

A ASSISTANT COMMISSIONER OF INCOME TAX,
AHMEDABAD

v.

ARVIND POLYCOT LTD.
(Civil Appeal No. 1182 of 2008)

B FEBRUARY 8, 2008

[S.H. KAPADIA AND B. SUDERSHAN REDDY, JJ.]

C *Income Tax Act, 1961 – s.36(i)(iii) – Interest paid in respect of borrowings on capital assets not put to use in the concerned financial year – Held : Is allowable deduction.*

D The question which arose of consideration in the present appeal is : Whether interest paid in respect of borrowings on capital assets not put to use in the concerned financial year can be permitted as allowable deduction under Section 36(1) (iii) of the Income-Tax Act, 1961?

Dismissing the appeal, the Court

E HELD: Interest paid in respect of borrowings on capital assets not put to use in the concerned financial year is allowable deduction under s.36(1)(iii) of the Income-Tax Act, 1961. [Para 2] [651-B, C]

F *Dy. Commnr. of Income Tax, Ahmedabad v. M/s. Core Health Care Ltd. 2008(2) Scale 327 – relied on.*

CIVILAPPELLATE JURISDICTION : Civil Appeal No. 1182 of 2008.

G From the Judgment and Order dated 19.10.2005 of the High Court of judicature of Gujarat at Ahmedabad in Tax Appeal No. 526 of 2003.

P. Vishwanatha Shetty, T. Srinivasa Murthy, Gaurav Agrawal and B.V. Balaram Das for the Appellant.

S. Ganesh, Amar Dave, Rustom B. Hathikhanawala, E.C. A
Agrawala. J.P. Shah, Manish Shah, Harish J. Jhaveri, Pardiwala,
Jay Savla and Reena Bagga for the Respondent.

The Judgment of the Court was delivered by

KAPADIA, J. 1. Leave granted. B

2. In this civil appeal filed by the Department the question of law arises for determination which question is as follows:

“Whether interest paid in respect of borrowings on capital assets not put to use in the concerned financial year can be permitted as allowable deduction under Section 36(1)(iii) of the Income-tax Act, 1961?” C

3. Our answer to the above-mentioned question is squarely covered by our decision in favour of the assessee and against the Department in the case of **Dy. Commr. of Income Tax, Ahmedabad v. M/s. Core Health Care Ltd.** in Civil Appeal Nos.3952-55 of 2002. D

4. Accordingly the said question is answered in favour of assessee and against the Department. Consequently the Department's civil appeal is dismissed with no order as to costs. E

D.G.

Appeal dismissed.