

IN THE INCOME-TAX APPELLATE TRIBUNAL “E” BENCH,  
MUMBAI

BEFORE SHRI SANDEEP GOSAIN, JUDICIAL MEMBER  
&  
SHRI PRABHASH SHANKAR, ACCOUNTANT MEMBER

ITA no. 1882/MUM/2025  
(A.Y. 2015-16)

<b>Kiran Madhukar Kamat,</b> S1, Palm Springs, Cuffe Parade, Mumbai - 400 005, Maharashtra	v/s. बनाम	Assistant Commissioner of Income Tax, Circle – 2(2)(1), AaykarBhavan, Maharishi Karve Road, Mumbai - 400005, Maharashtra
<b>स्थायी लेखा सं./जीआइआर सं./PAN/GIR No: AAGPK6914K</b>		
<b>Appellant/अपीलार्थी</b>	..	<b>Respondent/प्रतिवादी</b>

Appellant by :	Shri Vijay Kewalramani,AR
Respondent by :	Shri Hemanshu Joshi (Sr. DR)

Date of Hearing	14.05.2025
Date of Pronouncement	27.05.2025

**आदेश / ORDER**

**PER PRABHASH SHANKAR [A.M.] :-**

The present appeal arising from the appellate order dated 23.01.2025 is filed by the assessee against the order passed by the Learned Commissioner of Income-tax, Appeal, ADDL/JCIT (A) Panchkula [hereinafter referred to as “CIT(A)”] pertaining to assessment order passed u/s. 143(3) of the Income-tax Act, 1961 [hereinafter referred to as “Act”] dated 10.11.2017 for the Assessment Year [A.Y.] 2015-16.



2. The grounds of appeal are as under:

1. *The Ld. Commissioner of Income Tax (Appeals) erred in passing the order dated 23.01.2025, upholding the order dated 10.11.2017 passed by the Ld. Assessing Officer, disallowing an amount of Rs. 10,11,010/- under Section 57 of the Income Tax Act, 1961, without appreciating the facts and circumstances of the case. The Ld. CIT(A) further erred in not accepting the claim of interest paid under Section 57 of the Act, although directly attributable to the interest income shown under Section 56 of the Act, and in failing to consider the submissions provided by the Appellant. The disallowance of Rs. 10,11,010/- is not justified, and the same may be deleted.*
2. *The Ld. CIT(A) failed to appreciate that the interest paid on the loans in question was directly attributable to the funds borrowed from the bank, and as such, is eligible for deduction under the relevant provisions of the Income Tax Act. The Ld. CIT(A) has merely relied on assumptions rather than solid, concrete evidence to disprove the nexus between the borrowed funds and the interest paid. In the absence of any substantive evidence to the contrary, the disallowance of the deduction claimed by the appellant is unjustified and should be deleted.*

3. Brief facts of the case are that the assessee is a Director of Link Shipping and Management System Pvt. Ltd. (hereinafter “Link Shipping”) with Salary, Income from House Property and interest on savings account and time deposit as the source of income. The assessee during the year earned Salary Income of Rs. 78,00,000/-, Income From house Property Rs. 153,297/- and Income from Other Sources of Rs. 17,45,537/-. He earned interest of Rs. 50,13,935/- on loan given to Link



Shipping and has claimed a deduction under section 57 of the Act of Rs. 32,68,398/- towards the interest paid to HDFC Bank against the said interest income for loan taken from the bank. The AO issued notice requiring the assessee to prove the nexus between income offered u/s 56 and deduction claimed u/s 57. The assessee in response, submitted various details as had been called for from time to time including the statement of expenses. It was contented that no expenditure which is not directly attributable to the income chargeable to tax had been claimed. However, the ld.AO made aggregate disallowance of Rs. 10,11,010/- against the interest paid being proportionate disallowance of Rs 8,44,270/- holding that part of the amount lent were from his own sources and also Rs 1,66740/-, being the difference in the figures of claimed deduction qua bank certificate of interest paid.

4. The ld.DR has relied on the orders of authorities below. Per contra, the ld.AR has contented that there was no justification for disallowance as the assessee had proved the nexus between interest earned u/s 56 and interest paid in terms of section 57(iii) of the Act. It was submitted that the funds taken as loan from HDFC Bank were utilised to lend to the company. It is stated that he had initially given loan to Link Shipping of Rs. 1,00,00,000/- on 15-09-2011 out of the loan availed earlier from Citibank and the same was outstanding as on 01-04-



2014. He availed additional loan from HDFC Bank Ltd of Rs. 5,50,00,000/- in the year 2012. These funds too were utilised to lend to Link Shipping in two tranches, first tranche was paid on 18-03-2013 of Rs. 4,00,00,000/- and thereafter second tranche on 01-11-2013 of Rs. 1,00,00,000/-. As on 01-04-2014, out of the above mentioned loans, total amount receivable from Link Shipping was Rs. 5,48,22,517/-. During the financial year 2014-2015, additional loans were given to the Link Shipping in four tranches of Rs. 15,00,000/-, Rs. 25,00,000/-, Rs. 60,00,000/- and Rs. 9,00,000/- on 03-04-2014, 04-06-2014, 07-08-2014 and 18-09-2014 respectively. The total amount of loan to the company was Rs. 6,57,22,517/- and interest earned on the loans given to it have been offered as income.

4.1 It is further contented that all the funds borrowed from the bank were given as loan to Link Shipping and were not used for any other purpose and therefore, interest paid to the bank is directly related to the same and thus claimed as deduction against interest earned. The assessee stated that an amount of Rs. 32,68,398/- has been claimed as a deduction. Entire loan was repaid by the company on 18-09-2014 and 20-03-2014 amounting to Rs. 4,48,22,517/- and Rs. 2,09,00,000 respectively. It is submitted that the appeal was dismissed by the Ld. CIT (A) only on a presumption, bereft of facts, in spite of accepting that the



link between earning of interest and payment of interest on borrowed funds having been established.

5. We have carefully considered the above facts and have also gone through the decision of the Id.CIT(A).It is seen that he has categorically held in para 6.2 of the order “*that the appellant has demonstrated that that loans taken from banks were entirely used for to lend to Link Shipping and that the interest earned on those loans were offered as income under section 56 .The interest paid on the borrowed fund is therefore directly related to the interest earned and qualifies for deduction u/s 57.*”In view of such categorical finding of fact there appears no justification for upholding the disallowance made by the AO on proportionate basis amounting to Rs 8,44,270/- .From the facts of the case it is evident that the assessee has brought on record enough material facts to prove that the interest paid under section 57 of the Act was directly attributable to the interest income shown under section 56 of the Act. Accordingly, we set aside the order of the Id.CIT(A) and direct the AO to delete the addition of Rs. 8,44,270/-.

5.1 In so far as the addition of Rs 1,66,740/-made on account of difference between the amounts claimed as deduction Rs 32,62,398/- and that stated in the bank certificate Rs 30,95,657/- is concerned, the



Id,AR has admitted the excess claim and has not pressed it. Accordingly, the addition to this extent is upheld.

6. In the result, the appeal is **partly allowed**.

Order pronounced in the open court on **27.05.2025**.

Sd/-

**SANDEEP GOSAIN**

(न्यायिक सदस्य / JUDICIAL MEMBER)

Sd/-

**PRABHASH SHANKAR**

(लेखाकार सदस्य/ACCOUNTANT MEMBER)

Place: मुंबई/Mumbai  
दिनांक /Date 27.05.2025  
Lubhna Shaikh / Steno

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

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. आयकर आयुक्त / CIT
4. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण DR, ITAT, Mumbai
5. गार्ड फाईल / Guard file.

सत्यापित प्रति //True Copy//  
आदेशानुसार/ BY ORDER,

**उप/सहायक पंजीकार (Dy./Asstt. Registrar)**  
**आयकर अपीलीय अधिकरण/ ITAT, Bench,**  
**Mumbai.**

