

आयकर अपीलीय अधिकरण “एक सदस्य मामला” न्यायपीठ नागपुर में ।  
IN THE INCOME TAX APPELLATE TRIBUNAL “SMC” BENCH, NAGPUR

(Through Virtual Court)

श्री एस.एस. विश्वनेत्र रवि, न्यायिक सदस्य के समक्ष ।  
BEFORE SHRI S.S. VISWANETHRA RAVI, JUDICIAL MEMBER

आयकर अपील सं. / ITA No.104/NAG/2020  
निर्धारण वर्ष / Assessment Year : 2007-08

The Income Tax Officer,  
Ward – 5, Amravati

.....अपीलार्थी / Appellant

बनाम / V/s.

M/s. Shilpa Enterprises,  
1<sup>st</sup> Floor, Satidham Market,  
Jawahar Road, Amravati – 444601

PAN : AADFS2330N

.....प्रत्यर्थी / Respondent

Assessee by : N O N E

Revenue by : Shri Kailash C. Kanojiya

सुनवाई की तारीख / Date of Hearing : 12-10-2022

घोषणा की तारीख / Date of Pronouncement : 25-10-2022

**आदेश / ORDER**

**PER S.S. VISWANETHRA RAVI, JM :**

This appeal by the Revenue against the order dated 12-06-2020 passed by the Commissioner of Income Tax (Appeals)-1, Nagpur [‘CIT(A)’] for assessment year 2007-08.

2. I find no representation on behalf of the assessee nor any application filed seeking adjournment. Thus, the assessee called absent and set ex-

parte. Therefore, I proceed to dispose of the appeal by hearing the ld. DR and perusing the material available on record.

3. The appellant-revenue raised three grounds of appeal amongst which the only issue emanates for my consideration is as to whether the CIT(A) is justified in deleting the addition made on account of disallowance of interest on loan under the provisions of section 36(1)(iii) of the Act.

4. Heard ld. DR, Shri Kailash C. Kanojiya and perused the material available on record. I note that the assessee is a firm engaged in the business of supply of educational equipment and instrument to collages and government institutions on wholesale basis. The AO asked the assessee to reproduce the details as per questionnaire relating to list of loans and advances. The assessee furnished every detail in respect of loans and advances which were reproduced by the AO in his order at pages 4 and 5 of the assessment order. The assessee explained that the loans and advances are given for the purpose of booking of orders of educational equipments and instruments but however, the AO did not accept the said explanation offered by the assessee, rejected the same and proceeded to disallow interest @ 12% of Rs.2,92,431/- on alleged interest free advances of Rs.24,36,929/-. Before the CIT(A), it was contended that all the details relating to the said advances were reflected in the Balance sheet and the advances made to its sister concern i.e. Laddha Brothers Film Pvt. Ltd., Laddha Brothers and New Regal Talkies, are old. It is also noted that the said copy of accounts of the said three parties were also enclosed for the consideration of the CIT(A). I note that there is no dispute with regard to the availability of interest free unsecured loans and other interest free

amounts totaling to Rs.82,44,000/- with the assessee and the details were before the AO as well. Considering the same, the CIT(A) held there was no material brought on record by the AO in support of its view that the interest bearing loans were not used for the business purposes for which the loans were taken. I note that the AO discussed the said issue from pages 3 to 7 of the assessment order wherein as rightly held by the CIT(A) there was no evidence to show that the assessee advanced the said loans for non-business purposes by the AO at least by making enquiry in calling the said parties during the course of assessment proceedings. Therefore, it clearly shows that the AO without having anything contrary to the explanation offered by the assessee held the said loans as advanced by the assessee were not utilized for business purposes. The CIT(A) in the impugned order discussed the same and rightly observed there was no evidence substantiating the view of AO.

5. Before me, the Id. DR, Shri Kailash C. Kanojiya vehemently argued that the advances made to Laddha Brother, Amravati is to be examined and there is no such evidence are brought on record by the assessee to show that the loans advanced to the said concern for business purposes. I note that in the assessment proceedings, the AO asked the assessee to furnish all the details in respect of alleged interest free advances offered by the assessee and in response to which the assessee produced everything in detail which is clear from the assessment order. The AO also recorded in para 6 of the assessment order that the assessee furnished all the details as required by him i.e. Balance sheet, profit and loss accounts, loan liability, current liability, current assets, sundry debtors, sales register, interest income and fixed assets. Undoubtedly, the AO examined every

detail as furnished by the assessee, but nowhere made adverse reference that the assessee advanced such loans for non-business purposes. Therefore, I find no infirmity in the order of CIT(A) and it is justified. Thus, the grounds raised by the appellant-revenue fails and are dismissed.

6. In the result, the appeal of Revenue is dismissed.

Order pronounced in the open court on 25<sup>th</sup> October, 2022.

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

पुणे / Pune; दिनांक / Dated : 25<sup>th</sup> October, 2022.  
रवि

**आदेश की प्रतिलिपि अग्रेषित / Copy of the Order forwarded to :**

1. अपीलार्थी / The Appellant.
2. प्रत्यर्थी / The Respondent.
3. The CIT(A)-1, Nagpur
4. The Pr. CIT-1/2/3, Nagpur
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, "एक सदस्य मामला" बेंच, नागपुर / DR, ITAT, "SMC" Bench, Nagpur.
6. गार्ड फ़ाइल / Guard File.

//सत्यापित प्रति// True Copy//

आदेशानुसार / BY ORDER,

वरिष्ठ निजी सचिव / Sr. Private Secretary  
आयकर अपीलीय अधिकरण ,पुणे / ITAT, Pune