

**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. 8665/Del/2019 : Asstt. Year : 2016-17**

Bhagat Motor Company Pvt. Ltd., 50, Okhla Industrial Estate, New Delhi	Vs	ACIT, Circle-4(2), New Delhi
<b>(APPELLANT)</b>		<b>(RESPONDENT)</b>
<b>PAN No. AAACB0341G</b>		

**Assessee by : Sh. Ajay Wadhwa, Adv.,  
Ms. Bharti Sharma, Adv. &  
Sh. Snehil Jha, CA  
Revenue by : Sh. Kanav Bali, Sr. DR**

<b>Date of Hearing: 18.10.2022</b>	<b>Date of Pronouncement: 16.12.2022</b>
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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)-2, New Delhi dated 30.09.2019.

2. The assessee has raised the following grounds of appeal:

*"1. That the order passed by Id. Commissioner of Income Tax (Appeals) (herein after referred to as "CIT (A)") dated 30.09.2019 is erroneous and bad in law and on facts.*

*2. That the Id. CIT(A) has erred in confirming the disallowance of interest on property loan of Rs. 40,70,286/- made by the Id. AO on the ground that the same was not incurred for the purpose of business of the Assessee.*

*2.1 That the Id. CIT(A) has erred in summarily rejecting the contention of the Assessee that the residential flats were acquired by the Assessee Company for its self use and had been allotted to the directors for their residential purpose and the directors have included perquisites on account of such residence in their return of income and paid tax thereon.*

*2.2 That the Id. CIT(A) while sustaining the disallowance, has disregarded the judgment of Hon'ble Andhra Pradesh High Court in the case of CIT vs. Vazir Sultan Tobacco Co. Ltd. [1988] 173 ITR 290 which squarely applies to the case of the Assessee."*

**Interest on Property Loan:**

3. The assessee filed return of income 03.01.2017 declaring an income of Rs.16,85,000/-. The assessee has claimed expenses on account of interest on property loan of Rs.40,70,286/- in P&L account. The AO disallowed the same on the grounds that it is not incurred for the purpose of business or profession. The AO has also mentioned that the purpose of loan was not clear whether it was for business or not.

4. During the appellate proceedings, the assessee has submitted that it has taken loan for purchase of two residential properties which have been allotted to two Directors for their residential purposes. It was submitted that the perquisite value on account of residence has been accounted for in the income of the Directors and has been offered for taxation.

5. The assessee has also submitted the purchase deeds which prove that the assessee has purchased the flats in the name of the company. The loan account being LB DEL 00002351776/2327 of ICICI Bank for the said property. The

said building has been duly reflected in the schedule of fixed assets. The perquisite value has been duly taxed. Under these circumstances, we hold that the interest paid by the assessee company in connection with acquisition of fixed assets is an allowable deduction.

6. In the result, the appeal of the assessee is allowed.  
Order Pronounced in the Open Court on 16/12/2022.

Sd/-

**(Yogesh Kumar US)**  
**Judicial Member**

**Dated: 16/12/2022**

**\*Subodh Kumar, Sr. PS\***

Copy forwarded to:

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

Sd/-

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

**ASSISTANT REGISTRAR**