

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

SHRI SAKTIJIT DEY, JUDICIAL MEMBER

ITA No.8594/Del/2019
Assessment Year: 2015-16

Sehgal Art Press, A-44 Naraina Indl. Area, Phase-2, New Delhi PIN: 1100 28	Vs.	ACIT, Circle 50(1), Ward-53(2), New Delhi
PAN :AABFS6701P		
(Appellant)		(Respondent)

Appellant by	Shri N. S. Bhatnagar, Adv.
Respondent by	Shri Om Parkash, Sr. DR

Date of hearing	25.08.2022
Date of pronouncement	16.11.2022

ORDER

This is an appeal by the assessee against the order dated 05.08.2019 of learned Commissioner of Income-Tax (Appeals)-17, New Delhi for the assessment year 2015-16.

2. The dispute in the present appeal is confined to disallowance of an amount of Rs.6,68,316 out of interest expenses.

3. Briefly, the facts are, the assessee is a resident partnership firm. For the assessment year under dispute, assessee filed its return of income on 28.09.2015 declaring income of Rs.20,01,019. As observed by the assessing officer, in the year under consideration, assessee did not have any manufacturing/business activities. The only source of income was from rent and interest received.

4. In course of assessment proceedings, the assessing officer wanted to verify the deduction claimed by the assessee under Section 57(iii) of the Act in respect of interest expenditure. To justify its claim, assessee furnished the details of interest income and interest expenditure for the year under appeal. On verifying the details, the assessing officer noticed that on 13.10.2014, assessee had received loan of Rs.1,98,29,874 from Religare Finvest Ltd. However, out of the said loan availed, assessee utilized an amount of Rs.95,08,517 towards repayment of loan taken from Sehgal Packaging Pvt. Ltd. Holding that part of the loan availed was not utilized for earning interest income, the assessing officer disallowed interest expenses of Rs.6,68,316 out of the total interest expenditure claimed by the assessee. Though, assessee contested the aforesaid disallowance

before learned Commissioner (Appeals), however, it was unsuccessful.

5. Before me, learned counsel appearing for the assessee submitted that, though, initially out of the loan availed from Religare Finvest Ltd., a part was utilized for repayment of loan to M/s. Sehgal Packaging Pvt. Ltd., however, subsequently, the assessee received the entire loan amount from Sehgal Packaging Pvt. Ltd. and invested/advanced the amount to various other parties and earned interest. He submitted, during the year under consideration, the assessee had earned interest income of Rs.68,10,580, whereas, it has incurred interest expenditure of Rs.66,00,707. To demonstrate that the loan availed from M/s. Religare Finvest Ltd. was utilized for earning interest income, learned counsel for the assessee drew my attention to the documents placed in the paper book.

6. The learned Departmental Representative strongly relied upon the observations of assessing officer and learned Commissioner (Appeals).

7. I have considered rival submissions and perused the material available on record.

8. Undisputedly, a part of the deduction claimed by the assessee under Section 57(iii) of the Act on account of interest expenses was disallowed by the assessing officer on the ground that the corresponding loan amount was not utilized for earning interest income. However, on perusal of material placed on record, it is observed that the assessee on 13.10.2014 received loan of Rs.1,98,29,874 from M/s. Religare Finvest Ltd. Though, initially out of the loan availed, an amount of Rs.95,85,517 was given to M/s. Sehgal Packaging Pvt. Ltd. for repayment of loan, however, subsequently, the assessee received back the amount from M/s. Sehgal Packaging Pvt. Ltd. On perusal of statement of accounts of loan placed in the paper book, it is evident that the entire loan amount of Rs.1,98,29,874 was advanced/lent by the assessee to various parties and interest income was earned. Further, the entire interest expenditure incurred by the assessee is on account of loan availed from Religare Finvest Pvt. Ltd. Therefore, there is a direct nexus between the interest income earned during the year and the interest expenditure incurred. That being the factual position established on

record, the entire interest expenditure claimed by the assessee has to be allowed. Accordingly, I delete the addition of Rs.6,68,316.

9. In the result, the appeal is allowed.

Order pronounced in the open court on 16th November, 2022.

Sd/-
(SAKTIJIT DEY)
JUDICIAL MEMBER

Dated: 16th November, 2022.
Mohan Lal

Copy forwarded to:

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

Asst. Registrar, ITAT, New Delhi

Sl. No.	Particulars	Date
1.	Date of dictation (Order drafted through Dragon software):	11.11.2022
2.	Date on which the draft of order is placed before the Dictating Member:	14.11.2022
3.	Date on which the draft of order is placed before the other Member:	-
4.	Date on which the approved draft of order comes to the Sr. PS/PS:	15.11.2022
5.	Date of which the fair order is placed before the Dictating Member for pronouncement:	16.11.2022
6.	Date on which the final order received after having been signed/pronounced by the Members:	16.11.2022
7.	Date on which the final order is uploaded on the website of ITAT:	16.11.2022
8.	Date on which the file goes to the Bench Clerk	16.11.2022
9.	Date on which files goes to the Head Clerk:	
10.	Date on which file goes to the Assistant Registrar for signature on the order:	
11.	Date of dispatch of order:	