

**IN THE INCOME TAX APPELLATE TRIBUNAL  
“B” BENCH : BANGALORE**

**BEFORE LAXMI PRASAD SAHU, ACCOUNTANT MEMBER  
AND  
SHRI SOUNDARARAJAN K, JUDICIAL MEMBER**

ITA No.380/Bang/2024
Assessment Year : 2017-18

M/s. Mudra Industries, Plot No.93-A3, Jigani Industrial Area, 2 <sup>nd</sup> Phase, Anekal, Bengaluru – 562106. <b>PAN : AABFM 6720 C</b>	Vs.	ITO, Ward – 6(3)(1), Bengaluru.
APPELLANT		RESPONDENT

Assessee by	:	Shri. B. R. Sudheendra, CA
Revenue by	:	Shri. Ganesh R. Ghale, Standing Counsel.

Date of hearing	:	01.05.2024
Date of Pronouncement	:	09.05.2024

**ORDER**

*Per Laxmi Prasad Sahu, Accountant Member :*

This is an appeal filed by the assessee against the order passed by the National Faceless Appeal Centre (NFAC), Delhi, (DIN & Order No.ITBA/APL/S/250/2023-24/1061102890(1)) dated 19.02.2024.

2. The sole and substantive issue raised by the assessee is with regard to addition of interest income of Rs.4,86,000/- by the Centralized Processing Centre (CPC) as reported in Form No.26AS and confirmed by the CIT(A). Briefly stated facts of the case are that assessee is a

partnership firm engaged in the business of job work in the Manufacturing Industry. The capital contribution of the partners' and borrowed funds are utilized for the purpose of business which inter alia included interest income from loan and advances to various parties. The return of income was filed on 30.03.2018 declaring total income of Rs.3,12,390/-. The interest paid and received were treated as business income. The assessee computed income under section 44AD of the Act @ 8% and 6% respectively of the gross receipts which comes to Rs. 2,88,582/-. The business income computed on regular provisions were higher than the income computed under section 44AD of Rs. 3,12,390/- and filed return of income accordingly. Assessee received job work charges of Rs.29,67,650/- out of which the assessee calculated 8% on Rs.29,37,650/- resulting profit of Rs.2,35,012/- and assessee received interest of Rs.8,62,848 on which 6% profit calculated resulting income Rs.53,578/-. The total income is calculated at Rs.2,48,583/-. However, the assessee has prepared P & L A/c, the net profit is shown at Rs.3,12,394/- including the gross receipts from job work charges and interest received. Assessee offered higher income out of the above and filed return of income. The CPC noted that as per Form No.26AS, there is interest income reported of Rs.4,86,000/-. Accordingly, an information was sent to the assessee for proposed addition and after considering the reply, the CPC made addition of Rs.4,86,000/- and return was processed u/s 143(1) and it was sent to the assessee on 10.01.2019.

3. Aggrieved from the above order, the assessee filed appeal before the CIT (A). He relied on some judgements and partly allowed the appeal of the assessee.

4. Aggrieved from the above order the assessee filed appeal before the Income Tax Appellate Tribunal.

5. The Id. AR of the assessee submitted that assessee has offered higher income on the entire gross receipts as prescribed in section 44AD including the interest income therefore further addition made by the CPC is not warranted. He refer to the Profit & Loss Account and Computation of Income, however, the CPC has wrongly considered the interest income separately. If the interest income is considered separately then the interest expenditure should also be allowed as expenditure on the loan taken which is evident from the financial statements placed at Paper Book page No.18. Assessee took loan for the business purpose and he has also lent money on which interest has been received is also normal business activity of the assessee. Accordingly, ITR 4 sugam was also filed by the assessee.

6. On the other hand, the learned DR strongly relied on the order of the lower authorities and submitted that the assessee itself is classified as job work therefore, the interest income earned on finance activities cannot be considered as income from job work. The interest income earned by the assessee should be considered under the head "Income from Other Sources" to which the lower authorities have rightly considered.

7. In the rejoinder, the learned AR has submitted that if the interest income is considered separately, the interest expenditure should also be allowed to the assessee. Reliance is placed on the judgment of the Hon'ble High Court in the case of T.N.K. Govindaraju Chetty and Co. (P) Ltd., Vs. CIT (1964) 51 ITR 731 (Madras) & Laxmipat Singhania vs CIT [1969] 72 ITR 291(SC).

8. Considering the rival submissions, we note that the assessee has filed ITR-4 Sugam which is applicable to the return of income for the presumptive income from business and profession as prescribed for the year under consideration for eligible assessee for eligible business. In the return of income, the assessee itself has shown as (0124) Manufacturing Industry-Others and there is no separate classification for the interest income received. We note from the financial statements that assessee has received total interest of Rs.8,62,848/- out of which Rs.4,86,000/- is appearing in Form No.26AS to which the CPC has treated under the head "Income from Other Sources". During the appellate proceedings, the CIT(A) has considered only the interest income reported in Form No.26AS whereas the total interest income received by the assessee has not been considered. Assessee has also paid interest to the loan creditors of Rs.3,88,430/-. We also note from the computation of income placed at Paper Book page No.20, that assessee has offered income of Rs.3,12,394/- which includes interest income also. During the course of hearing, the learned AR submitted that bag factory has paid interest of Rs.75,000/-, Ravi Graphics – Rs.75,000/- and Sri Balaji Paper Agencies has paid

Rs.3,36,000/-. Only these figures are appearing in Form No.26AS and rest of the amounts of interest received by the assessee to the extent of Rs.3,76,848/- is not appearing in Form 2AS. Both the Revenue authorities have considered the partial amount of interest income as “Income from Other Sources”. As per our considered view, this matter requires fresh verification by the AO *de-novo*, accordingly, the AO is directed to decide the issue as per law after providing reasonable opportunity of hearing to the assessee and assessee is directed not to seek unnecessary adjournment for early disposal of the case.

9. In the result, appeal of the assessee is allowed for statistical purposes.

*Pronounced in the open court on the date mentioned on the caption page.*

**Sd/-**  
**(SUNDARARAJAN K)**  
**Judicial Member**

**Sd/-**  
**(LAXMI PRASAD SAHU)**  
**Accountant Member**

Bangalore,  
Dated: 09.05.2024.  
/NS/\*

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|-------------------------|---------------|
| 1. Appellants           | 2. Respondent |
| 3. CIT                  | 4. CIT(A)     |
| 5. DR, ITAT, Bangalore. | 6. Guard file |

By order

Assistant Registrar,  
ITAT, Bangalore.