(2009) 09 DEL CK 0269

In the Delhi High Court

Case No : IT Appeal No. 467 of 2007

Commissioner of Income Tax — APPELLANT

Vs

K.B. India (P.) Ltd. — RESPONDENT

Date of Decision : 22-09-2009

Acts Referred:

Income Tax Act, 1961 — Section 36

Citation : (2009) 09 DEL CK 0269

Hon'ble Judges : Valmiki J Mehta, J;A.K. Sikri, J

Bench : Division Bench

Advocate : Sanjeev Sabharwal, for the Appellant; Rakesh Gupta, Ms. Aarti Saini and Ms. Mahima Aggarwal, for the Respondent

Final Decision : Dismissed

Judgement

1. The respondent-assessee had borrowed funds of Rs. 3,69,97,741 during the relevant assessment year 1998-99. On this, he paid interest of Rs. 20,56,500,. which was claimed by it in the return as business expenditure. The Assessing Officer disallowed this amount on the ground that the money was utilized for the purpose of purchase of share in a company and the borrowed funds were not spent for business purposes. This finding was, however, reversed by the Commissioner of Income Tax (Appeal) holding that the shares in a company were purchased by the assessee out of its own funds and borrowed funds were not utilized for that purpose. This finding was confirmed by the income Tax Appellate Tribunal. Thus, the two authorities below have arrived at a definite finding that the amount borrowed was not utilized for the purpose of investment, but for the purpose of business. In the circumstances, the interest paid on the borrowed funds was rightly allowed as legitimate deduction u/s 36 of the Income Tax Act, 1961.

2. No question of law, therefore arisen. This appeal is dismissed.