

IN THE INCOME TAX APPELLATE TRIBUNAL
MUMBAI BENCH "E", MUMBAI

BEFORE SHRI ANIKESH BANERJEE, JUDICIAL MEMBER AND
SHRI MAKARAND VASANT MAHADEOKAR, ACCOUNTANT MEMBER

ITA No.5718/Mum/2025
(Assessment year: 2014-15)

Haresh Ravji Majethia 1903 Tridev CHS, Bhakti Marg Mulund West, Mumbai- 400080 PAN:AEQPM5542P	vs	ACIT-29(1) Room No.108, 1 st floor, C-10, PratyakshaKarBhawan, BandraKurla Complex, Bandra East, Mumbai-400051
APPELLANT		RESPONDENT

Assessee by : Ms. Ritika Agarwal, Adv. (virtually
appeared)

Respondent by : Shri Ritesh Misra (CIT DR)

Date of hearing : 29/01/2026

Date of pronouncement : 09/02/2026

ORDER

Per: Anikesh Banerjee (JM):

The instant appeal of the assessee filed against the order of the Id. Commissioner of Income Tax appeal ADDL/JCIT-A to Vadodara [for brevity 'the Id. CIT(A)], order passed under section 250 of the Income Tax Act 1961 (for brevity 'the Act') for assessment year 2014-15, date of order 28.07.2025. The impugned order emanated from the order of the Id. Commissioner of Income Tax 29(1),

Mumbai (for brevity the Ld. AO) order passed under section 143(3) of the Act date of order 26.12.2016.

2. The assessee has taken the following grounds:

"1. BECAUSE, Id. CIT(A) erred in law and on facts in holding that the assessment order passed u/s. 143(3) is not invalid, despite the absence of a valid jurisdiction transfer order u/s. 127 merely because the Appellant continued to participate in the assessment proceedings.

2. BECAUSE, Id. CIT(A) erred in law and on facts in holding that the violation of CBDT Instruction No. 7/2014 dated 26.09.2014 by the AO is a mere procedural irregularity which is a curable defect u/s 292BB whereas the said CBDT Instruction statutorily mandates disclosure of reasons for scrutiny selection.

3. BECAUSE, Id. CIT(A) erred in confirming the disallowance of interest of Rs.7,64,336/- on unsecured loans u/s 68 of the Act ignoring the fact that all details establishing the genuineness of such loan transactions had already been submitted during the course of assessment proceedings and all these loans have been repaid by the Appellant in subsequent years.

4. BECAUSE, Id. CIT(A) failed to appreciate that once the identity, creditworthiness of lenders, and genuineness of transactions were proved, interest on such loans could not be disallowed particularly where such loans had already been repaid and repayment details have also been provided.

5. BECAUSE, Id. CIT(A) erred in upholding the disallowance of Appellant's claim to set off of brought forward losses of Rs.48,37,961/- from AY 2013-14 solely on the ground that brought forward losses were not allowed set off during earlier years."

3. The brief facts of the case are that the assessee filed its return of income declaring a total income of Rs.84,73,920/-. The assessment was completed by disallowing the interest paid during the impugned assessment year on loans obtained from certain creditors, from whom the assessee had accepted unsecured loans in earlier years, i.e., AYs 2010-11 to 2013-14. During the said assessment years, the revenue treated the loans as accommodation entries and added back the loan amounts to the income of the assessee in the respective

years. In another issue pertaining to the impugned assessment year, the assessee's claim of brought-forward loss amounting to Rs.48,37,961/- was also rejected by the Ld. AO. On perusal of the records, it is observed that additions were made during assessment years 2011-12 to 2013-14, on account of which the assessee's claim of brought-forward losses was disturbed. Aggrieved, the assessee preferred an appeal before the Ld. CIT(A), who rejected the grounds raised by the assessee. Being aggrieved, the assessee has filed the present appeal before us, challenging the impugned order on both legal and factual grounds.

4. The Ld. AR submitted arguments and filed a paper book containing **pages 1 to 141**, which has been placed on record. The Ld. AR submitted that interest amounting to Rs.7,64,336/- was paid on loans obtained from six different loan creditors. In the preceding assessment years, the said loans were treated as bogus and the entire loan amounts were added back to the income of the assessee under section 68 of the Act. The assessee had challenged those additions before the Ld. CIT(A). It was further submitted that the Ld. CIT(A), while adjudicating the appeal for assessment year 2012-13, vide order dated 18.10.2025, examined the loan creditors and held that the loans taken by the assessee were genuine. Accordingly, the additions made on account of unsecured loans were deleted. Reference was drawn to **page 26** of the appellate order, wherein the Ld. CIT(A) accepted the genuineness of the loans. Since the interest under consideration was paid to the very same creditors, it was contended that the interest expenditure is also allowable.

5. The Ld. DR relied upon the orders of the lower authorities.

6. We have heard the rival submissions and perused the material available on record. We find that the assessee paid interest amounting to Rs.7,64,336/- during the impugned financial year. Tax was duly deducted at source, and the relevant documents such as confirmations from loan creditors, details of TDS deducted, and issuance of TDS certificates were duly furnished before the revenue authorities. The assessee had contended before the Ld. CIT(A) that the interest was paid to genuine loan creditors. We find that the issue regarding the genuineness of the loans already stands settled in favour of the assessee by the order of the Ld. CIT(A) for the earlier assessment year. Once the loans have been accepted as genuine, the interest paid thereon cannot be disallowed. Accordingly, the addition made by the Ld. AO on account of interest expenditure amounting to Rs.7,64,336/- is hereby deleted.

Thus, **Ground No. 3** of the assessee's appeal is allowed.

7. With regard to the denial of brought-forward losses, the Ld. AR submitted that the losses pertain to earlier assessment years, i.e., A.Ys. 2011-12 to 2013-14. Due to additions made in those years, the assessee was denied the benefit of carry-forward and set-off of losses. The Ld. DR did not raise any objection to the submissions made by the Ld. AR. Accordingly, we restore this issue to the file of the Ld. CIT(A) with a direction to adjudicate the same after the final disposal of the appeals for the earlier assessment years.

Thus, **Ground No. 5** of the assessee's appeal is restored to the file of the Ld. CIT(A) for limited purposes.

8. In view of the above, since **Ground No. 3** is allowed and **Ground No. 5** is restored for statistical purposes, the remaining **Grounds Nos. 1, 2, and 4** are rendered academic in nature and are kept open.

9. In the result, the appeal of the assessee bearing **ITA No.5718/Mum/2025** is partly allowed for statistical purposes.

Order pronounced in the open court on 09th day of February 2026.

Sd/-

(MAKARAND VASANT MAHADEOKAR)
ACCOUNTANT MEMBER

Mumbai, दिनांक/Dated: 09/02/2026
SAUMYASr.PS

Sd/-

(ANIKESH BANERJEE)
JUDICIAL MEMBER

Copy of the Order forwarded to:

1. अपीलार्थी/The Appellant ,
2. प्रतिवादी/ The Respondent.
3. आयकरआयुक्त CIT
4. विभागीयप्रतिनिधि, आय.अपी.अधि., मुंबई/DR, ITAT,
Mumbai
5. गार्डफाइल/Guard file.

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BY ORDER,

(Asstt. Registrar), ITAT, MUMBAI