

**IN THE INCOME TAX APPELLATE TRIBUNAL,
'SMC' BENCH, KOLKATA**

Before Shri Duvvuru RL Reddy, Vice-President (KZ)

**I.T.A. No. 1651/KOL/2024
Assessment Year: 2017-2018**

***Tongani Tea Company Limited,.....Appellant
15B, Hemanta Basu Sarani,
Dalhousie, Kolkata-700001
[PAN:AAACD9238Q]***

-Vs.-

***Income Tax Officer,.....Respondent
Ward-4(4), Kolkata,
Aayakar Bhawan,
P-7, Chowringhee Square,
Kolkata-700069***

Appearances by:

*Shri Akkal Dudhewala, A.R., appeared on behalf of the
assessee*

*Shri L.N. Das, Sr. D.R., appeared on behalf of the
Revenue*

Date of concluding the hearing: January 23, 2025

Date of pronouncing the order: March 17, 2025

O R D E R

The present appeal is directed at the instance of assessee against the order of Id. Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi dated 11th June, 2024 passed for Assessment Year 2017-18.

2. Briefly stated the facts are that the assessee is a Company, which filed electronically its return of income for the assessment year 2017-18 declaring total income of Rs.58,800/- on 04.10.2017. The case was selected for scrutiny. Accordingly notice under sections 143(2) and 142(1) were issued and the same were duly served upon the assessee. In response, the assessee filed details/ documents as per requisition vide notice under section 142(1) of the proceedings. During the course of examination of details /documents filed by the assessee-Company, the ld. Assessing Officer observed that the assessee-Company had gross interest of Rs.26,78,924/- and interest on HP loan (written back) to the tune of Rs.27,34,508/-, which should be considered as central income which has no relation to the tea business profit of the assessee-Company. While computing of income from business profit, the assessee-company had claimed 60% deduction of Rs.54,13,432/- (Rs.26,78,924/- plus Rs.27,34,508/-), which is not admissible as the same is completely central income.

2.1. In view of the above, the assessee-Company was issued show-cause notice on 06.11.2019 to furnish explanation in this regard saying that “issue show-cause notice dated 06.11.2019 to the assessee with a request as to why interest income of Rs.26,78,924/- and interest on HP Loan of Rs.27,34,508/- should not be treated as exclusively Central Income and 60% of Rs.54,13,432/-, i.e. Rs.32,48,059/- should not be disallowed as you have already 40% of Rs.54,13,432/- offered for taxation”. But inspite of giving several opportunities, the assessee-Company failed to furnish any explanation in this regard. Accordingly, a sum

of Rs.32,48,059/- (60% of Rs.54,13,432/-) wrongly claimed as deduction from business profit is allowed and added back to the total income of the assessee. Accordingly, ld. Assessing Officer made an addition of Rs.32,48,059/-. Aggrieved by the order of ld. Assessing Officer, the assessee preferred an appeal before the ld. CIT(Appeals).

3. The assessee filed its written submission and after considering the written submission filed by the assessee, the ld. CIT(Appeals) partly allowed the appeal with regard to the addition of interest income of Rs.26,78,924/-. Since the ld. CIT(Appeals) disallowed the claim of interest on HP Loan (written back) for an amount of Rs.27,34,508/- is sustained, therefore, the assessee preferred an appeal before the Tribunal and raised the following issues:-

“1. For that on the facts and circumstances of the case, the Ld. CIT(A) completely misunderstood the ground raised in appeal regarding the addition of 60% of Rs.27,34,508/-, being the amount of interest written back in relation to HP (Hire Purchase) Loan which was no longer payable and wrongly interpreted the same to be loan availed in relation to House Property, and in the circumstances, the impugned addition in relation thereto as sustained in the appellate order passed u/s 250 of the Act deserves to be cancelled.

2. For that on the facts and circumstances of the case, the CIT(A) grossly erred on facts and in law in confirming the addition of 60% of Rs.27,34,508/- made by the AO.

(b) For that on the facts and circumstances of the case, the appellant being a tea manufacturing company whose income is subjected to Rule 8, the AO ought to be directed to compute total income of the appellant considering only 40% of the Rs.27,34,508/- being the amount of interest written back in relation to the loan availed for purchasing machine for manufacturing tea on Hire Purchase basis.

(c) For that on the facts and circumstances of the case, the CIT(A) failed to appreciate that the appellant had availed of the loan for the purposes of its tea business and as such the write back of interest of Rs.27,34,508/-, being the amount of interest written back in relation to the loan availed for purchasing machine for manufacturing tea on Hire Purchase basis was eligible for the application of Rule 8 thereupon.

4. I have heard both the sides. It was the submission of the Id. Counsel for the assessee that all the details filed by the assessee regarding H.P. Loan, but the Id. Assessing Officer as well as Id. CIT(Appeals) have not considered the same. However, one more set of documents was filed before the Tribunal and Id. Counsel pleaded to remit the matter back to the file of Id. Assessing Officer to examine the details afresh.

5. On the other hand, it was the submission of the Id. Departmental Representative that the Id. Assessing Officer has given sufficient opportunity but the assessee has not filed any documents even before the Id. CIT(Appeals). He has not filed any documents regarding the HP Loan written back. Therefore, he pleaded to uphold the orders passed by the revenue authorities.

6. I have perused the material available on record. I have also considered the paper book filed by the assessee, wherein the assessee has filed audited financial statement showing the details of interest, expenses claimed as allowable expenditure in earlier years, supporting documents to establish that the interest expenditure of Rs.27,34,508/- written off during the year and credited to the Profit & Loss Account, was debited to the Profit & Loss Account for earlier years and claimed as expenses while

computing the business income by applying Rule 8. After considering the documents filed by the assessee, I am of the view that it requires detailed examination by the Id. Assessing Officer and thus it is a fit case of remit the matter back to the file of Id. Assessing Officer to examine the details filed by the assessee and pass a speaking order after providing one more opportunity of being heard to the assessee. At the same breath, I also hereby caution the assessee to promptly co-operate with the proceedings before the Ld. Assessing Officer failing which the Ld. Assessing Officer shall be at liberty to pass appropriate order in accordance with law and merits of the case, based on the materials available on the record. Thus, the grounds raised by the assessee are allowed for statistical purposes.

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

Order pronounced in the open Court on 17/03/2025.

Sd/-
(Duvvuru RL Reddy)
Vice-President (KZ)

Kolkata, the 17th day of March, 2025

*Copies to :(1) Tongani Tea Company Limited,
15B, Hemanta Basu Sarani,
Dalhousie, Kolkata-700001*

*(2) Income Tax Officer,
Ward-4(4), Kolkata,
Aayakar Bhawan,
P-7, Chowringhee Square, Kolkata-700069*

- (3) *CIT(Appeals), NFAC, Delhi;*
- (4) *CIT - , Kolkata;*
- (5) *The Departmental Representative;*
- (6) *Guard File*

TRUE COPY

By order

*Assistant Registrar,
Income Tax Appellate Tribunal,
Kolkata Benches, Kolkata*

Laha/Sr. P.S.