

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

Before Dr. B. R. R. Kumar, Accountant Member

Sh. Yogesh Kumar US, Judicial Member

ITA No. 8747/Del/2019 : Asstt. Year : 2016-17

Bal Kishore Khanna, 5030/3, Sant Nagar, Behind Khalsa College, Karol Bagh, New Delhi	Vs	ACIT, Circle-(1), New Delhi
(APPELLANT)		(RESPONDENT)
PAN No. AAEPK9680L		

**Assessee by : Sh. KVS Gupta, Adv
Revenue by : Sh. Kanav Bali, Sr. DR**

Date of Hearing: 18.10.2022	Date of Pronouncement: 16.12.2022
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ORDER

Per Dr. B. R. R. Kumar, Accountant Member:

The present appeal has been filed by the assessee against the order of the Id. CIT(A)-42, New Delhi dated 16.08.2019.

2. The assessee has raised the following grounds of appeal

1. *The action of the Ld. CIT(A) in upholding the action of the Ld. AO in disallowing interest paid to Chaitanya Khanna and Surbhi Khanna of Rs.2,58,027/- each totaling Rs.5,16,054/- on loan of Rs.25.00 lakhs each is illegal, arbitrary, unwarranted, uncalled for and against the facts and circumstances of the case.*
2. *The action of the Ld. CIT(A) in upholding the action of the Ld. AO in ignoring the past history of the case and making disallowance of interest of Rs.5,16,054/- is illegal, arbitrary, unwarranted, uncalled for and against the facts and circumstances of the case.*

3. *The action of the Ld. CIT(A) in upholding the action of the Ld. AO in disallowing interest paid of Rs.5,16,054/- to two granddaughters, namely, Surbhi Khanna and Chaitanya Khanna after accepting the loan taken from them as genuine, is illegal, arbitrary, unwarranted, uncalled for and against the facts and circumstances of the case."*

3. Sh. Bal Kishore Khanna, Proprietor of M/s Bal Kishore Khanna Jewellers, New Delhi is regular income tax assessee for the last 40 years. The AO noticed that two loans of Rs.27,14,830/- each were taken by the assessee from Ms. Chaitanya Khanna and Ms. Surbhi Khanna on 31.08.2015.

4. The assessee explained to the AO that the aforesaid loan was out of the gift amount of Rs.50 lacs received by them from their grandfather i.e. the assessee Sh. Bal Kishore Khanna.

5. The AO made addition of Rs.50 lacs as well as disallowed the interest paid on the amount of Rs.50 lacs received as loan. The Id. CIT(A) on verification held that the amount of Rs.50 lacs has been transferred from the proprietary concern of Sh. Bal Kishore Khanna named M/s Bal Kishore Khanna Jewellers. Thus, since the source of Rs.50 lacs received as loan has been proved, the same has been deleted. However, the Id. CIT(A) held that it is re-characterization of own capital in guise of unsecured loans and hence the interest paid is disallowable.

6. We find that Sh. Bal Kishore Khanna gifted the amounts from his disclosed sources to the grand-daughters namely Ms. Chaitanya Khanna and Ms. Surbhi Khanna which is an accepted fact by the revenue. It is also an accepted fact that the grand-daughters Ms. Chaitanya Khanna and

Ms. Surbhi Khanna have lend their amounts on interest to Sh. Bal Kishore Khanna who paid interest to the lenders and claimed the same in his P&L account. The interest is taxable in the hands of the recipients and debitable (DR) in the hands of the payer. Hence, we find no reason to disallow the same in the hands of the assessee. The appeal of the assessee on this issue is allowed.

7. In the result, the appeal of the assessee is allowed.

Order Pronounced in the Open Court on 16/12/2022.

Sd/-

Sd/-

(Yogesh Kumar US)
Judicial Member

(Dr. B. R. R. Kumar)
Accountant Member

Dated: 16/12/2022

Subodh Kumar, Sr. PS/A.K., Sr. PS

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR