

आयकर अपीलीय अधिकरण, 'सी' न्यायपीठ, चेन्नई।  
IN THE INCOME TAX APPELLATE TRIBUNAL  
'C' BENCH: CHENNAI

श्री एबी टी. वर्की, न्यायिक सदस्य एवं सुश्री पदमावती यस, लेखक सदस्य के समक्ष  
BEFORE SHRI ABY T. VARKEY, JUDICIAL MEMBER AND  
MS. PADMAVATHY.S, ACCOUNTANT MEMBER

आयकर अपील सं./ITA No.2917/Chny/2025  
निर्धारण वर्ष /Assessment Year: 2022-23

John Dewey Educational Trust,  
11F, MRK Street,  
Villpuram – 605 602.  
PAN: AAATJ 4225A

The DCIT/ACIT,  
Vs. Exemptions,  
Chennai.

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/ Appellant by  
प्रत्यर्थी की ओर से /Respondent by

: Ms. Nidhi Jain, C.A  
: Ms. R. Anitha, Addl. CIT

सुनवाई की तारीख/Date of Hearing

: 04.02.2026

घोषणा की तारीख /Date of Pronouncement

: 10.02.2026

**आदेश / ORDER**

**PER PADMAVATHY.S, A.M:**

This appeal by the assessee is against the order of the Commissioner of Income Tax (Appeals)/National Faceless Appeal Centre (NFAC), Delhi, (in short "CIT(A)") passed u/s. 250 of the Income Tax Act, 1961 (in short "the Act") dated 18.09.2025 for Assessment Year (AY) 2022-23.

2. The assessee is a trust and filed the return of income for A.y 2022-23 on 22.10.2022 declaring Nil income. The A.O completed the assessment u/s. 143(3) of the Act disallowing the repayment of the loan claimed by the assessee as application of fund Rs.1,43,65,474/-. Aggrieved, the assessee filed further appeal before the CIT(A). The CIT(A) gave partial relief to the

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assessee by reducing the disallowance to Rs. 87,76,248/-. The relevant observation of the CIT(A) in this regard are extracted below:

*“5.3.3 On the basis of the two pages of its preceding year's ITR, the appellant claims that the impugned loan / borrowings were treated as application only in the year of repayment, i.e., during the year under consideration. The contentions of the appellant have been taken into consideration, however, I am not inclined to agree with the same as mere fact that funds of Rs. 87,76,248/- and Rs. 53,24,467/- were shown by the appellant as available to meet revenue expenditure and capital expenditure, respectively from borrowed funds, would not automatically prove that the appellant had not claimed the said amounts as its application of income in any of the preceding year(s) starting from the year in which the said loan / borrowings were taken by it. On the contrary, if we study both the Schedules referred to by the appellant it emerges that:*

*(a) Schedule ER is regarding the amount of Revenue Expenditure incurred during the year and amount applied to stated objects of the Trust on Revenue account. Further, column F of Schedule ER mentions "Total Amount applied during the previous year - Revenue Account Rs. 6,90,27,961". Very clearly, this amount of Rs. 6,90,27,961/- is inclusive of the impugned sum of Rs. 87,76,248/- and it has already been applied by the appellant towards its stated, stated objects on remittance account during the preceding A.Y.*

*(b) Schedule EC is regarding the amount applied to stated objects of the Trust on Capital account. Further, column B of Schedule EC mentions "Total Amount applied during the previous year Capital Account Rs. NIL". Coupled with this, it is noted that in column 5A of the Schedule "Sources of fund to meet Capital Expenditures", sum of Rs. 53,24,467/- is mentioned, which means that the said sum was utilized towards capital expenditure during the said year. Conjoint treading of both the columns of this Schedule would mean that, sum of Rs. 53,24,467/- has not been claimed as application of income u/s 11 of the Act in the said year.*

*From the above it is apparent that in terms of its demonstration that the impugned sum of Rs. 1,43,65,474/- was not claimed by it in any of its earlier years' ITRs as its application of income, the appellant has been successful in demonstrating the same only to the extent of Rs. 53,24,467/-. Therefore, the addition made by the AO to the said extent is deleted and the balance addition of Rs. 90,41,007/- is confirmed. In the result, the grounds of appeal raised by the appellant are partly allowed.”*

3. The Ld. Authorized Representative (AR) of the assessee submitted that the lower authorities have not disputed the fact that the assessee has repaid the sum of Rs. 1,43,65,474/-. The Ld. AR further submitted that the ground for

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making the disallowance is that the assessee has claimed the deduction towards loans in the earlier A.Y which is factually incorrect. The Id. AR in this regard drew our attention to Schedule-ER to the return of income filed for AY 2021-222 to submit that the assessee while filing the return of income the assessee did not claim deduction towards the loan since the loan is repaid only during the year under consideration. Accordingly, the Ld. AR submitted that the amount disallowed by the CIT(A) is based on an incorrect understanding of facts and the assessee is entitled to claim the deduction upon repayment during the year under consideration.

4. The Ld. Departmental Representative (DR), on the other hand, relied on the orders of the lower authorities.

5. We have heard the parties, and perused the material available on record. The A.O disallowed a sum of Rs. 1,43,65,474/- on the ground that the assessee has not furnished any supporting documents. On further appeal, the CIT(A) has examined the income tax return filed by the assessee and the relevant schedules and allowed a sum of Rs. 53,24,467/-. From the perusal of the findings of the CIT(A) as extracted in the earlier part of this order, we notice that the disallowance is made on the ground that the revenue portion of the loans borrowed is already considered as part of application in the AY 2021-22 and therefore the assessee cannot claim the same during the year under consideration. The relevant extract of Schedule-ER from the income tax return for AY 2021-22 is extracted hereunder:

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Revenue expenditure incurred during the year and amount applied to stated objects of the trust/institution during the previous year - Revenue Account (to be filled by assessee claiming exemption u/s 11 and 12 or u/s 10(23C)(iv) or 10(23C)(v) or 10(23C)(vi) or 10(23C)(vii) )		Amount	
<b>A Establishment and Administrative expenses</b>			
1	Rents	1	0
2	Repairs and maintenance	2	0
3	Compensation to employees	3	0
4	Insurance	4	0
5	Workmen and staff welfare expenses	5	0
6	Entertainment and Hospitality	6	0
7	Advertisement	7	0
8	Professional / Consultancy fees / Fee for technical services	8	0
9	Conveyance and Traveling expenses other than on foreign travel	9	1,08,206
10	Remuneration to Trustee	10	0
11	Rates and taxes, paid or payable to Government of any local body (excluding taxes on income)	11	0
12	Interest	12	8,03,227
13	Audit fee	13	2,36,000
14	Depreciation and amortization cost of which is not already claimed as application in same or any other previous year	14	0
15	Other expenses (Specify nature and amount)		
	<b>Nature</b>	<b>Amount</b>	
	i BANK CHARGES	i	23,573
	<b>Total</b>		23,573
16	<b>Total(A1 to A15)</b>	<b>A16</b>	11,71,006
<b>B Expenditure on objects of the trust/institution</b>			
1	Donation - Other than Corpus	1	0
2	Religious	2	0
3	Relief of poor	3	0
4	Educational	4	7,66,33,203
5	Yoga	5	0
6	Medical relief	6	0
7	Preservation of environment	7	0
8	Preservation of monuments etc	8	0
9	General public utility	9	0
10	<b>Total( B1 to B9)</b>	<b>B10</b>	7,66,33,203
<b>C Disallowable expenditure (C1 + C2 + C3 + C4)</b>		<b>C</b>	0
1	Bad debts	1	0
2	Provisions	2	0
3	Donation forming part of Corpus fund	3	0
4	Any other disallowable expenditure	4	0
<b>D Total application of income-revenue during the year (A16 + B10 + C)</b>		<b>D</b>	7,78,04,209
<b>E Source of fund to meet revenue expenditure</b>		<b>E</b>	
1	Income derived from the property/income earned during previous year	1	6,90,27,961
2	Income deemed as application in any preceding year under clause 2 of explanation 1 of section 11(1) (applicable only when exemption is claimed u/s 11 and 12)	2	0
3	Income of earlier years upto 15% accumulated or set apart	3	0
4	Borrowed Fund	4	87,76,248
5	Any other (Please specify)	5	0
	<b>Sl.No. Nature</b>	<b>Amount</b>	
<b>F Total Amount applied during the previous year - Revenue Account I [A16 + B10 - E2 - E3 - E4 - E5]</b>		<b>F</b>	6,90,27,961

6. From the perusal of the above, we notice that the assessee has stated in "E4" above that the borrowed funds to the tune of Rs.87,76,248 as a source for the total application of income revenue of Rs.7,78,04,209 during the year in "D" above. We further notice that while claiming deduction towards amount applied the assessee has excluded the Rs.87,76,248 for the reason that the deduction towards loan can be claimed only in the year of repayment. This is clear from the actual amount declared in "F" above as applied being Rs. Rs.6,90,27,961/- i.e. Rs.7,78,04,209 less Rs.87,76,248. Accordingly, there is merit in the submission of the Id. AR that the CIT(A) is not correct in stating that this amount of application of Rs.6,90,27,961/- includes the borrowed

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funds of Rs. 87,76,248/-. From the perusal of order of the CIT(A) the only reason for denying the deduction for the year under consideration is that the same is already claimed in the earlier AY 2021-22 which we find to be incorrect as explained herein above. Accordingly we hold that the lower authorities are not correct in denying the deduction towards the loan amount repaid on the ground that it is already claimed as deduction in the earlier year. We therefore direct the AO to allow the deduction as claimed by the assessee towards the impugned amount in the return of income for the year under consideration.

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

*Order pronounced on 10<sup>th</sup> day of February, 2026 at Chennai.*

**Sd/-**  
**(एबी टी. वर्की)**  
**(ABY. T. Varkey)**

**न्यायिक सदस्य / Judicial Member**

**Sd/-**  
**(पदमव्रती यस)**  
**(Padmavathy.S)**

**लेखा सदस्य /Accountant Member**

चेन्नई/Chennai, दिनांक/Dated: 10<sup>th</sup> February, 2026.

EDN, Sr. P.S

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