

**INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCH "F": NEW DELHI**

**BEFORE  
SHRI SHAMIM YAHYA ACCOUNTANT MEMBER  
AND  
MS. ASTHA CHANDRA, JUDICIAL MEMBER**

ITA No. 7554/Del/2018  
Asstt. Year: 2013-14

DCIT, Circle 21(1) Room No. 202B, 2 <sup>nd</sup> Floor, C.R. Building, I.P. Estate, New Delhi – 110 002	Vs.	Religare Arts Initiative Ltd. 2 <sup>nd</sup> Floor, Rajlok Building, 24, Nehru Place, New Delhi – 110 019 PAN AADCR7075A
(Appellant)		(Respondent)

Assessee by:	Shri Rohit Jain, Advocate Ms. Somya Jain, CA
Department by:	Shri Rohit Garg, CIT- DR
Date of Hearing:	13.07.2023
Date of pronouncement:	09.08.2023

**ORDER**

**PER ASTHA CHANDRA, JM**

The appeal filed by the Revenue is directed against the order dated 17.09.2018 of the Ld. Commissioner of Income Tax,(Appeals)-7, New Delhi (**"CIT(A)"**) pertaining to Assessment Year (**"AY"**) 2013-14.

2. The Revenue has raised the following grounds:-

*"1. That on facts and circumstances of the case, the Ld. CIT(A) has erred in deleting the addition of Rs. 8,01,799/-/ on account of reimbursement/support*

*charges, without determining the fair market value of the services rendered and what is claimed by the assessee.*

2. *That on facts and circumstances of the case, the LD. CIT(A) has erred in allowing the additional evidence submitted by the assessee without calling for the counter comments of the assessing officer under Rule 46A of the IT. Act, 1961.*
3. *On the casts and in the circumstances of the case, the Ld. CIT(A) has erred in deleting the above addition without making proper enquiries and test of reasonableness and excessive claim of the assessee u/s 40A(2)(b) of the I.T. Act.*
4. *'On the facts and in the circumstances of the case, the Ld. CIT(A) erred in deleting the disallowance of Rs. 1,15,27,945/- on account of rental expenses aggregating to Rs. 1,15,27,945/-*
5. *On the facts and in the circumstances of the case, the Ld. CIT(A) erred in deleting the disallowance of Rs. 1,81,03,975/- on account of write off of CENVAT tax credit aggregation to Rs. 1,81,03,975/-.*
6. *On the facts and in the circumstances of the case, the Ld. CIT(A) erred in deleting the disallowance of Rs. 60,16,402/- on account of finance cost aggregating to Rs. 60,16,402/-."*

3. Briefly stated, the assessee is a company engaged in the business of buying and selling, trading, stocking, exporting-importing, auctioning, promoting, exhibiting, hiring and dealing in art including painting, sculpture, antique, artistic value or any other intrinsic value and to promote art and related services like gallery space, valuation, authentication, collection building and custodial services to the client. It e-filed its return for AY 2013-14 on 27.09.2013 declaring loss of Rs. 7,63,56,892/-. Its case was selected for scrutiny. Statutory notice(s) along with questionnaire were served upon the assessee in response to which necessary details and explanations were submitted before the Ld. Assessing Officer ("**AO**"). The Ld. AO completed the assessment on total loss of Rs. 3,99,66,777/- on 28.03.2016 under section 143(3) of the Income Tax Act, 1961 (**the "Act"**) resulting in disallowance of Rs. 1,15,27,945/- out of rental expenses claimed; disallowance of Rs. 8,01,799/- out of reimbursement/support services; disallowance of Rs. 1,81,03,975/- being service tax credit written off and disallowance of Rs. 60,16,402/- out of finance cost.



Table 3

Month	Rent paid for art gallery ad measuring 22,814 sq. ft	Rental amount for additional space of 3,679.57 sq. ft	Total	Reference
Apr-12	31,36,915	8,07.187	39.44,102	Sublease agreement and addendum dated April 2, 2012
May-12	33,72,194	8,07.187	41,79,381	
Jun-12	33,72,194	8,07.187	41,79,381	
Jul-12	33,72,194	8,07.187	41,79,381	
Sub Total (A)			1,64,82,245	
Rent paid post closure of art gallery with effect from August 1, 2012				
Aug-12	[837 sq.ft. xRs 219.37]		1,83,613	
Sep-12	[837 sq.ft. xRs 219.37]		1,83,613	
Oct-12	[837 sq.ft. xRs 219.37]		1,83,613	
Nov-12	[837 sq.ft. xRs 219.37]		1,83,613	
Dec-12	[837 sq.ft. xRs 219.37]		1,83,613	
Jan-13	[837 sq.ft. xRs 219.37]		1,83,613	
Feb-13	[837 sq.ft. xRs 219.37]		1,83,613	
Mar-13	[837 sq.ft. xRs 219.37]		1,83,613	
Sub Total (B)			14.68.902	
Total (A+B)			1,79,51,147	Amount claimed by Appellant as rental expense is Rs1,79,50,486

4.5 The appellant had deducted TDS @10% on all the above payments under section 194I of the Act and deposited the same to the account of exchequer. Copy of Form 16A evidencing deduction of TDS on lease rental paid to REL Infra was also filed. The aforesaid rental payments of Rs.1.79.51,147/- is paid in accordance with rent agreements submitted. The old agreement which the AO had used for disallowance has been rescinded by the addendum to the lease agreement submitted by the Appellant and REL Infra.

4.6 It was also submitted that:

“Further, we submit that the similar disallowance of the rental expenditure made by the learned predecessor Assessing Officer was deleted by the hon’ble Commissioner of Income-tax (Appeals)-7. Here in this case, the same principal lease agreement continues and is applicable for the subject premises along with addendum for additional space as submitted earlier. Copy of the order of the hon’ble CIT(A) has been enclosed in Annexure 10.

We hereby request your honour to kindly consider the fact that the Appellant had paid the rent under the lease agreement copy submitted as Annexure 1 is same as considered last year which was examined in detail and favourable

*order was passed for the AY 2012-13 by the hon'ble CIT(A) for the same premises under same lease agreement. We request your honor to kindly ignore the inadvertent reference of document submitted in negligence."*

4.7 *The Appellant vide submission dated March 3, 2016 had inadvertently furnished an old annexure on lease rental (Schedule 2) to sub-lease agreement executed between it and REL Infra wherein the monthly rentals for the space ad-measuring 22,814 sq. ft was mentioned at Rs. 14,95,874/- per month. It was further submitted that, pursuance to revision of the old annexure, the said old annexure was rescinded by both i.e. the appellant and REL Infra and hence, ceased to be a valid lease document. The Appellant vide submission dated 25.09.2017 under the provisions of section 46A of the Act furnished copy of correct annexure to the principal lease agreement as an additional evidence, wherein office space ad-measuring 22,814 sq ft was sub leased. The sub-lease agreement stipulated the amount of monthly lease rentals (amount submitted in Table 2 above) with annual increase of 7.5%. Copy of the additional evidence application was also forward to the AO whose comments are as follows:*

*"The assessee has debited a sum of Rs 1,79.50.486/- on account of payment of rent. During the course of assessment proceeding the assessee was asked for justification, the assessee had submitted as under:*

*"It is submitted that the company, for the purpose of conduction its business operations viz. Buying selling auctioning, promoting exhibiting arts including paintings, sculptures, antiques, artistic value or any other intrinsic value and to promote art and provide art related services like gallery space. valuation, authentication, collection building and custodial services to the client, had taken office space on rent and measuring 26,494 sq ft. from REL Infrafacilities Limited ("REL Infra" (now known as Religare Support Services Limited) at D3, P38, District Centre, Saket, New Delhi. The said space was primarily taken for running Company's art gallery vide which the Company would exhibit and sell art work to individuals/corporate. W.e.f August, 2012, the Company shut down its art gallery and vacated the aforesaid spaced leased by it except office space ad measuring 837 sq. ft. utilized by it for the purpose if its registered office The Company for the said premises has incurred and paid rent aggregating to Rs 18,156,536 comprising lease rental of Rs. 17,950,486 and rates and taxes of Rs. 2.06.050/- to REL Infra.*

*The company thus, wishes to submit that as the aforesaid lease rental expense has been incurred wholly and exclusively for the purpose of running its art gallery for exhibiting, purchase and sale of art work and for its registered office, the said rental expense of Rs. 18,156,536/- is allowable as a deductible expense under section 37 of the Act"*

*The AO made the addition after considering the reply of the assessee and the sub lease agreement with the Group Company M/S REL Infrafacilities Ltd. dated 01.06.2011 observing as under.*

*"Vide schedule-2 the monthly rent was fixed at Rs. 1495874/- per month for an area of 22814 sq. feet. By the assessee's own admission the Art Gallery was closed w.e.f 01.08.2012. The rent for four months comes to Rs 59,83,496/ Thereafter, the assessee is occupying only 837 sq ft. The proportionate cost of which for 8 months (Rs.54,880 per month) would come to*

*Rs. 4,39,045 only. Thus the total rent allowable to the assessee company as per the documentary evidence comes to Rs 64,22,541/- only. The excess rent of Rs 1,15,27.945/- (17950486-6422541) being unexplained and unjustified is being disallowed and added back to the taxable income of the assessee company."*

*Now, the assessee as an additional evidence has filed another lease agreement that stipulates the amount of monthly lease rental with annual increase of 7.5% claiming that during the course of assessment proceeding it had inadvertently submitted some old lease agreement executed between it and REL Infra wherein the monthly rentals of the space ad-measuring 22,814 sq. ft was mentioned at Rs 14,95,874/- per month. It has also submitted that this lease agreement has been rescinded by the assessee and REL Infra and hence, ceased to be a valid lease agreement.*

*In view of the above, there is no logic in the facts presented by the assessee that it had inadvertently submitted some old agreement at the time of assessment proceedings. However, the assessee being aggrieved with the addition made the AO, is trying to take the benefit by changing the lease agreement that has different terms and conditions."*

*4.8 It was submitted that the rental expenditure was incurred by the appellant wholly and exclusively for the purpose of its business and is hence an allowable expenditure u/s 37(1) of the Act. Further, the appellant also submitted that REL Infra had shown the rental receipts of Rs. 1,79,50,486/- from the appellant as rental income in its books of accounts for the subject AY 2013-14.*

*4.9 Based on the above discussion, it is apparent that the said rental expense of Rs.1.79.50.486/- crores has been incurred by the Appellant wholly and exclusively for the purpose of its business and hence, is an allowable expenditure u/s 37(1) of the Act. The only confusion was created because of wrong filing of the older rent agreement. The revised rent agreement has also been discussed in A.Y 2012-13 and hence, cannot be treated as an afterthought. The ground of appeal is therefore, ruled in favour of the appellant."*

*4.1 The disallowance out of reimbursement/support services has also been deleted by the Ld. CIT(A) by observing in para 5.2 and 5.3 of his order as follows:*

*"5.2 I have carefully considered the assessment order and written submissions furnished by the Ld. AR. The appellant vide submission dated 14.08.2017 submitted that during the subject AY, the appellant had incurred repair and maintenance expense of Rs.32.07.199/- and had not incurred any support service expense which can be evidenced in its audited Financial Statements for the period ended March 31, 2013. The AO however, disallowed a sum Rs 8,01,799/- (being 25% of aforesaid repair and maintenance expense) treating the same as support service expense. It was submitted that the disallowance made by the AO was not based on correct fact.*

5.3. *The appellant further submitted that in AY 2012-13, similar ad-hoc of Re 1 31 23 328/ - (being 25 % of rental expense incurred by the Appellant during the said year) as support service expense, even though no support service expense had been incurred by the Appellant during the said year. The then CIT(Appeals) had vide order dated 28.02.2017 deleted the ad-hoc disallowance of rental expense made by the AO vide order framed for A.Y. 2012-13. Respectfully following the order of my predecessor, the disallowance of Rs. 8,01,799/- is deleted. This ground of appeal is ruled in favour of the appellant.”*

4.2 The Ld. CIT(A) discussed the issue of disallowance on account of write off of CENVAT Credit in para 6.4, 6.5 and 6.6 of his order and deleted the same by observing thus:

*“6.4 The AO disallowed the write off of CENVAT credit of Rs.1,81,03,975/- on the following grounds*

- *CENVAT credit due from service tax authorities can be set-off against future service tax liability and cannot be suo-moto written off in the books of account; and*
- *No justification was provided by the Appellant in respect of such write-off*

6.5. *The appellant relied on the decision of Hon'ble Chandigarh Bench of Tribunal in the case of Mohan Spg. Mills vs. ACIT: 27 taxmann.com 332, wherein it was held that unadjusted cenvat credit left on closure on manufacturing unit, which cannot be utilised further, is allowable as business expenditure under section 37(1) of the Act Relevant extract of decision is quoted as below*

*10. Various tests have been laid down by various High Courts and the Apex Court in relation to the allowability of expenditure under section 37(1) of the Act while computing the income from profits and gains of business or profession. In the facts of the present case, the assessee had paid CENVAT on purchase of raw material which was deposited in its PLA account for claiming the benefit of set off against the excise duty payable on the manufactured items i.e. branded yarn The assessee was paying higher rate of excise duty on the raw material purchased by it as against the rate of excise duty applicable on the manufactured items, consequently credit of excise duty was available with the assessee. The said excise duty paid from year to year was not claimed as an expenditure but was carried forward from year to year to be adjusted against the excise duty payable by the assessee on its manufactured items. However, during the year under consideration the assessee closed down its manufacturing unit and consequently the benefit of the CENVAT credit remained un-adjusted. Once the manufacturing unit of the assessee is closed down, admittedly the benefit of CENVAT credit not availed of against the excise duty payable on manufactured items, cannot be utilized by the assessee and the said write off of CENVAT credit, is allowable as an expenditure in the year under consideration on the closure of the business. The write off of CENVAT credit by the assessee in its books of account is thus allowable as business expenditure under the provisions of section 37(1) of the Act relatable to the year in which the manufacturing activities are closed down*

by the x x x x x x Assessing Officer to allow the claim of the assessee in respect of write off of CENVAT credit of Rs. 35,94,577/-. Ground No 1 raised by the assessee is thus allowed.

6.6 In view of the above facts and judicial position, the disallowance of Rs. 1,81,03,975/- made by the AO is directed to be deleted. This ground of appeal is ruled in favour of the appellant.”

4.3 The disallowance on account of finance cost has also been deleted by the Ld. CIT(A) by observing in para 7.2 to 7.7 as under:

“7.2 I have carefully considered the assessment order and written submissions furnished by the Ld. AR The AQ disallowed Rs.60,16,402 on ad-hoc basis being 50% of the interest cost of Rs 1,20,32,804/- (not of disallowance under section 14A of the Act) based on the following incorrect assumptions.

- The Appellant failed to justify the purpose for which the interest costs of Rs 1,20,32,804 was incurred by it; and
- High quantum of borrowings were made and subsequently repaid by the Appellant vis-à-vis its business requirements of Rs 4.78 crores.

7.3. The appellant submitted that the total funds required by the appellant during the relevant AY aggregated to Rs.36.03,29,632/- which comprised: Table 5:

Particular	Amount (in Rs.)
Funding of brought forward losses as on April 1, 2012	27,62,68,700
Purchases of Stock-in-Trade	57,33,285
Employee Benefits Expenses	2,29,32,395
Finance Costs	2,75,57,037
Other Expenses excluding non-cash expenditure of Rs 42,826,670	3,35,38,158
Total	36,03,29,632

7.4 Against the aforesaid, the Appellant, during the AY had earned Rs.1,43,60,156/- from the sale of art work. Thus, to bridge the gap between its working capital requirements and income earned by it, it had taken ICDs in prior financial years and during the present AY. It was also submitted that the quantum of ICDs borrowed by the appellant at any time during the relevant AY never exceeded Rs.30.57 crores and consequently never exceeded the appellant's working capital requirement of Rs.34.67 crores.

7.5 The appellant in this respect relied on various judicial pronouncements wherein allowability of expense as a business expense under section 37 has been discussed One of the key decision to support its claim is that of CIT Vs.

*Malayalam Plantations Ltd: (1960 53 ITR 140 where the Supreme Court observed that*

*"The expression" for the purpose of the businesses is wider in scope than the expression for the purpose of earning profits. Its range is wide. It may take in not only the day to day running of business but also the rationalisation of its administration and modernisation of its machinery it may include measures for the preservation of the business and for the protection of its assets and property from expropriation, coercive process or assertion of hostile, it may also comprehend payment of statutory dues and taxes imposed as a precondition to commence or for the carrying on of a business, it may comprehend many other acts incidental to the carrying on of a business. However wide the meaning of the expression may be, its limits are implicit in it. The purpose shall be for the purpose of the business, that is to say, that expenditure incurred shall be for the carrying on of the business and the assessee shall incur it in his capacity as a person carrying on the business. It can not include sum spent by the assessee as agent of a third party, whether the origin of the agency is voluntary or statutory....."*

7.6 Reference was also drawn to:

- Allahabad High Court in the case of *Seth Banarsi Das Gupta v. CIT [1977] 106 ITR 559;*
- *State of Madras v. G.J. Coelho [1964] 53 ITR 186 (SC);*  
*Bombay Steam Navigation Co. P. Ltd. v. Commissioner of Income-tax [1965] 56 ITR 52 (SC);*
- *Supreme Court in CIT Vs. Birla Cotton Spinning & Weaving Mills Ltd. (82 ITR 166); and*
- *S. A. Builders Ltd. Vs. CIT (288 ITR 1)*

*7.7. Thus, applying the ratio laid down in the above mentioned judicial decisions, the disallowance of Rs.60,16,402/- on ad-hoc basis is deleted. This ground of appeal is ruled in favour of the appellant."*

5. The Revenue is dissatisfied and is before the Tribunal and all the grounds relate thereto.

6. We have heard the Ld. Representative of the parties and perused the records. Ground-wise issues are considered herein below.

6.1 Ground No. 1, 2 and 3 relate to disallowance of Rs. 8,01,799/- out of reimbursement/support services. The Ld. AO discussed this issue in para 4 to 4.2 of his order. He found that the assessee had claimed expenditure of Rs. 32,07,199/- on account of cost sharing and reimbursement. The Ld. AO

disallowed 25% thereof following the order for AY 2012-13 applying the provisions of section 40A(2)(b) of the Act. On appeal, the Ld. CIT(A) deleted the disallowance following the appellate order for the immediately preceding AY 2012-13. Before us the Ld. DR submitted that in the absence of any evidence on record in support of the assessee's claim, the Ld. CIT(A) is not correct in deleting the disallowance. The Ld. AR pointed out that REL Infra Facilities Ltd. ("**REL Infra**") incurred repair and maintenance expenses in respect of properties being used by Religare group of companies, including the assessee. During the year out of the expenditure incurred, expense aggregating to Rs. 32,07,199/- were cross charged to the assessee on a 'cost to cost basis' in the ratio of the office space sub-leased by the assessee for its art gallery to the total area of the branch. The Ld. AO wrongly treated reimbursement as support service expense when no support service expenses were incurred / claimed during the year. It is submitted by the Ld. AR that actual expenses incurred is allocated and recovered by REL Infra on the basis of Cost Allocation Logics Policy for the Religare group. TDS is duly deducted on payment made to REL Infra. The Ld. AO has not doubted the genuineness of expenditure and there is nothing on record to establish that payment is excessive or unreasonable. On careful consideration of the arguments of the parties, we are of the view that the Ld. CIT(A) is perfectly justified in deleting the impugned disallowance. We find that the appeal of the Revenue filed against the CIT(A)'s order for AY 2012-13 stands dismissed by the Tribunal vide order in ITA No. 2770/Del/2017 dated 03.12.2019. We therefore find no reason to sustain the impugned disallowance. These grounds are rejected.

6.2 Ground No. 4 relates to disallowance of Rs. 1,15,27,945/- out of rental expenditure claimed at Rs. 1,79,50,486/-. The Ld. AO has discussed this issue in para 3 to 3.2 of his order. On the basis of old rent agreement the Ld. AO computed rent payable at Rs. 64,22,541/- and disallowed Rs. 1,15,27,945/- for not being for the purpose of assessee's business out of the total rental expenditure claimed. During appellate proceedings, the assessee submitted Addendum dated 02.08.2012 effective from 01.08.2012 and

submitted that the assessee had taken office space 22,814 sq. ft. vide Agreement dated 01.06.2011 and additional space of 3679.5 sq. ft. vide Addendum dated 02.04.2012 on sub-lease from REL Infra. However, owing to continuous losses in the operation of art gallery business, the assessee, w.e.f. 01.08.2012 shut down its art gallery and vacated the premises taken on lease except for area of 837 sq. ft. which was retained for functioning of registered office vide Addendum dated 02.08.2012. The Ld. CIT(A) called for the remand report from the Ld. AO. After considering the remand report, he accepted the assessee's claim based on the revised rent agreement which had also been discussed in AY 2012-13. Before us, the Ld. DR conceded the factual aspect of the case. The Ld. AR supported the order of the Ld. CIT(A) who deleted the impugned disallowance after considering the correct revised rent agreement holding that the expenditure was incurred for the purposes of business. On consideration of the facts and circumstances of the case, we observe that the impugned disallowance has been made by the Ld. AO due to inadvertent submission of the old rent agreement by the assessee before him. However, revised rent agreement was produced before the Ld. CIT(A) who after allowing opportunity to the Ld. AO to offer his comments gave relief to the assessee, interalia that the revised rent agreement cannot be treated as an afterthought and that the expenditure was incurred wholly and exclusively for the purposes of assessee's business. We concur with the findings of the Ld. CIT(A) and decline to interfere.

6.3 Ground No. 5 relates to disallowance made on account of write off of CENVAT tax Credit. The Ld. AO discussed this issue in para 5 to 5.2 of his order. He made the impugned disallowance holding that the assessee cannot suo-moto write off the credit available and the same is allowable only against future service tax liability. The Ld. CIT(A) relying on the decision of Chandigarh Bench of the Tribunal in Mohan Spg Mills Vs. ACIT 27 taxmann.com 332 deleted the disallowance. Before us the Ld. DR submitted that requisite verification has neither been done by the Ld. AO nor by the Ld. CIT(A). It is not an expenditure of this year. It is not allowable on grounds of matching principle. He further submitted that there is no difference between

CENVET on capital goods and revenue items. Therefore, verification is called for. However, he did not produce any precedence in support of his submission. The Ld. AR submitted that the assessee has written off the unutilized CENVET Credit of Rs. 1,81,03,975/- and claimed it as business expenditure. The assessee offered the explanation that the possibility of set off of available credit with service tax liability was remote due to closure of art gallery. A number of decisions have been cited in which identical claims have been allowed. We gave careful thought to the submission of the parties. It is not in dispute that the statutory auditors of the assessee company have duly certified the impugned write off in the company's audited financial statements which is on record of the Ld. AO. Therefore, it cannot be said that it is not verifiable. The explanation of the assessee for write off has not been accepted by the Ld. AO without any cogent and valid reasons. The judicial consensus is that write off of CENVAT Credit is an allowable deduction under section 37(1) of the Act in the year it has been debited to the books of account. Following decisions hold similar view:-

- i. M/s. Federal Mogul TPR (India) Ltd. vs. JCIT ITA No. 509/Del/2017 (Delhi Trib.)
- ii. NCS Distilleries P. Ltd. vs. ITO (ITA No. 699/Hyd/2012 (Hyd-Trib)
- iii. ACIT vs. Rangoli Industries Pvt. Ltd. (ITA No. 1936/Ahd/2010 (Ahd. Trib)
- iv. PCIT vs. Kaleesuwari Refinery Pvt. Ltd. TCA No. 282 of 2018 (Mad High Court)
- v. M/s. NEC Technologies India P. Ltd. vs. ACIT ITA No. 6982/Del/2019 (Delhi Trib)

Accordingly, following the decisions (supra) we find no substance in this ground of the Revenue which we reject.

6.4 Ground No. 6 relates to disallowance of Rs. 60,16,402/- on account of finance cost. Briefly stated, the assessee paid interest of Rs. 2,75,56,537/- on ICDs taken from group companies out of which the assessee suo moto disallowed Rs. 1,55,23,733/- under section 14A and the balance amount of Rs. 1,20,32,804/- was claimed as deduction. The Ld. AO disallowed 50% i.e.

Rs. 60,16,402/- under section 37(1) for the reason that such huge amount of borrowing and repayment is not attributable to the business of the assessee. The Ld. CIT(A) deleted the impugned disallowance for the reasons extracted earlier. Before us, the Ld. DR relied upon the findings of the Ld. AO. The Ld. AR submitted that the entire expenditure was incurred wholly and exclusively for the purpose of assessee's business. There is no finding that any part of the borrowed funds were utilised for purposes other than business. Hence adhoc 50% disallowance is not justified. He placed reliance on several decisions. On perusal of the order of the Ld. CIT(A) we observe that the Ld. CIT(A) noted in para 7.3 of his appellate order that during the year the funds required by the assessee aggregated to Rs. 36.03 crores and that the quantum of ICDs borrowed by the assessee never exceeded Rs. 30.75 crores. Consequently, the borrowals made by the assessee never exceeded its working capital requirement of Rs. 34.67 crore in the year. The Ld. CIT(A)'s order on the issue is well reasoned and backed by precedents. We find ourselves in agreement with his view. We sustain the deletion of the impugned disallowance and reject this ground of the Revenue as well.

6.5 Ground No. 7 does not require adjudication.

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

**Order pronounced in the open court on 9<sup>th</sup> August, 2023.**

**sd/-  
(SHAMIM YAHYA)  
ACCOUNTANT MEMBER**

**sd/-  
(ASTHA CHANDRA)  
JUDICIAL MEMBER**

Dated: 09/08/2023

***Veena***

Copy forwarded to -

1. Applicant
2. Respondent
3. CIT
4. CIT (A)
5. DR:ITAT

ASSISTANT REGISTRAR  
ITAT, New Delhi

Date of dictation	
Date on which the typed draft is placed before the dictating Member	
Date on which the typed draft is placed before the Other Member	
Date on which the approved draft comes to the Sr. PS/PS	
Date on which the fair order is placed before the Dictating Member for pronouncement	
Date on which the fair order comes back to the Sr. PS/PS	
Date on which the final order is uploaded on the website of ITAT	
Date on which the file goes to the Bench Clerk	
Date on which the file goes to the Head Clerk	
The date on which the file goes to the Assistant Registrar for signature on the order	
Date of dispatch of the Order	