**

*Ld. AO had not considered the reply to show cause notice by the appellant regarding compliance of the all conditions done by the company for being eligible start-up as specified in Section 80-IAC(4).*

**Ground of Appeal**

*Ld. AO erred in law as well as in facts by not considering the business of assessee as eligible business u/s. 80-IAC(4).*

**Ground No. 3**

**Section of IT Act 115BAA**

**Issue**

*Ld. AO has erred in calculating total income of the appellant by not granting the deduction u/s. 80-IAC even if calculation of tax payable is made under normal provision of the act in the computation sheet of impugned order without application of Section 115BAA.*

**Ground of Appeal**

*Ld. AO erred in law as well as in facts by not granting eligible deduction u/s. 80-IAC of the Act by not allowing withdrawal of option invalidly exercised u/s. 115BBA whereas in computation sheet of the impugned*

*order tax is calculated under normal provision of the Act other than 115BAA.*

**Ground No. 4**

**Section of IT Act 115BAA**

**Issue**

*Ld. AO. has not considered the trigger event of failure to satisfy the conditions provided in sub-section (2) and the effect of words used in 115BAA(2) of "shall become invalid" and "as if the option had not been exercised" which leaves no room for ambiguity: non-compliance results in a complete and permanent exit from the Section 115BAA regime for the relevant and future years.*

**Ground of Appeal**

*Ld. AO erred in law by holding that assessee is not eligible for deduction u/s. 80-IAC once it has opted for taxation under new regime i.e. Section 115BAA.*

**Ground No. 5**

**Section of IT Act 115BAA**

**Issue**

*Ld. AO has made computation tax in computation sheet attached with assessment order by considering tax rate as per old tax regime i.e. 25% + surcharge + cess. Further, he has also computed tax liability under MAT. Thus, while making tax computation has accepted withdrawal of sec. 115BAA. However, in assessment he has not considered effect of proviso to Sec. 115BAA(1) and denied withdrawal of Sec. 115BAA.*

### **Ground of Appeal**

*Ld. AO erred in law as well as in facts by holding that assessee cannot opt for normal taxation whereas in computation sheet of the impugned order tax is calculated under normal provision of the Act other than 115BAA.*

### **Ground No. 6**

#### **Section of IT Act 115BAA**

#### **Issue**

*Ld. AO has not considered the conditional irrevocability under Section 115BAA(5) which is contingent upon continuous compliance with subsection (2) conditions and proviso to Section 115BAA(1) which overrides the irrevocability by invalidating the option when conditions are not met, effectively providing a mechanism to exit the regime.*

### **Ground of Appeal**

*Ld. AO erred in law by not interpreting the proviso to section 115BAA(1) and Section 115BAA(5) harmoniously.*

### **Ground No. 7**

#### **Section of IT Act 143(3)**

#### **Issue**

*Appellant has explained the transaction carried out by the company with related party during the year under consideration. However, Ld. AO has not considered the explanation and has not provided the reasons for rejecting contention of the appellant.*

### **Ground of Appeal**

*Ld. AO erred in law as well as in facts by not accepting the explanation of the assessee in respect of related party transactions.*

### **Ground No. 8**

#### **Section of IT Act 143(3)**

#### **Issue**

*Ld. AO has not speaking order as there is no mention of the said proviso in the whole order with counter arguments against the contention of the assessee. Therefore, it can be said that Ld. AO has not considered the valid ground taken by the assessee which is purely on merit of the case.*

### **Ground of Appeal**

*Ld. AO erred in law by not rebutting the contention of the assessee in respect of proviso to Section 115BAA(1) and thereby passed non-speaking order.*

### **Ground No. 9**

#### **Section of IT Act 274 r.w.s. 270A**

#### **Issue**

*On completion of assessment, Ld. AO has mechanically initiated penalty proceedings u/s 274 r.w.s. 270A of the Act without appreciating the facts of the case.*

### **Ground of Appeal**

*Learned A.O. erred in law as well as on facts by initiating penalty u/s 274*

*r.w.s 270A of the Income Tax Act, 1961.*

*Appellant craves leave to add, amend, alter or withdraw any ground of appeals”.*

**4.0 A relevant portion of assessment order is reproduced as under:**

*“... Assessee is having total sales at Rs.10 crore and value of machinery at Rs.71.56 lac and has shown various transactions with related concerns (purchase of 2 crore, sale of 48 lac and salary of 63.60 lac) net profit shown current (first) year of claim of deduction is much higher 50% as compared to previous years. And it is not explained also as to how assessee is covered for eligible business as per explanation (1) to section 80IAC(4) and is found to be not new business and genuine net profit at 50% this year and no proper explanation has been given regarding the same except stating that the amount was incurred towards employee benefit expenses. In view of the above, the deduction claimed by the assessee appears to be not genuine and only misuse of the exemption provisions.*

*In view of the above facts and circumstances, since the assessee has opted taxation u/s.115BAA of the Act for the A.Y. 2020-21, therefore the deduction claimed u/s.80IAC amounting to Rs.5,03,31,263/- for the A.Y. 2023-24 cannot be allowed. Hence, the same is disallowed and added to the total income for the A.Y. 2023-24...”.*

**5.0 During the course of appellate proceedings the statement of facts produced in earlier paras, which is reproduced as under:**

***Status of the Appellant and Nature of Business:***

*“Appellant is a company engaged in providing risk-based vulnerability*

*management and assessment solutions, cybersecurity quantification and services of Penetration testing to organizations of any scale, size, and business through its SaaS model. Further, appellant is also recognised start-up having eligible business approved by inter ministerial board of DPIIT.*

### **Assessment Proceedings**

*The assessment was completed u/s 143(3) vide assessment order dated 24.03.2025 determining total income of Rs.5,17,58,570/-, which is as follows:*

<b>Particulars</b>	<b>Amount (in Rs.)</b>
<i>Income as per Return of Income Filed</i>	<i>14,27,310</i>
<i>Income as computed u/s 143(1)(a)</i>	<i>14,27,310</i>
<i>Variation in respect of disallowance of deduction u/s 80IAC</i>	<i>5,03,31,263</i>
<i>Total Income determined</i>	<i>5,17,58,573</i> <i>Or 5,17,58,570</i>

### **Reasons for disallowance of claim u/s 80IAC by AO**

- a. Assessee has opted taxation u/s 115BAA of the Act for the AY 2020-21*
- b. Assessee' s business is not eligible business as per explanation (1) to section 80IAC(4)*
- c. By entering into related party transaction, assessee has not disclose genuine profit given the value of machinery and sales*

**Brief Facts of the Case:**

1. Appellant is start up and has received approval from inter ministerial board and was recognised as a start-up by DPIIT with certificate number DIPP7697/IMB dated 10/03/2023 in 72nd Meeting of Inter Ministerial Board.

2. During the year under consideration, appellant has claimed deduction u/s 80-IAC while computing its total income and thereby failed to satisfy the conditions of provision of Sec.115BAA(2) of the act for paying tax under new tax regime. Hence, for the year under consideration taxation u/s 115BAA has been invalidated in view of the proviso to sub section (1) of sec 115BAA. The same is also evident from the computation sheet of the assessment order wherein tax on assessed income is calculated under old regime along with MAT. Thus, during the year under consideration appellant has filed return of income under old tax regime which CPC has processed under old tax regime and Ld AO has also confirmed the same while computing tax on assessed income and issued computation sheet under old regime along with assessment order. Computation sheet with highlighting the calculation made under old regime is attached herewith for your kind perusal.

3. Appellant had opted for new regime of taxation for domestic company u/s 115BAA while filing return of income for AY 2020-21 by filling Form 10-IC on 31st March, 2021 vide acknowledgement no 332797461310321. Due date for filling return of income for AY 2020-21 was extended up to 15<sup>th</sup> February, 2021. The option did not comply with the statutory requirements of Section 115BAA(5). As per records of CPC appellant has already denied opting of Section 115BAA on account of non-compliance of sub-section (5) of Section 115BAA which mandates filing of form 10-IC before filing of return of income. Further, the same has been also confirmed by CPC while processing return of income for

*AY 2020-21. Initially the return of income for AY 2020-21 has been processed without adoption of Section 115BAA of the Act which is evident from intimation order u/s. 143(1) dated 29/03/2021 where tax has been calculated under normal provision of the Act and as per Section 115JB ignoring lower tax*

*regime of Section 115BAA is attached.*

*4. During the course of assessment, appellant has submitted the following documents / explanation in support of its claim for deduction u/s 80-IAC attached:*

*a. Business Overview with operating business model of the company as filed with Red Herring Prospectus filed with SEBI on 02/04/2024.*

*b. Certificate of eligible business under section 80-IAC of the Act bearing certificate no.DIPP7697/IMB dated 10/03/2023.*

*c. Net Profit comparison from FY 2016-17 to FY 2022-23 and reason for variation in the profit.*

*d. Annual report of TAC Security Pvt Ltd for FY 2022-23 with respect to genuineness of transaction with related party.*

*e. Copy of Intimation order u/s. 143(1) for Income tax return processed of AY 2024-25.*

*f. Tax Invoices for cybersecurity services for FY 2022-23*

*Copy of replies filed along with above supporting evidences during the course of assessment proceeding is attached.*

***Issue wise Grounds of Appeal and Contention of the Appellant:***

***Issue: -***

*Assessee has opted taxation u/s 115BAA of the Act for the AY 2020-21 and therefore not eligible for deduction u/s 80-IAC.*

**Grounds of Appeal: -**

- 1. Ld. AO erred in law as well as in facts by not granting eligible deduction u/s. 80-IAC of the Act even if there is no restriction u/s 80-IAC in respect of opting of new regime of taxation u/s 115BAA.*
- 2. Ld. AO erred in law as well as in facts by not granting eligible deduction u/s. 80-IAC of the Act by not allowing withdrawal of option invalidly exercised u/s. 115BBA whereas in computation sheet of the impugned order tax is calculated under normal provision of the Act other than 115BAA.*
- 3. Ld. AO erred in law by holding that assessee is not eligible for deduction u/s. 80-IAC once it has opted for taxation under new regime i.e. Section 115BAA.*
- 4. Ld. AO erred in law as well as in facts by holding that assessee cannot opt for normal taxation whereas in computation sheet of the impugned order tax is calculated under normal provision of the Act other than 115BAA.*
- 5. Ld. AO erred in law by not interpreting the proviso to section 115BAA(1) and Section 115BAA(5) harmoniously.*
- 6. Ld. AO erred in law by not rebutting the contention of the assessee in respect of proviso to Section 115BAA(1) and thereby passed non-speaking order.*

**Submission of Appellant: -**

**Provisions of Sec. 115BAA**

- 1. Section 115BAA was inserted in the act by the Taxation Laws (Amendment) Ordinance, 2019. Sec. 115BAA provided for option to*

*domestic companies to opt for concessional rate of tax @ 22% subject to fulfilment of condition given under sub-section (2) which includes computation of income without deduction under chapter VIA.*

*2. Subsequently provisions of Sec. 115BAA was amended by the Taxation Laws (Amendment) Act, 2019 in view of representations received from various stakeholders to provide certainty. In this amendment proviso to sub section (1) was inserted that the option of the person with respect to computation of income tax shall become invalid if the person fails to fulfil the conditions mentioned in sub-section (2) of the said section.*

**3. The text of the proviso to sub-section (1) of Sec. 115BAA is as follows:**

***“Provided that where the person fails to satisfy the conditions contained in subsection (2) in any previous year, the option shall become invalid in respect of the assessment year relevant to that previous year and subsequent assessment years and other provisions of the Act shall apply, as if the option had not been exercised for the assessment year relevant to that previous year and subsequent assessment years”***

*4. Sub-section (2) provides that computation of income shall be done without claiming any deduction under chapter VIA which also includes deduction u/s 80IAC. Thus, to exercise option of concessional rate of tax, computation of income should be done without claim of deduction u/s 80IAC. If there is contravention of condition of sub section (2) i.e. deduction u/s 80IAC is claimed while computing income than proviso to sub-section (1) will trigger and option to exercise concessional rate of tax shall become invalidated for lifetime.*

### **Interpretation of Sec. 115BAA and Sec. 80-IAC**

5. The reason for disallowance of claim u/s 80-IAC by AO is that since assessee has opted for taxation u/s 115BAA, it is not eligible to claim deduction u/s 80-IAC.

6. However, nowhere in Sec. 80-IAC or chapter VIA there is prohibition / restriction that once assessee opted for taxation u/s 115BAA, it cannot claim deduction u/s 80-IAC.

7. The condition of simultaneous claim of benefit u/s 115BAA and other deductions including chapter VIA and other benefits are attached with the option to opt for and continue with the taxation u/s 115BAA.

8. In case non fulfilment of conditions specified in sub section (2), there is bar on opting for new tax regime and not claiming deduction under chapter VIA.

9. One of the restriction / denial of deduction while opting for taxation u/s 115BAA is utilisation of MAT credit u/s 115JAA. However, by the Taxation Laws (Amendment) Act, 2019 subsection (8) is inserted u/s 115JAA which specifically debars assessee to claim MAT credit if assessee opt for taxation u/s 115BAA. No such corresponding amendment were made in Sec. 80-IAC or chapter VIA.

10. Hence, it is clearly evident that

a. There is no bar on claiming deduction u/s 80-IAC on account of opting for new regime of tax u/s 115BAA.

b. In the year of claiming deduction u/s 80-IAC, provision of sec 115BAA becomes inoperative on account of breach of condition of

*sub section (2) and assessee will be mandatorily opt out of sec. 115BAA.*

***Harmonious interpretation of proviso to Sec. 115BAA(1) and 115BAA(5)***

*11. Proviso to Sec. 115BAA(1) provides that in case assessee fails to satisfy condition specified in 115BAA(2) , than option to exercise lower tax regime u/s 115BAA shall become invalidated for the assessee in the year in which it fails to satisfy condition u/s 115BAA(2) and subsequent years. i.e. assessee permanently is not able to opt for lower taxation regime u/s 115BAA(1).*

*12. 2nd proviso to Sec. 115BAA(5) provides that once assessee opts for lower tax regime u/s 115BAA(1), it cannot voluntarily opt out from lower tax regime. Ld AO has only relied upon this provision and completely ignored the proviso to sub section (1).*

*13. However, if both the proviso are interpreted harmoniously than it can be concluded that*

*a. If assessee opts for lower tax regime than it cannot voluntarily opt out from sec. 115BAA*

*b. So, it is not permissible that in one year assessee opts for lower tax regime, than it voluntarily opts out and claim deductions specified under sub section (2) and then again opts for lower tax regime.*

*c. However, when there is breach of condition of sub section (2) than lower tax regime becomes invalid to assessee permanently*

*14. Thus, proviso to sub section (5) only prohibits voluntary switching of*

*option, which is available to individual and HUF assessee u/s 115BAC.*

*15. The above interpretation is also confirmed in the renowned commentary of Sampath & Iyengar on Income Tax. Extract of the same is attached in at Pg. No. 152-153 for your kind perusal.*

### ***Non-Rebuttal of contention of appellant by Ld AO***

*16. In reply to show cause notice appellant has submitted that in view of provisions of proviso to sub section (1) of Section 115BAA, claim of deduction u/s 80-IAC on account of opting in u/s 115BAA in previous years should not be disallowed.*

*17. Appellant has also explained that how proviso to sub section (1) of Sec 115BAA and sub section (5) should be harmoniously interpreted.*

*18. However, Ld AO has not rebutted the contention of application of first proviso to Sec. 115BAA and thereby invalidity of opting for tax regime u/s 115BAA during the year under consideration where deduction u/s 80-IA is claimed.*

*19. Hence, we submit that Ld AO has passed non speaking order and hence, assessment order is bad in law.*

### ***Judicial Precedent***

*20. In case of Brahmos Realty (P.) Ltd v ITO 178 taxmann.com 139 (Mum-Trib), Hon'ble Mumbai Bench of ITAT attached herewith at para 16 of the judgement has held that*

*“In present case, as the assessee who does not have option to opt out*

*once option exercised but since had not fulfilled the condition mandatory as per sub section (2) to Section 115BAA of the Act as well as provisions of Section 115JAA(8) which debars the claim of MAT credit, thus, the option once exercised u/s.115BAA of the Act by filing of Form 10-IC would be construed as invalidated.”*

21. *We submit that our case is squarely covered by above decision wherein the breach of condition of sub section (2) has resulted in invalidation of option of lower tax regime u/s 115BAA.*

***Assessee is not eligible to opt for Sec. 115BAA in earlier years***

22. *Without prejudice to above submission, we also submits that one of the requirement to opt for sec. 115BAA was to file form 10-IC before due date of filling of return of income. Assessee has opted for lower tax regime in AY 20-21. However, form 10-IC for AY 20-21 was filed beyond the due date. Hence, assessee is not entitled to opt for lower tax regime. Return of income for AY 20-21 was also initially processed u/s 143(1) without giving effect to lower tax regime. The copy of intimation u/s 143(1) dated 29/03/2021 is also attached.*

23. *As this is mistake apparent from record, assessee has made application u/s 154 to the jurisdictional AO, seeking rectification of intimation u/s 143(1) for AY 20-21, AY 21-22, & AY 22-23 in respect of option of lower tax regime exercised by assessee and withdrawal of form 10-IC filled by assessee which is filled beyond due date specified in the act. Copy of application submitted to jurisdictional assessing officer u/s. 154 of the Act dated 16/08/2023 is attached herewith at [Pg no.197]. However, jurisdictional AO has not yet processed the same.*

24. Ld AO has relied upon CBDT circular dated 17/03/2022 wherein delay in filling of Form 10-IC is condoned by CBDT in exercise of power u/s 119(2)(b) of the act.

25. However, we submit that

- a. CBDT circulars are binding to department and not to assessee.
- b. Assessee has never applied for condonation of delay in filling of form 10-IC.
- c. CBDT circular is beneficial in nature but for AY 20-21, 21-22 & 22-23, assessee wants to abide by the provisions of the act and rather to opt for relaxation given by the CBDT circular.

26. Based on above discussion, we submit that

- a. Ld AO's interpretation of sec.115BAA that once assessee has opted for new tax regime it can not claim deduction u/s 80-IAC is erroneous. The same is also evident from the computation sheet prepared along with assessment order wherein normal tax and MAT is calculated as per old regime where deduction u/s 80-IAC is available.
- b. Ld AO has not rebutted the contention of appellant in respect of proviso to subsection (1) of Section 115BAA. Hence, assessment order should be treated as bad in law.
- c. Claim of appellant u/s 80-IAC should be allowed.

**Issue: -**

Assessee's business is not eligible business as per explanation (1) to section 80IAC(4) and therefore deduction u/s 80IAC is inadmissible

**Grounds of Appeal: -**

1. Ld. AO erred in law as well as in facts by not considering the business of assessee as eligible business u/s. 80-IAC(4).

**Submission of Appellant: -**

1. As per explanation (1) of Sec. 80IAC(4) eligible business means a business carried out by an eligible start-up engaged in innovation, development or improvement of products or processes or services or a scalable business model with a high potential of employment generation or wealth creation.

2. The main object of the business of the assessee as per its MoA is as follows:

“III(a) The objects to be pursued by the company on its incorporation are:

1. To Provide security/solutions in respect to software designing, customization, cyber networking & internet/information technology / hardware including processing thereof and to carry on the business of maintenance, testing, designing and to provide internet / web based applications, to take up Information technology related assignments, providing Packages, through applications services provider mode via internet or otherwise, to undertake IT enabled services like data processing, Back office processing, Accounting, HR and payroll processing, data warehousing and database management. To carry on the business of manufacturing, dealing and maintenance of computer hardware, computer systems and assemble data processors, program designs or otherwise deal in such hardware and software packages and all types of tabulating, accounting machines, calculators, computerized telecommunication systems and network.

2. *To develop, provide, undertake, import, export, distribute and deal in Systems and application software for microprocessor based information systems, internet service provider, and solutions in all areas of application including those in Emerging niche segments like Internet and Intranet website application solutions.”*

3. *Based on the above business object of the appellant, Inter Ministerial Board formulated under DPIIT in its 72nd meeting has recognised business of the appellant as “eligible business” for claiming deduction u/s 80-IAC and awarded certificate of eligible business u/s 80-IAC vide certificate no. DIPP7697/IMB on 10/03/2023. The same has been attached.*

4. *During the course of assessment above certificate certifying that business of appellant is “eligible business” for the purpose of claiming deduction u/s 80-IAC is submitted with Ld AO. However, Ld AO has ignored the same and made observation that it is not explained also as to how assessee is covered for eligible business as per explanation (1) to Sec. 80-IAC(4) and is found to be not new business.”*

5. *Thus, what Ld AO has challenged is whether appellant is covered under the definition of eligible business or not. We, submit that 80-IAC eligibility certificate issued by DPIIT itself proves that assessee is engaged in eligible business. Explanation (ii) of Sec. 80IAC (4) provides for certificate of eligible business from the Inter-Ministerial Board of certification, which in this case appellant has duly obtained the same.*

6. *As per the provisions of the Sec. 80IAC, AO is not empowered to determine whether business of the is eligible business or not. The determination of eligible business is to be done only by the Inter-Ministerial Board. Once Inter-Ministerial Board has declared business of*

*assessee as eligible business the same cannot be challenged by AO.*

*7. Hence, we submit that observation made by Ld AO is beyond his jurisdiction and appellant should be allowed to claim deduction u/s 80-IA.*

**Issue: -**

*By entering related party transaction, assessee has not disclosed genuine profit given the value of machinery and sales.*

**Grounds of Appeal: -**

*1. Ld. AO erred in law as well as in facts by not accepting the explanation of the assessee in respect of related party transactions.*

**Submission of Appellant: -**

*1. Ld AO has doubted the genuineness of the profit by making allegation that assessee has entered into related party transaction.*

**Genuineness of Profit**

*2. During the year under consideration, appellant has launched various new products under its ESOF product umbrella, namely ESOF VACA, ESOF PCI ASV and ESOF CRQ. Please find below details of new product and its functionality:-*

<b>Name of Product</b>	<b>Functionality</b>
ESOF VACA	<i>Identify, Evaluate, Prioritize, and Mitigate all the dominant vulnerabilities and risks in real-time across the entire IT</i>

	<i>landscape.</i>
<i>ESOF PCI ASV</i>	<i>comprehensive and integrated solution to ensure compliance with PCI (Payment Card Industry) requirements.</i>
<i>ESOF CRQ</i>	<i>provides financial risk assessment by way of quantification of cyber risk through Artificial Intelligence and Machine Learning.</i>

3. The major advantages of ESOF platform developed by appellant is as follows:-

**a. Widest coverage in a single platform:** Next generation vulnerability Management with legacy Vulnerability Assessment plus multiple security tools (Mobile, Phishing, SIEM, People, GRC, Threat Intelligence). ESOF offers various features like real-time vulnerability assessment, cyber risk quantification and risk prioritization, helping organisations strengthen their cyber defences.

**b. SAAS software with Service at its heart:** Providing software as a service in accordance with tailormade requirement of customers with customer centric approach.

**c. Common language for risk posture:** One consolidated enterprise risk meter for multiple assets type in a single customizable dashboard.

4. Company's end customers are Banks and financial Institutions, government regulatory bodies and departments, large-scale enterprises (including business offices) like HDFC, Bandhan Bank, BSE, National Payments Corporation of India, DSP investment Managers Private

Limited, Motilal Oswal Financial Services Limited and NSDL e-Governance. All these customers are high tickets paying clients of the company to whom company charges very high standard prices.

5. Further, appellant company is carrying out back-office work of TAC Security Inc (Delaware, USA). During F.Y. 2022-23 revenue as well as customer base of Tac Security Inc (Delaware, USA) has increased as compared to previous year 2021-22, this has resulted in increase in export turnover and net profit.

6. Even in subsequent years, company has maintained the same profitability and margin at standalone level as well as at consolidated level. Please find below details of profitability of the company for subsequent years.

(Rs. In lacs)

<b>Particular</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>
Turnover	1000.01	1170.15	2348.93
Operating Expenses	468.32	508.24	1099.27
Operating Profit	531.69	661.19	1249.66
Operating Profit Margin	53.17%	56.51%	53.20%

7. We submit that the higher profit margin of the appellant is on account of its capability to acquire new clients, innovation in the cyber security space and management expertise. The same is also demonstrated by

*the various business awards received by the company since its incorporation. The details of which are as below:-*

<b>Year</b>	<b>Key Events/Milestone/ Achievement</b>
2019	Company was awarded "COMPANY OF THE YEAR 2019" by The Golden Bridge Awards.
2020	Company was part of elite BW BUSINESSWORLD TECHTORS 2020  Company was recognized as "BEST COMPANY TO WORK FOR 2020" by Business Sight Media
2021	Company wins Globee® 2021
	Company was announced "START-UP OF THE YEAR 2021" by The Globee
	Company was awarded "BUSINESS INNOVATION" by Entrepreneur Awards 2021
	Company was featured in NASDAQ, TIMES SQUARE BILLBOARD.
	Company was awarded by The Globee in following categories:  Start-up of the year-Artificial Intelligence  Start-up of the year-Business Products  Start-up of the year-Business Services  Start-up of the year-IT Cloud/SaaS

2022	<i>Start-up of the year-IT Services</i> <i>Start-up of the year-Security Cloud/SaaS</i> <i>Start-up of the year-Security Services</i> <i>Start-up of the year-Others</i>
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### **Rationale for Related Party Transaction**

8. Thus, above submission demonstrates capabilities of the company to increase revenue and drive higher margin and profitability. Further in respect of related party transactions during the year we submit as below:-

a. Company has availed back-office support service from the sister concern i.e. TAC Security Private Limited of Rs.2,05,58,250/- to provide the cybersecurity services to its customers and booked as an expense. TAC Security Private Limited has incurred the employee benefit expenses to provide back-office support services of Rs.1,92,99,548/- to TAC Infosec Ltd and derives profit Rs.12,58,702/- i.e. 6.12%.

b. Company has earned income from support services provided to TAC Security Private limited of Rs.48,00,000/- for providing cybersecurity services to clients of TAC Security Private Limited on 100% sub contract basis and profit derives from support services by TAC Security Private Limited is Rs.1,04,685/- i.e. 2.13%.

c. Company has paid remuneration to its directors as approved by the board of the company and as per limits prescribed in accordance with provisions of the Companies Act, 2013.

9. Thus, all the related party transactions entered into by the company are at arm's length and company's profit margin in subsequent years also remains the same without entering into related party transactions except directors remuneration.

10. We submit that profit declared by the appellant is genuine and is not overstated by entering into related party transactions and hence, conclusion made by Ld AO should be considered as null and deduction u/s 80-IAC should be allowed to appellant.

**Issue: -**

On completion of assessment, Ld. AO has mechanically initiated penalty proceedings u/s 274 r.w.s. 270A of the Act without appreciating the facts of the case.

**Grounds of Appeal: -**

Learned A.O. erred in law as well as on facts by initiating penalty u/s 274 r.w.s 270A of the Income Tax Act, 1961.

**Submission of Appellant: -**

1. At the outset, appellant submit that there is neither under reporting of income nor misreporting as appellant has disclosed every material information while filing of return of income. Mere addition in the assessment proceedings cannot be a sole basis for levying penalty u/s 270A which is quasi-criminal proceeding in its nature. It is therefore submitted that mere addition in assessment proceedings is not a sufficient ground to justify the initiation of penalty proceedings u/s 270A.

2. Thus, it is submitted that the appellant had not made any under reporting of income. Thus, the initiation of penalty proceedings u/s. 270A by the learned A.O. is erroneous. Hence, appellant request you to set aside the initiation of penalty proceeding.

*On the basis of above contentions on various grounds of appeal, appellant requests your honour to delete the addition of made by the Ld. AO.”.*

## **6.0 CIT’s Decision:**

**6.1** The grounds of appeal, assessment order and submissions of the appellant have been carefully considered and adjudicated as under:

**6.2** For the relevant Assessment year under appeal , the appellant had not opted for taxation u/s 115BAA and had claimed deduction u/s 80IAC. Section 115BAA is reproduced below:

115BAA. *Tax on income of certain domestic companies.*—(1) Notwithstanding anything contained in this Act but subject to the provisions of this Chapter, other than those mentioned under section 115BA and section 115BAB, the income-tax payable in respect of the total income of a person, being a domestic company, for any previous year relevant to the assessment year beginning on or after the 1st day of April, 2020, shall, at the option of such person, be computed at the rate of twenty-two per cent, if the conditions contained in sub-section (2) are satisfied:

**Provided** that where the person fails to satisfy the conditions contained in sub-section (2) in any previous year, the option shall become invalid in respect of the assessment year relevant to that previous year and subsequent assessment years and other provisions of the Act shall apply, as if the option had not been exercised for the assessment year relevant to that previous year and subsequent assessment years.

(2) For the purposes of sub-section (1), the total income of the company shall be computed,—

- (i) without any deduction under the provisions of section 10AA or clause (iia) of sub-section (1) of section 32 or section 32AD or section 33AB or section 33ABA or sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) or sub-section (2AB) of section 35 or section 35AD or section 35CCC or

section 35CCD or under any provisions of Chapter VI-A under the heading "C.—Deductions in respect of certain incomes" other than the provisions of section 80JJAA;

- (ii) without set off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in clause (i);
- (iii) without set off of any loss or allowance for unabsorbed depreciation deemed so under section 72A, if such loss or depreciation is attributable to any of the deductions referred to in clause (i); and
- (iv) by claiming the depreciation, if any, under any provision of section 32, except clause (iia) of sub-section (1) of the said section, determined in such manner as may be prescribed.

(3) The loss and depreciation referred to in clause (ii) and clause (iii) of sub-section (2) shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year:

**Provided** that where there is a depreciation allowance in respect of a block of asset which has not been given full effect to prior to the assessment year beginning on the 1st day of April, 2020, corresponding adjustment shall be made to the written down value of such block of assets as on the 1st day of April, 2019 in the prescribed manner, if the option under sub-section (5) is exercised for a previous year relevant to the assessment year beginning on the 1st day of April, 2020.

(4) In case of a person, having a Unit in the International Financial Services Centre, as referred to in sub-section (1A) of section 80LA, which has exercised option under sub-section (5), the conditions contained in sub-section (2) shall be modified to the extent that the deduction under section 80LA shall be available to such Unit subject to fulfilment of the conditions contained in the said section.

*Explanation.*—For the purposes of this sub-section, the term "Unit" shall have the same meaning as assigned to it in clause (zc) of section 2 of the Special Economic Zones Act, 2005 (28 of 2005).

(5) Nothing contained in this section shall apply unless the option is exercised by the person in the prescribed manner on or before the due date specified under sub-section (1) of section 139 for furnishing the returns of income for any

previous year relevant to the assessment year commencing on or after the 1st day of April, 2020 and such option once exercised shall apply to subsequent assessment years:

**Provided** that in case of a person, where the option exercised by it under section 115BAB has been rendered invalid due to violation of conditions contained in sub-clause (ii) or sub-clause (iii) of clause (a), or clause (b) of sub-section (2) of said section, such person may exercise option under this section:

**Provided further** that once the option has been exercised for any previous year, it cannot be subsequently withdrawn for the same or any other previous year.

As per this section any assessee who is opting this section cannot withdraw the said option for that Assessment year or any other previous year. In the instant case the appellant had not opted for this section in the current year i.e Financial Year 2022-23 .The appellant had applied for rectification u/s 154 for the previous years I.e. AY 2020-21 to 2022-23.

An assessee cannot foresee the claim of deduction in subsequent years and the previous years in the section is to be read as any previous assessment year and not subsequent assessment year. Regardless of the pendency of the rectification petition u/s 154 by the assessee before the JAO on the subject for the Assessment years 2020-21 to 2022-23 the appellant is eligible for taxation under normal provision and consequent claim of deduction u/s 80IAC. Hence, technically the assessee is eligible for claiming deductions under normal provisions, including under the provisions of Chapter VI-A including section 80IAC of the Act.

**6.3** As to eligibility of claim of deduction u/s 80IAC, the assessee has satisfied the conditions stipulated under the provisions of the section, including furnishing of 'Certificate of eligible business' u/s 80IAC from the department for promotion of Industry and Internal Trade under the Ministry of Commerce & Industry dated 10/03/2023 in certificate no:

DIPP7697/IMB.

**6.4** However, the assessing officer has proceeded to state as below in denying the claim of deduction u/s 80IAC:

*“It was seen from the Audit report in Form No.3CD, in Sl. No.20 of Notes forming part of Form 3CD that the assessee had filed an application u/s. 154 with the jurisdictional office for rectification of mistake in opting for taxation u/s. 115BAA. Further, the assessee has received recognition as start-up and eligible to claim deduction under section 80IAC from the inter-ministerial board. Considering the application under section 154 and start-up recognition, the assessee has opted to claim under section 80IAC and accordingly in Form 3CD deduction under section 80IAC was mentioned at clause 33. However, eligibility for deduction was subject to acceptance of application by Jurisdictional Assessing Officer (JAO) and rectification of previous year return and granting of permission for withdrawal of Form 10-IC by JAO.”*

.....

*“Moreover, Assessee is having total sales at Rs.10 crore and value of machinery at Rs.71.56 lac and has shown various transactions with related concerns (purchase of 2 crore, sale of 48 lac and salary of 63.60 lac) net profit shown current (first) year of claim of deduction is much higher 50% as compared to previous years. And it is not explained also as to how assessee is covered for eligible business as per explanation (1) to section 80IAC(4) and is found to be not new business and genuine net profit at 50% this year and no proper explanation has been given regarding the same except stating that the amount was incurred towards employee benefit expenses. In view of the above, the deduction claimed by the assessee appears to be*

*not genuine and only misuse of the exemption provisions.”*

**6.5** In this regard, the provisions of section 80IAC are reproduced below:

**“Special provision in respect of specified business.**

**80-IAC.** (1) *Where the gross total income of an assessee, being an eligible start-up, includes any profits and gains derived from eligible business, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction of an amount equal to **one hundred per cent of the profits and gains derived from such business for three consecutive assessment years.***

(2) *The deduction specified in sub-section (1) may, at the option of the assessee, be claimed by him **for any three consecutive assessment years out of [ten] years beginning from the year in which the eligible start-up is incorporated.***

(3) *This section applies to a start-up which fulfils the following conditions, namely:—*

(i) *it is not formed by splitting up, or the reconstruction, of a business already in existence:*

**Provided** *that this condition shall not apply in respect of a start-up which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such undertaking as referred to in section 33B, in the circumstances and within the period specified in that section;*

(ii) *it is not formed by the transfer to a new business of machinery or plant previously used for any purpose.*

*Explanation 1.—For the purposes of this clause, any machinery or plant which was used outside India by any*

*person other than the assessee shall not be regarded as machinery or plant previously used for any purpose, if all the following conditions are fulfilled, namely:—*

*(a) such machinery or plant was not, at any time previous to the date of the installation by the assessee, used in India;*

*(b) such machinery or plant is imported into India;*

*(c) no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under the provisions of this Act in computing the total income of any person for any period prior to the date of the installation of the machinery or plant by the assessee.*

*Explanation 2.—Where in the case of a start-up, any machinery or plant or any part thereof previously used for any purpose is transferred to a new business and the total value of the machinery or plant or part so transferred does not exceed twenty per cent of the total value of the machinery or plant used in the business, then, for the purposes of clause (ii) of this sub-section, the condition specified therein shall be deemed to have been complied with.*

*(4) The provisions of sub-section (5) and sub-sections (7) to (11) of section 80-IA shall apply to the start-ups for the purpose of allowing deductions under sub-section (1).*

*Explanation.—For the purposes of this section,—*

*(i) "eligible business" means a business carried out by an eligible start-up engaged in innovation, development or improvement of products or processes or services or a scalable business model with a high potential of employment generation or wealth creation;*

(ii) "eligible start-up" means a company or a limited liability partnership engaged in eligible business which fulfils the following conditions, namely:—

**(a) it is incorporated on or after the 1st day of April, 2016 but before the 1st day of April, [2023];**

**(b) the total turnover of its business does not exceed [one hundred] crore rupees in the previous year relevant to the assessment year for which deduction under sub-section (1) is claimed; and**

**(c) it holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government;**

(iii) "limited liability partnership" means a partnership referred to in clause (n) of sub-section (1) of section 2 of the Limited Liability Partnership Act, 2008 (6 of 2009)".

**6.6** It is seen from the record that the assessee had fulfilled all the conditions set out above to be an 'eligible business' including those specified under 80IAC(4)(1). The assessee company was incorporated after 01/04/2016 (that is on 01/08/2016), its turnover in the relevant previous year was (Rs.10 Cr), much below the threshold limit prescribed under the Act and most importantly the assessee was holding a certificate of eligible business from the Inter Ministerial Board of certification as notified in the official gazette, besides fulfilling other conditions specified under 80IAC(3) of the Act. Thus, the assessee had fulfilled all the requirements prescribed under the Act. The assessing officer's reasoning for denial of exemption is that,

*"Moreover, Assessee is having total sales at Rs.10 crore and value of machinery at Rs.71.56 lac and has shown various transactions with*

*related concerns (purchase of 2 crore, sale of 48 lac and salary of 63.60 lac) net profit shown current (first) year of claim of deduction is much higher 50% as compared to previous years. And it is not explained also as to **how assessee is covered for eligible business as per explanation (1) to section 80IAC(4) and is found to be not new business and genuine net profit at 50% this year and no proper explanation has been given regarding the same except stating that the amount was incurred towards employee benefit expenses. In view of the above, the deduction claimed by the assessee appears to be not genuine and only misuse of the exemption provisions***

The above reasoning by the assessing officer is devoid of any merits. The reasoning has been without the application of mind on the facts of the case. It is clearly stated in the provisions of the Act that,

*“a deduction of an amount equal to one hundred per cent of the profits and gains derived from such business for three consecutive assessment years.*

*(2) The deduction specified in sub-section (1) may, at the option of the assessee, be claimed by him **for any three consecutive assessment years out of [ten] years beginning from the year in which the eligible start-up is incorporated.***

**6.7** The assessing officer has decided that the assessee was not engaged in new business without any evidences or findings and has also not stated how the provisions of the section are violated. The assessing officer also failed to establish or even bring on record any credible material to exhibit that the profits were not genuine. Merely having some transaction with related parties do not disqualify the assessee from claiming deduction under section 80IAC of the Act. The assessing officer has not brought any material evidence on record to justify disqualification in the eligibility of the assessee under this section and that the assessee has not fulfilled any of the conditions laid down in

the section and on the contrary all the materials on records only uphold the eligibility of the assessee. The decision of the assessing officer in denying the deduction u/s 80IAC is on the basis of unsubstantiated surmises and not in consonance with the provisions of the section.

**6.8** Further, the assessing officer has computed tax under normal provisions while disallowing the claim of deduction u/s 80IAC, which shows that the assessing officer has considered the assessee not eligible for taxation under the provisions of section 115BAA of the Act. The assessing officer has taken a contradicting stand in stating that, the assessee has to only go by the provisions of section 115BAA and at the same time, resorting to taxation under normal provisions. The stand taken by the assessing officer is not tenable both on legal and factual grounds. Once the requirements of the provisions of the Act are satisfied, the assessing officer has no grounds to deny the benefits provided under the statute, on mere conjectures. Particularly, once the assessee's business is certified as eligible business by the Inter Ministerial Board of certification as notified in the official gazette, the assessing officer has no ground to revisit that criteria.

Reference is invited to the decision of the Hon'ble ITAT in the case of FIVD India Consulting P. Ltd. vs Deputy Commissioner of Income Tax, Circle 1(1), Gurgaon, Haryana dated 28/11/2025 in ITA No.3877/Del/2025 (A.Y.2023-24) wherein it was held that,

*“Thus, in light of the facts of the case and the aforesaid decision of the Hon'ble Supreme Court of India, we are of considered view that the assessee's claim of deduction u/s. 80IAC of the Act cannot be denied at the threshold on account of delay in filing of Form 10CCB. Thus, the question is answered in favour of assessee.”*

Reference is also invited to the following judicial decisions:

CIT v. Gupta Fabs (274 ITR 620 – P&H) dated 13/01/2025

CIT v. Contimeters Electrical Pvt. Ltd. (317 ITR 249 – Delhi)

Sanjay Kukreja v. ACIT, ITA No.652/Del/2023 (Delhi ITAT) dt 30/01/2024

Kumaon Exports Pvt. Ltd. v. DCIT, ITA No.39/Del/2024 (Delhi ITAT) dt 05/12/2024

**6.9** The essence of these decisions has been that the Assessing Officer must grant the deduction if the assessee satisfies the substantive conditions. The Assessing Officer cannot rely on procedural deficiencies, if any, in denying the benefit u/s 80IAC of the Act. Further, it is important to understand the legislative intent behind the provisions of the section while considering the claim of deduction. The legislative intent was to encourage innovation and technological development by incentivizing start-ups engaged in such activities. The aim is to foster entrepreneurship and innovation.

**7.0** Thus, the assessee succeeds in all the grounds raised except the ground no.1 wherein the assessee claimed that,

*“Ld AO erred in law as well as in facts by not granting eligible deduction u/s 80IAC of the Act even if there is no restriction u/s 80IAC in respect of opting of new regime of taxation u/s 115BAA”*

**7.1** In this regard, it stated that, section 80IAC is a special provision with regard to certain deductions, whereas the provisions of section 115BAA stipulate that no deduction under Chapter VI-A shall be allowed while opting for taxation u/s 115BAA of the Act. As the appellant had succeeded in the earlier grounds, adjudication of this ground is academic in nature and not warranted.

**7.2** In view of the above factual and legal position, it is held that the assessee is eligible for the claim of deduction u/s 80IAC for the year. And thus, the disallowance of deduction of Rs.5,03,31,263/- u/s 80IAC is hereby deleted.

**8.0** Thus the appeal is **allowed**.

**Commissioner of Income-tax (Appeals)  
Income Tax Department**

