

**IN THE INCOME TAX APPELLATE TRIBUNAL  
KOLKATA BENCH 'A', KOLKATA**

**[Before Shri P.M. Jagtap, AM and Shri S.S. Viswanethra Ravi, JM]**

**I.T.A. No. 1537/Kol/2014  
Assessment Year: 2009-10**

***M/s. Narayani Ispat Pvt. Ltd.....Appellant***  
***23A, N.S. Road, 7<sup>th</sup> Floor***  
***Room No. 31***  
***Kolkata - 700001***  
***[Pan : AABCN1555D]***

***A.C.I.T., Cir -3 .....Respondent***  
***Aayakar Bhawan, 5<sup>th</sup> Floor,***  
***P-7, Chowringhee Square***  
***Kolkata - 700069***

**Appearances by:**

*Shri Manish Tiwari, FCA appearing on behalf of the Assessee.*

*Shri Sallong Yaden, Addl. CIT appearing on behalf of the Revenue.*

Date of concluding the hearing : September 5, 2017

Date of pronouncing the order : September 22, 2017

**ORDER**

**Per P.M. Jagtap, AM**

This appeal filed by the assessee is directed against the order of Ld. CIT (Appeals) – XX, Kolkata dated 28.04.2014.

2. The issue involved in ground no 1 relates to the disallowance of Rs. 1,38,679/- made by the AO and confirmed by the Ld. CIT (A) out of Crane Maintenance expenses.

3. The assessee in the present case is a company which is engaged in the business of manufacturing and trading in Iron & Steel

materials. The return of income for the year under consideration was filed by it on 29.09.2009 declaring a total income of Rs. 96,03,840/-. In the profit and loss filed along with the said return, a sum of Rs. 1,38,679/- was debited by the assessee on account of crane maintenance expenses. During the course of assessment proceedings, the assessee was called upon by the AO to produce the relevant bills and vouchers to support and substantiate its claim for the crane maintenance expenses. The assessee however expressed his inability to comply with the said requirements. The AO, therefore, disallowed the claim of the assessee for crane maintenance expenses to the extent of Rs. 1,38,679/- being 10% of the total crane maintenance expenses claimed by the assessee. On appeal, the Ld. CIT (A) confirmed the said disallowance.

4. We have heard the arguments of both the sides and also perused the relevant material available on record. At the time of hearing before us, the learned counsel for the assessee has not been able to deny the failure of the assessee to produce the relevant bills and vouchers in support of its claim for crane maintenance expenses. Even before us, he has not been able to produce the same. In the absence of this supporting evidence, the claim of the assessee for crane maintenance expenses remains unverified and we find no justifiable reason to interfere with the impugned order of the Ld. CIT (A) confirming the disallowance of 10% made by the AO out of total crane maintenance expenses claimed by the assessee which in our

opinion is quite fair and reasonable. We accordingly dismissed ground no 1 of the assessee's appeal.

5. The issue raised in ground no 2 relates to the disallowance made by the AO and confirmed by the assessee on account of interest.

6. During the course of assessment proceedings, it was noticed by the AO that the assessee has shown substantial balance in sundry debtors account. He also noticed that in case of some sundry debtors, the assessee company had no more business transactions but the amounts were still outstanding for more than about 6 months. He treated this as the diversion of interest bearing funds by the assessee company for non business purpose and disallowed interest claimed by the assessee to the extent of Rs. 5,78,137/- as attributable to the said amount. On appeal, the Ld. CIT (A) confirmed the said disallowance.

7. We have heard the arguments of both the sides and also perused the relevant material on record. As submitted by the learned counsel for the assessee, a similar issue involving identical facts was involved in the case of the assessee for A.Y. 2010-11 and vide its order dated 30.08.2017 passed in ITA 2127/K/2014, the Tribunal has deleted the disallowance made by the AO and confirmed by the Ld. CIT (A) on account of interest attributable to the sundry debtors for the following reasons given in paragraph no 17 of its order.

*"We have heard the rival contentions of both the parties and perused the material available on record. In the case before hand, the AO has worked*

*out the interest income on the amount of sundry debtors which were outstanding for more than 6 months. Such interest was added to the total income of the assessee by the AO. The amount of sundry debtors represents the amount of sales of goods or services rendered to the customers on credit. The sundry debtors are supposed to make the payment to the assessee on a particular time, Selling the goods or providing services on credit is a common business practice and sometime without the providing the credit to the customers, it is difficult to survive in the competitive markets. On the perusal of assessment order, we find that no date for the payment from the sundry debtors was brought on record. There was no information available suggesting that the assessee was entitled for interest on the outstanding amount of sundry debtors. Thus, it cannot be said that the income from interest had actually accrued to the assessee during the year under consideration. The decision for the charging the interest from the sundry debtors totally depends upon the assessee. The AO cannot sit on the arm chair of the assessee and direct for the recovery of interest on the amount of sundry debtors which are due for payment. The assessee has to consider business expediency for charging interest from the sundry debtors which are outstanding in the books. Thus, in our considered view, we hold that the addition made by the AO for the interest on the amount of sundry debtors outstanding in the books of account is not sustainable. In the light of above reasoning, we hold that the order of the Ld. CIT (A) is correct and in accordance with law and no interference is called for. We hold accordingly. Hence, this ground of Revenue's appeal is dismissed.*

8. As the issue involved in the year under consideration as well as all the material facts relevant thereto are undisputedly similar to that of A.Y. 2010-11, we respectfully follow the order of the Coordinate Bench for A.Y. 2010-11 and delete the disallowance made by the AO and confirmed by the Ld. CIT (A) on account of interest attributable to sundry debtors. Ground no 2 of the assessee's appeal is accordingly allowed.

**9. In the result, the appeal of the assessee is partly allowed.**

Order Pronounced in the Open Court on 22<sup>nd</sup> September, 2017.

Sd/-  
(S.S. Viswanethra Ravi)  
JUDICIAL MEMBER

Sd/-  
(P.M. Jagtap)  
ACCOUNTANT MEMBER

**Dated: 22/09/2017**

Biswajit, Sr. PS

Copy of order forwarded to:

1. M/s. Narayani Ispat Pvt. Ltd. Kolkata – 01.
2. ACIT, Cir-3, Kolkata
3. The CIT(A)
4. The CIT
5. DR

True Copy,

By order,

Sr. P.S. / H.O.O.  
ITAT, Kolkata