

**IN THE INCOME TAX APPELLATE TRIBUNAL  
“A” BENCH, AHMEDABAD**

**BEFORE SHRI T.R. SENTHIL KUMAR, JUDICIAL MEMBER &  
SHRI NARENDRA PRASAD SINHA, ACCOUNTANT MEMBER**

आयकर अपील सं./I.T.A. Nos. 173 & 174/Ahd/2024  
(निर्धारण वर्ष / Assessment Years:2017-18 & 2018-19)

<b>Vishal VedprakashChiripal</b> 283, New Cloth Market, O/s. Raipur Gate, Raipur, Ahmedabad - 380002	<b>बनाम/ Vs.</b>	<b>The Dy. Commissioner of Income Tax</b> Circle 1(1)(2), Ahmedabad
<b>स्थायीलेखासं./जीआइआरसं./PAN/GIR No. : ACCPA7263P</b>		
<b>(Appellant)</b>	..	<b>(Respondent)</b>

अपीलार्थी ओर से/Appellant by :	ShriGaurav Nahta, A.R.
प्रत्यर्थी की ओर से/Respondentby:	Shri Aashish Rajesh Revar, Sr. DR

<b>Date of Hearing</b>	25/11/2024
<b>Date of Pronouncement</b>	18/12/2024

**ORDER**

**PER SHRINARENDRA PRASAD SINHA, AM:**

These two appeals are filed by the assessee against the order of the Commissioner of Income Tax (Appeals)-12, Ahmedabad (in short ‘the CIT(A)), dated 12.12.2023 & 13.12.2023 for the Assessment Years 2017-18 & 2018-19 respectively. As the issue involved in these two appeals are common and the facts analogous, both the appeals were heard together and are being disposed of vide this common order.

2. We will take ITA No.173/Ahd/2024 for A.Y. 2017-18 as the lead case.

3. The brief facts of the case are that the return of income of income for A.Y. 2017-18 was filed by the assessee on 30.07.2017 declaring total income of Rs.1,06,68,850/-. The case was selected for limited scrutiny under CASS. In the course of assessment, the AO found that the assessee had claimed deduction of interest expenses of Rs.1,33,67,138/- under Section 57 of the Income Tax Act, 1961 (in short 'the Act') against the interest income of Rs.1,33,68,138/-. The claim of the assessee was examined by the AO in the course of assessment proceeding. It was found that the assessee had taken home loans, loan for financing of agricultural activities etc. and the total interest incurred on such loans was to the extent of Rs.1,45,42,728/-. Out of this total interest expenditure, the assessee had claimed deduction of Rs.1,33,68,138/- u/s.57 of the Act, which was to the extent of interest income earned by the assessee. The AO held that the amount of loans on which the interest expenditure was incurred by the assessee, was not laid out wholly and exclusively for the purpose of earning of interest income. Therefore, he disallowed the entire claim of Rs.1,33,68,138/- in respect of interest expenditure claimed u/s.57 of the Act. The assessment was completed u/s.143(3) of the Act on 21.11.2019 at total income of Rs.2,39,87,284/-.

4. Aggrieved with the order of the AO, the assessee had filed an appeal before the First Appellate Authority, which has been decided vide the impugned order. The Ld. CIT(A) has allowed part relief to the assessee and the disallowance made by the AO was restricted to the extent of Rs.52,36,850/- only.

5. Now, the assessee is in second appeal before us. The following grounds have been taken in this appeal:

- “1. *The Ld. CIT(A)-12 Ahmedabad has erred in law and on facts in passing appellate order dated 12/12/2023 for A.Y. 2017-18 in the case of appellant.*
2. *The Ld. CIT Appeals erred in law and on fact in 1 confirming disallowance of Rs. 52,36,850/- of Interest expenses u/s. 57 of the act.*
3. *The appellant craves leave to add, alter, amend or withdraw any of the grounds of appeal on or before of the final hearing of appeal.”*

6. Shri Gaurav Nahata, Ld. Counsel appearing for the assessee explained that the entire interest income of Rs.1,33,68,138/- derived by the assessee was from the loans advanced to Tripoli Management Pvt. Ltd. He explained that the assessee had taken loan of Rs.9.90 Crores from SBI on 30.05.2016, which was immediately advanced to Tripoli Management Pvt. Ltd. on the same day. Further, the assessee had received a sum of Rs.5 Crore from Nandan Corporation LLP on 20<sup>th</sup> June, 2016, which was also immediately transferred to Tripoli Management Pvt. Ltd. The loan earlier taken by the assessee from State Bank of Hyderabad (‘SBH’) and Punjab National Bank (‘PNB’) was advanced to Nandan Corporation LLP and the same amount was subsequently transferred by the assessee to Tripoli Management Pvt. Ltd. Thus, the nexus between loans taken from SBH and PNB was established with the amount advanced by the assessee to Tripoli Management Pvt. Ltd. on 20<sup>th</sup> June, 2016. The Ld. AR submitted that while the interest paid to SBI was allowed as deduction by the Ld. CIT(A), the interest paid to SBH & PNB was not allowed as

deduction on the ground that no nexus was established. He submitted that the nexus was clearly established from the transactions and the Ld. CIT(A) was not correct in disallowing deduction in respect of interest paid on Rs. 5 crores. The Ld. AR further submitted that the balance amount of Rs.1,13,16,493/- was the opening balance and no disallowance was made in respect of this amount in the earlier years. Therefore, the AO & the Ld. CIT(A) were not correct in denying the claim of deduction in respect of interest pertaining to the opening balance. He submitted that the Ld. CIT(A) had allowed interest paid to HDFC in respect of amount ultimately advanced to Tripoli Management; the set off of which should be allowed from the opening balance amount as outstanding.

7. Per contra, Shri Aashish Rajesh Revar, Ld. Sr.DR supported the order of the Ld. CIT(A). He submitted that the Ld. CIT(A) had carefully examined the facts of the case and allowed relief to the assessee, wherever due. He submitted that interest payment of Rs.52,36,850/- was confirmed by the Ld. CIT(A) for the reason that the assessee was unable to establish the nexus between the loans taken and the loans advanced by it.

8. We have carefully considered the rival submissions. It is found that the assessee had earned interest income of Rs.1,33,68,138/- from Tripoli Management Pvt. Ltd. On the other hand, it had incurred interest expenditure of Rs.1,45,42,728/- but the claim of deduction u/s.57 of the Act was restricted to the extent of interest income earned i.e. Rs.1,33,68,138/-. In order to claim deduction u/s.57 of the Act,

the assessee has to establish that the interest expenditure was laid out or expended wholly and exclusively for the purpose of earning of interest income. Therefore, it is necessary to examine whether all the loans in respect of which interest expenditure was claimed by the assessee, was advanced to Tripoli Management Pvt. Ltd. for earning of interest income. The Ld. CIT(A) had examined this aspect and he has given the following findings in this regard:

*“6.3 I have considered the facts of the case and the submission of the appellant. It is seen that the contention of the appellant that a loan of Rs 9,90,00,000/- was taken from SBI on 31/05/2016 and immediately an amount of Rs 11,00,000/- transferred as contra entry and Rs 9,79,00,000.- was transferred to its group concern M/s Tripoli Management P Ltd on the same day. Thus, there was clear nexus with the loan that was taken and interest paid. Hence, interest paid on such loan of Rs 76,98,249/- from SBI Loan is allowable expense.*

*6.3.1 Further it is also seen that the loan from HDFC bank is old loan of Rs 2,50,00,000/- taken on 30/03/2013 that was advanced to Satram Trading and received back on 11/04/2014 and advanced to Vrandavan Furnishing. On 17.04.2015 an amount of Rs. 1,11,30,000/- was transferred to M/s Tripoli Management and from whom interest of Rs.14,29,437/- was received which is part of the overall interest of Rs. 1,33,68,138/-. Therefore, the interest paid to HDFC Bank of Rs.4,33,029/- is also allowed.*

*6.3.2 Furthermore, the appellant claimed that the LIC Policy loan is an old loan advanced to Nandan Corporation LLP from which they had received interest income in the previous assessment year. However, as per the computation of income filed for the current year it is seen that the appellant has only shown share income from the firm which is exempt under the Act in the hands of the appellant. Therefore, the interest claimed to have been paid on an amount of Rs. 17,30,100/- on such loan is not allowable.*

*6.3.3 Regarding the loan from State Bank of Hyderabad the appellant had submitted that loan of Rs. 5 crore was taken in FY 2012-13 and the same was again given to Nandan Corporation LLP. Interest of Rs. 7,03,444/- was received from the said firm. Further, loan of Rs. 4,88,00,000/- was then taken from PNB to liquidate the loan from State Bank of Hyderabad. Thus,*

*constructively the loan taken from PNB was invested in Nandan Corporation LLP. During the year under consideration the only source of income from this LLP is from the share of the profit which is exempt in the hands of the appellant. Accordingly, the interest paid has no direct nexus with earning any taxable income and therefore I uphold the action of the AO to add back the interest paid of Rs. 34,56,149/- and Rs. 12,25,191/- to SBH and PNB respectively.*

*6.4 In view of the above discussion, I find that interest paid of Rs. 76,98,249/- + Rs. 4,33,039/- = Rs. 81,31,288/- to SBI and HDFC Banks are allowable. Further, interest paid of Rs. 17,30,100/- + Rs. 34,56,149/- + Rs. 12,25,191/- are disallowable. However, as the appellanthas already restricted the interest paid of Rs.1,45,42,728/- to an amount of Rs. 1,33,68,138/- the balance amount that is confirmed being disallowance of interest comes to Rs.52,36,850/-. In a nutshell the AO is directed to delete the addition of Rs. 81,31,288/. Addition of Rs. 52,36,850/- made by him is confirmed. Ground of appeal 1 is partly allowed.”*

9. So far as the interest of Rs.76,98,249/- paid on SBI loan is concerned, there is no dispute. The Ld. CIT(A) has given a finding that out of loan of Rs.9.90 Crore taken from SBI on 31.05.2016, an amount of Rs.9.79 Crore was transferred to Tripoli Management Pvt. Ltd. on the same day. Similarly, interest payment of Rs.4,33,039/- in respect of HDFC Bank loan was also held to be allowable as the loan taken from that Bank was ultimately utilized for earning of interest income from Tripoli Management Pvt. Ltd.

10. Regarding interests of Rs.34,56,149/- paid to PNB & Rs.12,25,191/- paid to SBH, the Ld. CIT(A) has held that the same was not allowable as deduction. According to the Id. CIT(A), the loan of Rs.5 Crore was taken from SBH in financial year 2012-13 and the same was given to Nandan Corporation LLP. Further, a loan of Rs.4.88 Crore was taken from PNB to liquidate of the loan of SBH. The Ld. CIT(A) had disallowed

the interest in respect of PNB & SBH loans for the reason that the shares of profit from Nandan Corporation LLP, to whom the loan amount was transferred, was exempt in the hands of the assessee. On the other hand, the assessee had explained that an amount of Rs.5 Crore was received from Nandan Corporation LLP on 20<sup>th</sup> June, 2016 and the same was advanced to Tripoli Management Pvt. Ltd. on the same day. In support of this transaction, the assessee has filed a copy of Bank book of Laxmivilas Bank (DBS), and also a copy of its bank statement with the said bank wherein this transaction is reflected. The assessee has contended that since the amount of Rs.5 Crore transferred from Nandan Corporation LLP was utilized to earn interest income from Tripoli Management Pvt. Ltd., the proportionate interest paid to SBH & PNB was allowable as deduction. Accordingly, the assessee has furnished the working of proportionate interest of Rs.36,58,096/-, which should be allowed as deduction.

11. We have carefully considered the submission of the assessee. The Ld. CIT(A) had disallowed the interest of Rs.46,81,340/- (34,56,149 + 12,25,191) in respect of loan taken from SBH and PNB for the reason that the same was advanced to Nandan Corporation LLP and the share profit derived from the said concern was exempt from tax. On the other hand, the assessee has explained that a sum of Rs.5Crore was transferred from Nandan Corporation LLP to Tripoli Management Pvt. Ltd. on 20<sup>th</sup> June, 2016 and the interest income received from Tripoli Management Pvt. Ltd. is chargeable to tax. From the copy of the bank statement of Laxmivilas Bank (DBS) it is found that a

sum of Rs. 5 crore was received from Nandan Corporation on 20/06/2016 and the amount of Rs. 5 crore was in turn advanced to Tripoli Management on the same day. Thus, **the nexus of the loan amounts from SBH and PNB, which was initially advanced to Nandan Corporation and subsequently transferred from Nandan Corporation to Tripoli Management, is established to the extent of Rs. 5 crore advanced on 20/06/2016.** Since the assessee had offered the interest derived from Tripoli Management to tax, it is entitled to claim deduction in respect of interest payment on loan amount of Rs. 5 crores for the period from 20/06/2016 to 31/03/2017. The assessee has submitted the working of interest on this loan of Rs. 5 crores for the period from 20/06/2016 to 31/03/2017 which works out to Rs.36,58,096/-. **We deem it proper to set aside the matter to the file of Jurisdictional AO with a direction to verify the working of interest on loan of Rs. 5 crores for the period from 20/06/2016 to 31/03/2017 and thereafter allow the deduction to the assessee.** In case of any variation in the amount of interest, than the amount as worked out by the assessee, the AO should allow an opportunity of being heard to the assessee.

12. The finding of the Ld. CIT(A) in respect of LIC policy loan has not been controverted by the assessee. This loan was advanced to Nandan Corporation and we have already considered the transfer of a sum of Rs. 5 crore from Nandan Corporation to Tripoli Management and given our finding and direction in this regard earlier. In view of this fact, the claim for separate deduction in respect of interest on LIC policy loan

cannot be entertained. The disallowance of interest claim of Rs.17,30,100/- on LIC policy loan, as confirmed by Ld. CIT(A), is upheld.

13. In the result, appeal of the assessee is partly allowed for statistical purpose.

ITA No. 174/Ahd/2024 – A.Y. 2018-19

14. The facts of the case and ground taken by the assessee in ITA No. 174/Ahd/2024 pertaining to A.Y. 2018-19 are identical to ITA No.173/Ahd/2024. The only grievance of the assessee in this year is against disallowance of interest of Rs. 42,14,964/-. In this year the assessee had earned interest income of Rs. 1,56,85,454/- against which deduction of Rs.1,35,19,675/- was claimed in respect of interest payment. During the year the assessee had earned interest income from Tripoli management P Limited and also from Shivhari Trading LLP, Vijay ShubhamContrade P. Ltd and from Rushp Trading LLP. It was explained that certain repayments were made by Tripoli Management P. Limited during the year which were in turn advanced to Shivhari Trading LLP and Vijay ShubhamContrade P Ltd. The Ld. CIT(A) had allowed the deduction of interest payment of Rs.79,74,666/- made to SBI and of Rs.13,30,045/- to HDFC Bank, as the nexus of loan from SBI and HDFC with the earning of interest income was established. However, the interest payment of Rs.42,14,964/- made to PNB was disallowed. The decision taken in ITA No.173/Ahd/2024 (AY 2017-18)in respect of PNB interest is applicable mutatis

mutandis to ITA No.174/Ahd/2024 (AY 2018-19). As nexus of the loan from PNB was found established with the loan advanced by the assessee to Tripoli Management P Ltd., to the extent of Rs. 5 crores, the assessee is entitled for claim of deduction in respect of interest payment made to PNB. Accordingly, **the matter is set aside to the file of Jurisdictional AO to verify the working of interest on loan of Rs. 5 crores for the period from 01/04/2017 to 31/03/2018 made to PNB and allow the deduction to the assessee.** The appeal of the assessee is allowed for statistical purpose.

15. In the result, the appeal filed by the assessee in ITA No. 173/Ahd/2024 for A.Y. 2017-18 is partly allowed for statistical purposes whereas the appeal in ITA No. 174/Ahd/2024 for A.Y. 2018-19 is allowed for statistical purposes.

**This Order pronounced on 18/12/2024**

Sd/-  
(T.R. SENTHIL KUMAR)  
**JUDICIAL MEMBER**

Ahmedabad; Dated 18/12/2024

S. K. SINHA

**आदेश की प्रतिलिपि अद्येषित/Copy of the Order forwarded to :**

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, अहमदाबाद / DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

Sd/-  
(NARENDRA PRASAD SINHA)  
**ACCOUNTANT MEMBER**

आदेशानुसार/ BY ORDER,

उप/सहायक पंजीकार (Dy./Asstt.Registrar)  
आयकर अपीलीय अधिकरण, अहमदाबाद/ ITAT, Ahmedabad