

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH “E”: NEW DELHI**

**BEFORE SHRI M. BALAGANESH, ACCOUNTANT MEMBER
AND
SHRI ANUBHAV SHARMA, JUDICIAL MEMBER**

**ITA No. 171/DEL/2020
A.Y. 2015-16**

M/s Micro Stock Holding Pvt. Ltd., 98, Old Rohtak Road, Shahzada Bagh Industrial Area, New Delhi-110035. PAN- AAGCM3051Q	<u>Vs</u>	Income-tax Officer, Ward-16(4), New Delhi.
APPELLANT		RESPONDENT
Assessee represented by	None	
Department represented by	Sh. Alok Bhura, Sr. DR	
Date of hearing	10.10.2023	
Date of pronouncement	13.10.2023	

ORDER

PER ANUBHAV SHARMA, JM:

The assessee has come in appeal against the order dated 15.11.2019, for the assessment year 2015-16, passed by the Commissioner of Income Tax (Appeals), Delhi-6, New Delhi (hereinafter referred as “learned First Appellate Authority” or in short “FAA”), in appeal no. CIT(A), Delhi-6/10413/2017-18, arising out of order dated 30.12.2017 u/s 143(3) of the Income-tax Act, 1961 (hereinafter referred as the “Act”), passed by the Income-tax Officer, Ward-16(4), New Delhi.

2. Heard. As the case was called for hearing none appeared for the assessee. The record shows that notices have been issued to the assessee on several occasions and no more opportunities justified.

3. On hearing, learned DR supported the findings of learned tax authorities below.

4. Facts are that the appellant is carrying on business of Investment Activity, the return of Income was filed on 30 Sept 2015 declaring loss of Rs 757727. The assessment was completed by the AO at income of Rs 30819335. The AO has acknowledged that appellant had filed information and explanations vide letters of different dates, numbering 11 in number, mentioned in the order. The AO has also mentioned number of facts and figures in the assessment order. The AO has also mentioned that this was a ease of limited scrutiny. The appellant had claimed interest expenses of Rs 11764103. The AO noted that interest expenses were only Rs 1762192 in the preceding year and that the interest expenses have increased by Rs 10001911. The AO disallowed the increased interest expenses on the ground that the appellant has not been able to explain the sudden increase in the interest expenses. The AO made addition of Rs 21575151 as interest income. The AO observed that the appellant had availed short term borrowings of Rs 7.90 crores on which interest of Rs 10001911 was paid and that interest rate was 12

percent. The AO also observed that the appellant had given short term interest free advances of 17,98 Crores on which no interest was charged by the appellant. The AO was of the view that appellant would have earned interest income of Rs 21575151 calculated by applying rate of interest at 12 percent on 17.98 crores. The AO added 21575151 to the income of the appellant.

5. Learned CIT(A) has given part relief to the assessee by relevant finding in para 4.2.4 as follows:

“14.2.4 As per the chart given it has been demonstrated that interest free loan had been given for an amount of Rs. 7.9 crores only and it has been contended that since interest at the rate of 10% was paid on bulk of the interest-bearing fund, interest at the rate of 10% could be disallowed only on the interest-free loans of Rs. 7,9 crores which have been given. However, the appellant has not demonstrated how and when the interest-bearing funds were disbursed and which funds, whether those bearing interest at the rate of 18.25% or 10%, had been disbursed as interest-free loans and advances. The AO has merely disallowed the increased interest expenses on the premise that the sudden increase was not explained by the assessee and the appellant has not demonstrated which funds were disbursed as interest free loan. Therefore, taking into consideration the rate of interest computed by the AO at 12% in para 8.3 above which takes into consideration the short-term borrowings and corresponding increase in interest payment, the disallowance is restricted to 12% of Rs. 7.9 crores, i.e, Rs. 94,80,000/-. Ground of appeal No. 2 is partly allowed.”

6. Assessee is in appeal raising following ground:

“The Ld. CIT(A) has erred in confirming disallowance of interest to the extent of Rs. 9480000 u/s 36(1)(iii) of Income Tax Act.”

7. Appreciating the material on record it can be observed that learned CIT(A)

has duly taken into consideration the fact of non-establishment of the disbursement of interest free loans and advances while giving part relief. Based on material before us, no interference is called for in the findings of learned CIT(A). **The Appeal is dismissed.**

Order pronounced in open court on 13.10.2023.

Sd/-
(M. BALAGANESH)
ACCOUNTANT MEMBER
MP

Copy forwarded to:

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

Sd/-
(ANUBHAV SHARMA)
JUDICIAL MEMBER

ASSISTANT REGISTRAR
ITAT, NEW DELHI