

**INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH "F": NEW DELHI
BEFORE SHRI M. BALAGANESH, ACCOUNTANT MEMBER
AND
SHRI VIMAL KUMAR, JUDICIAL MEMBER**

**ITA No. 3472/Del/2023
(Assessment Year: 2017-18)**

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| Pawan Garg, 7/11, Sarvpriya Vihar, New Delhi (Appellant) PAN:AAJPG1331M | Vs. | DCIT, Circle-4(2), New Delhi (Respondent) |
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| Assessee by : | Shri Atul Puri, CA |
| Revenue by: | Ms. Nitika Khiwani, CA |

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| Date of Hearing | 10/10/2024 |
| Date of pronouncement | 10/10/2024 |

ORDER

PER M. BALAGANESH, A. M.:

1. The appeal in ITA No.3472/Del/2023 for AY 2017-18, arises out of the order of the National Faceless Appeal Centre (NFAC), Delhi [hereinafter referred to as 'Id. NFAC', in short] in Appeal No. ITBA/NFAC/S/250/2023-24/1056772490(1) dated 04.10.2023 against the order of assessment passed u/s 143(3) of the Income-tax Act, 1961 (hereinafter referred to as 'the Act') dated 30.10.2019 by the Assessing Officer, NFAC, Delhi (hereinafter referred to as 'Id. AO').
2. Though the assessee has raised several grounds before us, the only effective issue to be decided in this appeal is as to whether the assessee is entitled to claim deduction of interest paid to bank against interest income offered to tax while computing income from other sources.

3. We have heard the rival submissions and perused the material available on record. The assessee is an individual and had filed his return of income for AY on 17.07.2017 declaring total income of Rs. 13,43,730/- . During the earlier assessment year i.e. 2016-17, the assessee took a loan of Rs. 4.50 crores from Allahabad Bank at an interest rate of 12.7% which was utilized for giving loan to Curo India Pvt. Ltd at an interest rate of 14% per annum. The said company repaid a sum of Rs. 60 lakhs to the assessee during the financial year 2015-16 leaving an outstanding balance of Rs. 3.90 crores as on 01.04.2016. During the year under consideration, the assessee earned an interest income of Rs. 52,97,393/- from the said company on the loan advanced to them. This interest income was declared as income by the assessee under the head "income from other sources". Since borrowed money was utilized directly for advancing loan to the aforesaid company, the assessee claimed interest payment made to Allahabad Bank as deduction u/s 57(iii) of the Act in the sum of Rs. 53,09,959/- under the head 'income from other sources'. This deduction was denied by the lower authorities on the ground that nexus between borrowed funds and its utilization was not proved by the assessee. In this regard, we find that scrutiny assessment for AY 2016-17 was framed on the assessee wherein, the very same query was raised by the Id AO vide notice u/s 142(1) dated 13.08.2018. The assessee filed a reply proving one to one nexus thereon. The Id AO on being satisfied with the same completed the assessment for the AY 2016-17 u/s 143(3) of the Act on 30.11.2018 granting deduction for interest paid to Allahabad Bank while computing income from other sources. The very same claim for a different figure is being made in the year under consideration. During the year, there is no requirement for the assessee to prove the nexus between borrowed funds and its utilization as it had already been proved by the assessee in AY 2016-17 and accepted by the

revenue. Accordingly, we hold that the assessee would be eligible for deduction of interest paid to Allahabad Bank u/s 57(iii) of the Act. Accordingly, the grounds raised by the assessee are allowed.

4. In the result, the appeal of the assessee is allowed.

Order pronounced in the open court on 10/10/2024.

-Sd/-
(VIMAL KUMAR)
JUDICIAL MEMBER

-Sd/-
(M. BALAGANESH)
ACCOUNTANT MEMBER

Dated:10/10/2024
A K Keot

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

ASSISTANT REGISTRAR
ITAT, New Delhi