

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH 'A', NEW DELHI**

**BEFORE SHRI MAHAVIR SINGH, HON'BLE VICE-PRESIDENT
&
SMT. RENU JAUHRI, HON'BLE ACCOUNTANT MEMBER**

ITA No. 6278/DEL/2025; Assessment Year: 2012-13

Ms. Ruchi Jain 649 Near Kamalya Bhawan Model Town, Panipat- 132103 Haryana	Vs	Assessing Officer Panipat, Haryana
(APPELLANT)		(RESPONDENT)
PAN No. ABJPG8629H		

Assessee by : None

Department/Revenue by : Shri Ajay Kumar Arora, Sr. DR

Date of Hearing: 13.01.2026	Date of Pronouncement: 13.01.2026
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ORDER

PER RENU JAUHRI :

This appeal is filed by the assessee against the order of the Commissioner of Income Tax (Appeals)/ National Faceless Appeal Centre, New Delhi [for short, Ld. CIT (A)/NFAC], u/s 250 of the Income Tax Act (for short, the "Act"), order dated 07.08.2025 in the Appeal No. CIT(A), Karnal/10499/2019-20.

2. The assessee has raised following grounds of Appeal:

- “ 1. That the Learned CIT Appeal erred in law and facts in upholding the disallowance of interest amounting to Rs 75,61,721 under Section 36(1)(iii) of the Income Tax Act, 1961 without appreciating that the said amount was not an

interest free loan but arose out of business transactions with Jainsons Exports, a related concern..

- 2. That the Learned CIT Appeal erred in not appreciating that sufficient interest free funds were available with the assessee to justify the non charging of interest on the receivable amount from Jainsons Exports.*
- 3. That the Learned CIT Appeal failed to consider and give due weight to the assessee submissions and financial position which demonstrated that the assessee own capital and non interest bearing funds were more than the advances alleged to be made for non business purposes.*
- 4. That the Learned CIT Appeal wrongly held that there was no business purpose OR nexus for the amount receivable from Jainsons Exports, ignoring the long standing commercial relationship and historical transactions with the said party in earlier assessment years.*
- 5. That the Learned CIT Appeal erred in holding that the amount receivable from Jainsons Exports was in the nature of an interest free loan and not a business receivable, without any cogent reasoning OR analysis of the nature of the transactions.*
- 6. That the reliance placed by the CIT Appeal on the Supreme Court decision in Munjal Sales Corporation was misplaced, as the assessee had duly demonstrated the availability of interest free funds and commercial expediency in maintaining the said balance.*
- 7. That the order of the Learned CIT Appeal is contrary to facts and law and deserves to be set aside, and the disallowance of Rs 75,61,72/-1 made under Section 36(1)(iii) should be deleted in full.*
- 8. That the impugned Assessment order passed by Ld. Assessing Officer, Noida is a clear cut case of misunderstanding and wrong interpretation of Law.*

9. That the appellant craves leave to add amend, alter or withdraw any of the above grounds at the time of hearing.”

3. Brief facts are that the assessee had filed her return for A.Y. 2012-13 on 29.09.2012, declaring an income of Rs. 1,52,44,610/- from business of manufacturing and export of handloom goods. The original assessment was completed u/s 143(3) of the Act on 30.01.2015 at an income of Rs. 2,51,40,900/- after making an addition of Rs. 98,55,991/- on various issues. The assessee preferred an appeal and the income was reduced to Rs. 1,85,61,540/- after giving an appeal effect to the order of Ld. CIT(A). Subsequently, the case was reopened u/s 147 on the ground that the assessee had not charged any interest from M/s Jainsons Exports in respect of debit balance of Rs. 7,34,84,005/- as on 01.04.2011 which was reduced to Rs. 6,30,14,348/- as on 31.03.2012. On the other hand, interest of Rs. 1,88,21,742/- was paid on borrowings to the banks. Accordingly, Ld. AO was of the view that interest amounting to Rs. 75,61,721/- was required to be disallowed.

3.1 After considering the assessee's explanation, the Ld. AO disallowed the sum of Rs. 75,61,721/- out of interest paid u/s 36(1)(iii) of the Act and completed the re-assessment u/s 143(3) r.w.s 147 vide order dated 29.11.2019 at an income of Rs. 2,61,23,261/-. Aggrieved, the assessee preferred an appeal before the Ld. CIT(A).

3.2 However, Ld. CIT(A) dismissed the appeal holding that the assessee had failed to establish that her own capital was more than the interest free loans and advances given to M/s Jainsons Exports. Further aggrieved, the assessee is in appeal before the Tribunal.

4. We have considered the rival submissions and perused the material available on record. From the copy of ledger accounts of M/s Jainsons Exports reproduced in the order of Ld. CIT(A), it is seen that there was opening debit balance as on 01.04.2010 of Rs. 7,34,84,005/-. Thereafter, several business

transactions have been made between the assessee and M/s Jainsons Exports during the year under consideration as well as in the subsequent year. Further, Ld. AO had already made disallowance of Rs. 3,63,781/- on account of proportionate interest in respect of advances for non-business use during the course of original assessment proceeding. Accordingly, we are of the considered view that there was no justification for making any further disallowance out of interest paid to the banks without establishing that the any amount was advanced to M/s Jainsons Exports out of borrowed funds.

5. In view of these facts, we hereby delete the disallowance of Rs. 75,61,721/- u/s 36(1)(iii) of the Act made by Ld. AO.

6. In the result, the appeal of the assessee is allowed.

Order pronounced in the Open Court on 13 -01-2026.

Sd/-
(MAHAVIR SINGH)
VICE PRESIDENT

Sd/-
(RENU JAUHRI)
ACCOUNTANT MEMBER

Dated: 22.01.2026

Pooja Mittal

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(A)
5. DR

Asstt. Registrar, ITAT, New Delhi