

**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**“SMC” BENCH, MUMBAI**  
**BEFORE SMT. BEENA PILLAI (JUDICIAL MEMBER)**

**I.T.A. No. 4884/Mum/2024**  
**Assessment Year: 2013-14**

<b>Mrs. Veena Narpat Jain</b> 1201, Sahyog, Corner of Road No. 7 & 5, Daulat Nagar, Borivali East, Dist. Mumbai Pin- 400066 <b>PAN: AFOPJ4898N</b> <b>(Appellant)</b>	Vs.	<b>ITO Ward – 32(3)(5),</b> Kautilya Bhavan, Bandra Kurla Complex, Bandra East, Mumbai - 400051 <b>(Respondent)</b>
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<b>Appellant by</b>	Shri. Zenith Jain
<b>Respondent by</b>	Shri. Sajit Nair SR. D.R.

<b>Date of Hearing</b>	11.02.2025
<b>Date of Pronouncement</b>	20.02.2025

**ORDER**

**Per: Smt. Beena Pillai, J.M.:**

The present appeal filed by the assessee arises out of order dated 30.07.2024 passed by Ld.CIT(A) – Ahmedabad, for assessment year 2013-14 on following grounds of appeal :

*“Disallowance of interest on loan - Rs.3,84,000/-*

- 1. The Ld. CIT Appeal, Addl/JCIT (A)-2, Ahmedabad erred in making disallowance of interest of Rs.3,84,000/- paid to 3 parties on the ground that the unsecured loans taken from the 3 parties is not genuine without appreciating the fact that the unsecured loans*

*were taken in earlier years and the same were genuine loan transactions and without verifying the documents filed on records and hence, the disallowance of interest of Rs.3,84,000/- is without any justification and liable to be deleted.*

- 2. The Ld. CIT Appeal, Addl/JCIT (A)-2, Ahmedabad failed to appreciate that all the necessary details in respect of the unsecured loans taken from 3 parties were duly furnished to the AO in course of scrutiny proceedings including confirmation letters & summons also served on 2 parties (1 party not served due to change of address) and hence, the disallowance of interest of Rs.3,84,000/- is unjustified and liable to be deleted.*
- 3. The Ld. CIT Appeal, Addl/JCIT (A)-2, Ahmedabad failed to appreciate that reliance cannot be placed on third party statement without giving the copy of statement of such third party to the appellant and without allowing cross-examination of such third party and hence, the disallowance of interest of Rs.3,84,000/- merely by relying upon statement of third party is without any justification and liable to be deleted.*
- 4. The Ld. CIT Appeal, Addl/JCIT (A)-2, Ahmedabad further failed to appreciate that the appellant has not taken any accommodation entry from any of the 3 parties and the part statement reproduced in the assessment order nowhere refers to the name of the appellant and hence, the disallowance of interest of Rs.3,84,000/- merely on the basis of suspicion is without any justification and liable to be deleted.*
- 5. Without prejudice to the above and without admitting, the The Ld. CIT Appeal, Addl/JCIT (A)-2, Ahmedabad failed to appreciate that total interest expenditure claimed amounted to Rs.9,15,082/-, which was restricted to the extent of interest earned of Rs.8,47,225/- and hence, the balance amount of Rs.67,857/- [9,15,082/- (-) 8,47,225/-] ought to be allowed as deduction and thereby only net interest of Rs.3,16,143/- [3,84,000/-(-) 67,857/-] ought to be disallowed and appropriate direction be given to the AO in this regard.”*

**Brief facts of the case are as under:**

**2.** Assessee is an individual and filed return of income for year under consideration on 20.06.2013, declaring total income of Rs.

16,22,420/-. The return was subsequently, selected for scrutiny and statutory notices were issued, calling upon assessee to furnish details. In response, to the notices representative of assessee appeared before the Ld.AO and filed details as called for.

**2.1** Ld.AO noted that, the assessee is a director in Muniraj Synthetics India Pvt. Ltd., and had shown income under the head capital gain and income from other sources. It was noted that the assessee paid interest to various parties of Rs. 9,15,082/- and received interest of Rs. 8,47,225/-. The Ld.AO noted that, the assessee shown unsecured loans from various parties amounting to Rs.77,37,000/- during the year under consideration.

**2.2** The Ld.AO issued notice u/s. 133(6) to various parties who have provided loan to assessee. However, all the notices issued came back Ld.AO observe that few of the concerns were hawala entry providers, controlled by one Rajendra Jain and Pravin kumar Jain group and their associates. Based on search action at the premises of Rajendra Jain and their associates and statements recorded, it revealed that they provided accommodation entries to the interested parties.

**2.3** The Assessee was called upon by the Ld.AO to furnish genuineness of the loan transactions with unsecured creditors appearing in his books of accounts as no details were furnished by the assessee disallowance of interest paid by the assessee to Olive Overseas Pvt. Ltd, Duke business Pvt. Ltd. and Sumukh Commercial Pvt. Ltd. amounting to Rs.3,84,444/- was disallowed.

Aggrieved by the order of the Ld.AO, assessee preferred appeal before Ld.CIT(A).

**3.** The Ld.CIT(A) confirm the disallowance made by the Ld.AO Aggrieved by the order of the Ld.CIT(A) assessee is in appeal before this *Tribunal*.

**4.** The Ld.AR at the outset submitted that, the assessee is also subjected to addition on account of the principal amount being alleged to be bogus loan transaction, pending before the first appellate authority. It is submitted that, the present appeal pertains to addition of interest disallowed on the principle amount. The Ld.AR thus prayed that, the appeal may be remanded to the Ld.CIT(A) to consider the present issue along with principal amount disallowed in the hands of the assessee and pending before the Ld.CIT(A).

**4.1** The Ld.DR did not object the issue to be remanded before the first appellate authority.

I have perused the submissions advance by both side in light of the records placed before this *Tribunal*.

**5.** It is noted that, the principal amount taken as loan alleged to be bogus transaction was disallowed in the hands of the assessee. The said addition is pending before the Ld.CIT(A). For the year under consideration the disallowance of interest paid by the assessee to the prayees alleged to be Hawala entry providers against the loans. Unless the disallowance of the principle amount in the hands of the assessee is not analysed in the light of the evidences, disallowance of interest on such loan would be premature at this stage.

**6.** In the interest of justice I remit this appeal back to Ld.CIT(A) to consider the issue along with disallowance of the principle amount in the hands of assessee.

**Accordingly ground raised by the assessee stands partly allowed for the statistical purposes.**

**In the result grounds filed by the assessee stands partly allowed for statistical purposes**

**Order pronounced in the open court on 20/02/2025**

**Sd/-**

**(BEENA PILLAI)  
Judicial Member**

Mumbai:  
Dated: 20/02/2025  
Poonam Mirashi,  
Stenographer

Copy of the order forwarded to:

- (1)The Appellant
- (2) The Respondent
- (3) The CIT
- (4) The CIT (Appeals)
- (5) The DR, I.T.A.T.

True Copy

By order

(Asstt. Registrar)  
**ITAT, Mumbai**