

IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH 'E' : NEW DELHI

BEFORE SHRI SATBEER SINGH GODARA, JUDICIAL MEMBER AND
SHRI AMITABH SHUKLA, ACCOUNTANT MEMBER

ITA No.1030/Del/2025
Assessment Year : 2018-19

M/s Shivam Agriols Private
Limited,
1315-16/118, First Floor,
Vaidwara, Maliwara,
Delhi – 110 006.
PAN : AARCS5196D.

Vs. Deputy Commissioner of
Income Tax,
Circle-22(2),
Delhi.

(Appellant)

(Respondent)

Appellant by : Shri Neeraj Mangla, CA.
Respondent by : Ms. Ankush Kalra, Senior DR.

Date of hearing : 05.01.2026
Date of pronouncement : 27.02.2026

ORDER

PER AMITABH SHUKLA, AM

This appeal by the assessee is directed against the order of learned CIT(A), National Faceless Appeal Centre, Delhi dated 24th December, 2024.

2. The only issue involved in this appeal by the assessee is relating to the disallowance of interest expenses of ₹43,86,674/- by invoking the provisions of Section 36(i)(iii) of the Income-tax Act, 1961 (in short 'the Act') and holding that the long term advances made by the assessee were not for business purpose.

3. Brief facts of the case are that the assessee company filed its return of income for the relevant assessment year under Section 139

of the Act on 31st October, 2018 declaring an income of ₹93,59,960/-, which was processed under Section 143(1) of the Act and the returned income was accepted. Thereafter, a notice under Section 143(2) was issued, in response to which, the assessee filed its submissions. Further, a show cause notice was received by the assessee asking it as to why interest should not be disallowed on long term advances given against property. The assessee company submitted that the unsecured loans on which interest was paid were utilized for the purpose of business and that the advance was given for purchase of industrial property and the same was being acquired for business purposes. However, being not satisfied by the explanation of the assessee, the assessment proceedings were completed by disallowing ₹43,86,674/- being interest on loan under Section 36(i)(iii) of the Act, which were confirmed by the learned CIT(A).

4. At the time of hearing before us, learned Counsel for the assessee submitted that the assessee company has produced the ledger accounts of all the parties to whom advance against property was given. It was submitted that the amount of the interest paid in respect of the capital borrowed was used for the purposes of the business only i.e., for purchase of industrial property. However, the registration of the industrial property could not be completed and the advance also could not be recovered back. All the evidences i.e., agreement to sell, recovery suit filed etc. were produced before the Assessing Officer. He submitted that the lower authorities have made the disallowance only on surmises, presumptions and conjectures despite the fact that the assessee had duly substantiated that long term advance against property was a business advance. The advances were also given in the earlier years and the unsecured loan on which interest was paid were taken during the year under consideration and were used for business purposes of the assessee company. He also submitted that the initiation of penalty proceedings and charging of

interest are also bad in law. Various judicial pronouncements were also cited by him in support of the above arguments.

5. Learned Senior DR, on the other hand, supported the orders of authorities below. She submitted that the assessee company has failed to provide any justification or documentary evidence to prove that the interest paid in respect of the capital borrowed by it was used for the purposes of business or profession. There was no business transaction with the person to whom the assessee has given the interest-free loan/advances.

6. We have considered the rival submissions and also perused the material placed before us. We find that the advances were given by the assessee company during financial year 2014-15 and 2015-16 and the loans on which interest was paid was borrowed during financial year 2017-18. It is, therefore, clear that the borrowed funds on which interest was paid have no relation to the advances given by the assessee company. Further, the advancement of non-interest-bearing funds as loans and advances cannot be any reason for presuming that the assessee company had advanced interest-bearing funds as loans and advances. The assessee has sufficiently proved that it has own funds to make such advances and that the same were utilized for business purposes only. The assessee has also granted advance for purchase of property in the earlier years and the amount on which interest was paid was borrowed during the year under consideration. Hence, there was no nexus between interest-bearing funds and interest-free advances given by the assessee company. Further, the issue of assessee moving NCLT against the delinquent seller of property as admitted by learned Assessing Officer and learned CIT(A) in their orders is a strong indicator of business connection between the advances given by the assessee. In view of the above position and also keeping in view the judgements cited, we hold that the authorities

below have erred in holding that the long term advances made by the assessee company were not for business purposes. Accordingly, we reverse the orders of authorities below on this count and delete the addition made on account of interest expenses of ₹43,86,674/- by invoking the provisions of Section 36(i)(iii) of the Act.

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

Decision pronounced in the open Court on 27th February, 2026.

Sd/-

(SATBEER SINGH GODARA)
JUDICIAL MEMBER

Sd/-

(AMITABH SHUKLA)
ACCOUNTANT MEMBER

VK.

Copy forwarded to: -

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

Assistant Registrar