

आयकर अपीलिय अधिकरण, 'बी' न्यायपीठ, चेन्नई  
**IN THE INCOME-TAX APPELLATE TRIBUNAL 'B SMC' BENCH, CHENNAI**  
श्री एस.एस. विश्वनेत्र रवि, न्यायिक सदस्य के समक्ष  
**Before Shri S.S. Viswanethra Ravi, Judicial Member**

आयकर अपील सं./I.T.A. No.1623/Chny/2025  
निर्धारण वर्ष/Assessment Year: 2017-18

Muthu Palaniappan,  
C/o Palaniyappa Bros., NSB Road,  
Trichy 620 002.

Vs. The Assistant Commissioner of  
Income Tax,  
Non Corporate Circle 3(1),  
Chennai.

**[PAN:ATZPP2653E]**

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से / Appellant by : Shri Girish Kumar, Advocate  
प्रत्यर्थी की ओर से/Respondent by : Ms. V. Aswathy, JCIT  
सुनवाई की तारीख/ Date of hearing : 01.09.2025  
घोषणा की तारीख /Date of Pronouncement : 03.09.2025

**आदेश /ORDER**

This appeal filed by the assessee is directed against the order dated 05.05.2025 passed by the Id. Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi for the assessment year 2017-18.

2. The assessee raised 10 grounds of appeal amongst which, the only issue emanates for our consideration as to whether the Id. CIT(A) is justified in confirming the additions made by the Assessing Officer disallowing the interest claimed by the assessee.

3. Brief facts relating to the case are that the assessee is one of the co-owners of the property called Kannammai Building at Anna Salai, Chennai and is also deriving income from his investment in partnership firms and deposits with firms. The assessee filed his return of income admitting an income of ₹.20,54,370/- in response to the notice under section 148 of the Income Tax Act, 1961 [“Act” in short]. The admitted income includes income from house property of ₹.16,16,607/- and income from business representing interest on capital with partnership firms of ₹.4,37,816/-. In arriving at the income from business, the assessee had claimed interest payments on loans to fund the investments in the firm to the tune of ₹.26,00,038/-. The Assessing Officer directed the assessee to provide details of the interest paid with the names and addresses of the lenders. The assessee filed the ledger extract of the assessee as found in the books of the lender – Palaniappa Corporation and the ledger extract from the books maintained for the co-owners’ of the joint property Kannammai Buildings. The assessee also furnished the PAN of the firm Palaniappa Corporation to whom interest had been paid by the assessee. However, the Assessing Officer disallowed the interest claimed by the assessee on the ground that the assessee has not filed the ledger

extracts of the lenders nor had he produced the balance sheet as on 31.03.2017. The Id. CIT(A) confirmed the disallowance made by the Assessing Officer.

4. The Id. AR Shri Girish Kumar, Advocate submits that the assessee earned income from house property as well as income from business representing interest on capital with partnership firms. He further submits that the assessee claim interest payment on loans to fund the investments in the firm. The Id. AR vehemently argued that the Id. CIT(A) erroneously confirmed the disallowance by observing that the entire interest expenses claimed against the income from house property and prayed to delete the addition made towards disallowance of interest expenses claimed by the assessee.

5. The Id. DR Ms. V. Aswathy, JCIT opposed the submissions of the Id. AR and supported the order passed by the Id. CIT(A).

6. Having heard both the parties and perused the material available on record. It is an admitted fact that the assessee is one of the co-owners of the property called Kannammai Building at Anna Salai, Chennai and earned income from house property. The assessee also admitted income from business representing interest on capital with

partnership firm and also claimed interest payments on loans to fund the investments in the firm to an extent of ₹.26,00,038/-. Upon perusal of the computation of income furnished before the Id. CIT(A) and reproduced at page 6 of the impugned order, it is noted that the assessee claimed interest paid to Bajaj Finance at ₹.5,90,819/- and the interest paid to Palaniappa Corporation at ₹.20,09,219/-. Upon perusal of the ledger account of Palaniappa Corporation at page 62 of the paper book, it is noted that the assessee paid interest to an extent of ₹.20,09,219/- towards investments made in the firm, which expense is liable to be allowed. However, on perusal of the ledger account of co-owners of Kannammai Building placed at page 61 of the paper book, it is noted that the assessee paid interest to Bajaj Finance to an extent of ₹.5,90,819/-, which interest expense is not allowable on the ground that the assessee incurred expense towards earning income from house property. Thus, the interest expenses incurred towards investments made in the firm at ₹.20,09,219/- stands allowed and the disallowance to an extent of ₹.5,90,819/- made by the Assessing Officer is confirmed for the reason that the interest expense was incurred for investment in deriving income from house property. Thus, the ground raised by the assessee is partly allowed.

7. In the result, the appeal filed by the assessee is partly allowed.

Order pronounced on 03<sup>rd</sup> September, 2025 at Chennai.

Sd/-  
(S.S. VISWANETHRA RAVI)  
JUDICIAL MEMBER

Chennai, Dated, 03.09.2025

Vm/-

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant,
2. प्रत्यर्थी/ Respondent,
3. आयकर आयुक्त/CIT, Chennai/Madurai/Coimbatore/Salem
4. विभागीय प्रतिनिधि/DR &
5. गार्ड फाईल/GF.