

**IN THE INCOME TAX APPELLATE TRIBUNAL  
JABALPUR BENCH 'DB', JABALPUR**

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

**Sh. Yogesh Kumar US, Judicial Member**

**ITA No. 51/JAB/2023 : Asstt. Year: 2018-19**

Chetanya Promoter & Developers, 353, Swarn Bhoomi, Chaggar Farm, Bilhari, Jabalpur, MP	Vs	The Pr.CIT-1, Jabalpur, MP
(APPELLANT)		(RESPONDENT)
<b>PAN No. AAHFC 0135 H</b>		

**Assessee by : Sh. Dhiraj Ghai, FCA**

**Revenue by : Smt. Garima Chaudhary, CIT-DR**

**Date of Hearing: 22.11.2023**

**Date of Pronouncement: 23.11.2023**

**ORDER**

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

The present appeal has been filed by assessee against the order of Id. Pr.CIT, Jabalpur-1 dated 26.03.2023.

2. The assessee is a colonizer and builder and during the year, assessee was engaged in selling of plots and houses in two projects namely Narmada View and Chetanya City in Jabalpur.

3. The AO observed that the assessee has advanced interest free advances to the tune of Rs. 3,02,27,047/- to its sister concern namely Aaradhya Developers and Maruti Corporation. The assessee has claimed total interest of Rs. 21,77,928/- in their P&L account. Before the AO the assessee submitted that these advances were given for requisition of land to sister

concerns in the course of business activity. The Assessing Officer has disallowed an amount of Rs. 4,35,585/- being 20% of the interest claimed in the P&L account.

4. The Id. Pr.CIT after going through the details held that the AO should have ascertained the quantum of interest charged on the loan of Rs. 1.82 crores by the Bank and should have made the disallowance in that proportion. Thus holding, the Id. Pr.CIT passed an order u/s. 263 directing the AO to the frame the Assessment Order afresh.

5. Aggrieved, the assessee filed before us.

6. Heard the arguments of both the parties and perused the material available on record.

7. We have perused with the fund and asset position of the assessee which is as under:-

Sr.No	Particulars	Amount	Remarks
	1. Current Assets		
1	Loans and advances	9,23,37,360.00	This amount does not include advance given to sister concerns (Aradhya Developers and Maruti Corporation Rs. 2,95,06,449/- and Rs. 7,20,598/- respectively)
2	Sundry Debtors others	2,72,37,950.00	Buyers outstanding balance
3	Closing Stock	8,37,78,028.00	At cost
4	Cash in hand & bank balance	9,53,482.43	At actual

5	Other current assets	13,25,972.00	Small amounts
	Subtotal	20,56,32,732	
	1. Current Liabilities		
7	Booking receipt	11,50,57,698.00	Amount received from customers but no registry
8	Sundry Creditors	8,16,54,018.67	Outstanding payment of expenses and raw materials
9	Provision for expenses	17,28,833.00	
	Subtotal	19,84,40,550	
10	Unsecured loan from friend an relatives	70,36,000.00	
	Excess working capital available	1,42,28,243/-	

8. This clearly shows the availability of funds by way of working capital gap. The assessee was in possession of funds of Rs. 1,42,28,243 + Rs. 1,21,82,756.59 (capital i.e. total Rs. 2,64,10,999/- and henceforth apart from the CC limit the assessee was in position to give interest free advances to its sister concerns to the tune of Rs. 3,02,27,047/-. Assessee has not utilized the interest bearing CC limit for lending advances to sister concerns.

9. The total interest claimed under P&L account was Rs. 21,77,928/- and the AO has already disallowed 20% i.e. 1/5 of the interest expenditure. The advances were given in the course of business for acquisition of land. The assessee cannot be expected to be charged on notional interest receipt. The Assessing Officer has taken a conscious call to disallow 20% of the interest claimed after examination of the entire facts and details. Hence, we cannot affirm the order of the Id. Pr.CIT holding that the order passed by the Assessing Officer is erroneous in so far as it is prejudicial to the interest of the Revenue.

10. In the result, the appeal of the assessee is hereby allowed.

Order Pronounced in the Open Court on 23 /11/2023.

**Sd/-**  
**(Yogesh Kumar U.S)**  
**Judicial Member**

**Sd/-**  
**(Dr. B. R. R. Kumar)**  
**Accountant Member**

**Jabalpur Dated: 23/11/2023**

\*NV, Sr. PS\*

Copy forwarded to:

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

**ASSISTANT REGISTRAR**  
**ITAT JABALPUR**