

**INCOME TAX APPELLATE TRIBUNAL  
AGRA BENCH "SMC": AGRA  
BEFORE SHRI M. BALAGANESH, ACCOUNTANT MEMBER**

**ITA No. 528/AGR/2025  
(Assessment Year: 2023-24)**

Shri Brijesh Poddar (Prop), M/s. Krishna Kanhiya Poddar Textile, Hanuman Gali, Hathras, UP	Vs.	ITO, Ward-4(3)(4), Hathras
(Appellant)		(Respondent)
<b>PAN: AZGPP1350B</b>		

Assessee by :	Shri Pankaj Gargh, Adv
Revenue by:	Shri Anil Kumar, Sr. DR
Date of Hearing	21/01/2026
Date of pronouncement	03/02/2026

**ORDER**

1. The appeal in ITA No. 528/AGR/2025 for AY 2023-24, arises out of the order of the Id National Faceless Appeal Centre (NFAC), Delhi [hereinafter referred to as 'Id. CIT(A)', in short] dated 08.10.2025 against the order of assessment passed u/s 143(3) r.w.s. 144B of the Income-tax Act, 1961 (hereinafter referred to as 'the Act') dated 12.03.2025 by the Assessing Officer, ITO, Ward-4(3)(4), Hathras (hereinafter referred to as 'Id. AO').

2. The only effective issue to be decided in this appeal is as to whether the assessee would be entitled for deduction of Rs 5,74,560/- on account of interest paid on loan in the facts and circumstances of the instant case.

3. I have heard the rival submissions and perused the materials available on record. The assessee electronically filed his return for the

assessment year 2023-24 on 30-12-2023 declaring total income of Rs. 18,07,160. This return was processed under Section 143(1) of the Act on 30-12-2023 accepting the returned income. In the said return, the assessee had shown income under the head short-term capital gains on virtual digital assets. The assessee furnished the computation of short-term capital gains on virtual digital asset together with the complete summary transaction of virtual digital assets before the learned AO. The assessee submitted that he had borrowed loan and had made investment in virtual digital asset (cryptocurrency) which is a capital asset. Accordingly, the interest expenditure on loan was actually incurred for acquiring the capital asset which would be eligible for deduction while computing the short-term capital gains. The assessee actually claimed deduction on account of interest expenditure on loan in the sum of Rs. 5,74,560 under Section 57 of the Act under the head income from other sources in the return of income. But during the course of assessment proceedings, the assessee pleaded that alternatively the said interest expenditure would be eligible for deduction while computing the income under the head short-term capital gains as borrowed funds were utilised for making investment in virtual digital asset and that the interest becomes part of cost of acquisition. This plea was not accepted by the learned AO and the interest expenditure of Rs. 5,74,560 was disallowed by the learned AO under Section 57 of the Act while completing the assessment on 12-03-2025. This action of the learned AO was upheld by the learned NFAC.

4. I find that assessee had taken loan from Mrs. New Poddar Garments, Hathras on which interest of Rs. 5,74,560 has been paid. This loan was invested by the assessee in virtual digital assets (cryptocurrency). This fact is not in dispute before me. Hence the direct nexus of loan taken and the amount invested is established beyond reasonable doubt by the assessee.

It is a fact that the assessee had claimed interest on loan in the sum of Rs. 5,74,560 as deduction under the head income from other sources in the return of income. In my considered opinion, this deduction of interest should have been claimed by the assessee under the head short-term capital gains as the interest would become part of cost of acquisition itself in view of the fact that only the borrowed funds were utilized for making investment in virtual digital assets. But this plea was wrongly rejected by the learned AO. The interest expenditure on loan also would become part of cost of acquisition of the assessee. I find that the lower authorities had applied the provisions of section 115BBH(2) of the Act which prohibits grant of deduction or allowance for any expenditure other than cost of acquisition. But I have already held that interest expenditure would be part of cost of acquisition of the assessee and since cost of acquisition is allowed as deduction under section 115BBH(2) of the Act, the assessee would be entitled to claim deduction on account of interest paid in the sum of Rs 5,74,560 while computing short-term capital gains on virtual digital assets. Accordingly the grounds raised by the assessee are allowed.

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

Order pronounced in the open court on 03/02/2026.

-Sd/-  
**(M. BALAGANESH)**  
**ACCOUNTANT MEMBER**

Dated: 03/02/2026  
A K Keot

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1. Applicant
2. Respondent

3. CIT
4. CIT (A)
5. DR:ITAT

ASSISTANT REGISTRAR  
ITAT, New Delhi