IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH 'G', NEW DELHI

BEFORE SHRI SATBEER SINGH GODARA, JUDICIAL MEMBER
And
SHRI NAVEEN CHANDRA, ACCOUNTANT MEMBER

ITA No.3070/Del/2026
[Assessment Year : 2020-21]

Mukul Rohatgi 65, Golf Links, New Delhi-110 003 PAN : AACPR 4789 B	Vs	**ACIT** Cir – 61(1) Delhi – 110 002
(APPELLANT)		**(RESPONDENT)**

Assessee by	Shri P. C. Yadav, Shri Subas Chandra Acharya, Shri Mayank Sharma, Adv. Shri R. K. Vashishtha, Adv. & Shri Harpreet Singh, Adv.	Advs.
Revenue by	Shri Bhogendra Prasad, Sr. D.R.	

Date of Hearing	**19.08.2026**
Date of Pronouncement	**01.09.2026**

ORDER

PER NAVEEN CHANDRA [ACCOUNTANT MEMBER]:

The above-captioned appeal is preferred by the assessee against the order dated 17.03.2026, passed by the Learned Commissioner of Income Tax (Appeals), NFAC, Delhi (hereinafter referred to as 'ld. CIT(A)') under Section 250 of the Income Tax Act, 1961 (hereinafter referred to as '*the Act*'), arising out of the assessment order dated 28.09.2022 passed by the Assessment Unit, Income Tax Department, New Delhi for Assessment Year 2020-21.

2. The grounds of appeal raised by the assessee are as under:

A. *"The order passed by the Ld CIT(A) vis-à-vis substance of part disallowance made by the AO u/s 24(b) is bad in law and on facts.*
B. *The Ld CIT(A) while sustaining the disallowance of Rs 44,77,708 has erred in ignoring the provisions of law relevant for the allowance of "interest" as defined under section 2(28A) of the Act.*
C. *On the facts and under the circumstances of the case, the Ld.CIT(A) has failed to appreciate the meaning of "interest" as defined u/s 2(28A) of the Act, which also includes any service fee or other charges in respect of any credit facility.*
D. *The Ld. CIT(A) erred in sustaining the addition of Rs.44,77,708/- made u/s 24(b) of the Act, without considering the merits of the case.*
E. *The Ld. CIT(A) erred in disregarding the documentary evidence such as overdraft sanction letters, bank statements, and interest certificates furnished by the Appellant during the assessment proceedings.*
F. *The Ld. CIT(A) erred in making/confirming an arbitrary bifurcation of the interest expenditure without any legal and factual basis.*
G. *The Ld. CIT(A) failed to appreciate that the entire amount consisting of interest, processing fee and other charges is covered in term "interest" and hence is fully allowable.*
H. *The order of the CIT(A) deserved to be annul on account of violation of principle of natural justice.*
I. *The Appellant craves leave to add, alter, amend, or withdraw any ground at the time of hearing."*

3. Brief facts of the case are that assessee is an individual and has filed his return of income (ROI) declaring an income of Rs.1,32,63,98,030/-. The ROI filed by the assessee was selected for scrutiny and assessment under section 143(3) of the Act has been framed by the AO vide order dated 28.09.2022 wherein the AO has made a disallowance of Rs.40,10,848/- u/s 14A read with rule 8D of the Income Tax Act-1961 and disallowance of Rs.44,77,708/- claimed by assessee as interest expenses incurred by assessee on loan taken for acquiring commercial property at Noida. Against the additions made by AO, assessee filed an appeal before the CIT(A) who

deleted the additions of 14A and sustained the disallowance of Rs.44,77,708/- claimed by assessee under section 24(b), of the Act.

4. Now aggrieved assessee is in appeal before us.

5. Before us, ld. Counsel for the assessee submitted as under :

"It is submitted that during the year under consideration the assessee has acquired a property at Noida from M/s Tech Info Private Limited for an amount 58,30,47,960/- and let out the same property to Kotak Mahindra bank. It is submitted that for acquiring this property assessee has, taken OD facility of 60.50 Cr from standard chartered bank and has paid following charges to the bank and the loan was sanctioned in two parts i.e. (1) 30 Crores and (2) 30.50 Crores. The assessee has claimed the deduction of following sums to the bank mentioned herein below:-

Particulars	***Loan A/c No. 51934574***	***Loan A/c No. 52083209***	***TOTAL***
Protection Insurance	*29,40,253*	*-*	*29,40,253*
Processing Fee	*7,19,800*	*7,08,000*	*14,27,800*
Interest Charged	*34,57,072*	*37,68,702*	*72,25,774*
Annual Maintenance charges	*-*	*3,54,000*	*3,54,000*
TOTAL	*71,17,125*	*48,30,702*	*1,19,47,827*

2. *Out of the aforesaid sum assessee has claimed deduction of Rs 1,17,03,182 u/s 24(b) of the Act. The AO and CIT(A) were of the opinion that the expression "interest" as used in section 24(b) is limited to the extent of interest paid by assessee and hence they allowed the amount of Rs 72,25,774 only and disallowed the sum of Rs 44,77,708, which is relate to processing fee and other charges linked with loan facility.*
3. *It is submitted that provisions of section 24(b) are as under. -*
4. *It is submitted that definition of interest has been given under the definition clause of the Act under section 2(28A) of the Act and the same is reproduced hereunder for the sake of convenience.*
5. *It is submitted that bare perusal of the above definition would show that the same includes any service fee or other charges also in respect of the money borrowed or debt incurred.*
6. *It is submitted that other charges paid by assessee are covered in definition of section 2(28A). And in the similar set of facts the Mumbai Bench of the ITAT in the case of Peepul Tree Properties (P.) Ltd.. V/s Assistant Commissioner of Income-tax reported in 160 ITD 138(Mum) decided in favour of assessee. The ld AR further relied on Pentagram Properties (P) Ltd. vs. Dy. CIT (ITA No. 3713/Mum/2010, dt. 12th Aug., 2011), Windermere Properties (P) Ltd. vs. Dy. CIT (2013) 155 TTJ (Mumbai) 1.*

(2013) 88 DTR (Mumbai) (Trb) 150 and CIT vs. Gujarat Guardian Ltd. (2009) 222 CTR (Del) 526: (2009) 19 DTR (Del) 75.

7. *In view of the above it is submitted that appeal of the assessee may kindly be allowed."*

6. On the other hand, ld. DR relied on the order of the CIT(A).

7. We have heard the rival submissions and perused the material available on record. It is an unrebutted fact that the assessee has obtained OD facility in form of two loans from Standard Chartered Bank: Loan A/c No. 51934574 for 30 crore and Loan A/c No. 52083209 for 30.50 crore, totalling to 60.50 crore, to acquire a property at Noida from M/s Tech Info Private Limited for an amount 58,30,47,960/-. This property has been let out to Kotak Mahindra Bank for a monthly rent of Rs 47.39 lakh. It is also an undisputed fact that the assessee has paid Rs 1,19,47,827/- as interest and various other charges to the Bank. Among the charges paid, Rs 72,25,774/- pertains to Interest charges, and the rest Rs 47,22,053/- pertains to Protection Insurance, processing fee and annual maintenance charges. We also note that there is no allegation that the said expenses incurred by the assessee are not genuine or are part of any colourable device to make tax evasion. Out of the various charges paid of Rs 1,19,47,827/-, the assessee claimed the deduction of Rs 1,17,03,182/- u/s 24(b) of the Act. The AO only allowed the expense of Rs 72,25,774/- paid as interest u/s 24(b) and disallowed the rest as being not covered u/s 24(b) of the Act.

8. The issue for our adjudication is whether Protection Insurance, processing fee and annual maintenance charges, are covered under the definition of "interest". We find that the provisions of section 24(b) provide for deduction of "interest" on borrowed capital, utilised for the purposes of acquiring, constructing, repairing, renewing or reconstructing the property. Interest has been defined in section 2(28A) as under:

> *"interest" means interest payable in any manner in respect of any moneys borrowed or debt incurred. (including a deposit, claim or other similar right or obligation) and includes any service fee or other charge in respect of the moneys borrowed or debt incurred or in respect of any credit facility which has not been utilised."*

"Interest" thus, is defined in section 2(28A) in a wider manner to include any service fees or other charges. Only caveat is it should be in respect to the money borrowed or debt incurred. In the instant case, the assessee has borrowed loan from bank to acquire property which is let out on rent. There is no allegation that the interest as well as other charges paid are not in respect to the said loan. In such facts, the harmonious reading of the provision of section 24(b) with that of section 2(28A) would mean that the Protection Insurance, processing fee and annual maintenance charges, which all are in respect to the loan borrowed from the Bank, would be covered under the definition of "interest". In similar facts, the Mumbai Bench of the ITAT in the case of ***Peepul Tree Properties (P.) Ltd.. V/s Assistant Commissioner of Income-tax*** reported in 160 ITD 138(Mum), had held as under:-

In the year under concern, the assessee took fresh loan from Axis Bank which was utilized for the exclusive purpose of repayment of loans to the aforesaid six parties. In the process of change over of the lender, the assessee paid prepayment charges of Rs. 1,32,44,653 to these six bankers to whom loans were prepaid and also paid processing charges of Rs. 1 crore to Axis Bank for availing the fresh loan. This is where the dispute arose. The AO disallowed both of these amounts i.e. prepayment charges as well as processing fee on the ground that no such deduction is allowable under s. 24 as the assessee is granted the benefit of standard deduction of 30 per cent and therefore, no further deduction can be allowed to the assessee

It is not in dispute that interest paid on impugned loans was allowable under s. 24(b). Thus, the only issue to be decided is whether 'prepayment charges' and 'processing fee' shall form part of, the word 'interest' as used in s. 24(b). Perusal of definition of interest under s. 2(28A) shows that the term 'interest' has been defined in a manner giving it a wider scope. It clearly shows that the term 'interest' shall include any service fee or other charges in respect of moneys borrowed and it goes to the extent of saying that any charges in respect of any credit facilities which has not been utilized. The 'processing fee' charged by Axis Bank is nothing but service fee charged by the bank and therefore it is clearly allowable as per plain provisions of the Act. As far as the prepayment charges are concerned, these have been paid for the loans which have been refunded and thus no more utilised by the assessee. It has been clearly provided that any charges incurred even for any credit facility which has not been utilised shall also form part of the term 'interest'. Even otherwise, both of these payments have been made for the purpose of availing of the loan at lower interest cost. It is for the assessee to plan its financial affairs in the best possible manner, It is none of the business of the Revenue to guide the assessee or put any obstacle in the management of its financial affairs. The assessee appears to have done the restructuring of its loans and changed its lenders for the purpose of reducing its interest burden by availing loan from the lenders at lower rate of interest. The prepayment charges and processing fee borne by the assessee at this stage were to be compensated subsequently by payment of lower amount of interest. In any case, so long as the expenses incurred by the assessee are genuine and not part of any colourable device to make tax evasion, then such expenses should be allowed under the relevant provisions of the Act. The legal position is clear that these payments are allowable under s. 24(b) and therefore, AO is directed to grant the benefit of the same the disallowance made by the AO is directed to be deleted.

In such facts and circumstances, we are of the considered view that the Protection Insurance, processing fee and annual maintenance charges in respect to the aforesaid loan, falls under the broad category of "interest", and is allowable u/s 24(b) of the Act. Accordingly, the AO is directed to deleted the said addition. The ground is allowed.

9. In the result, the appeal filed by the assessee in ITA No.3070/Del/2026 is allowed.

Order pronounced in the open court on 01.09.2026.

Sd/-	Sd/-
(SATBEER SINGH GODARA)	**(NAVEEN CHANDRA)**
JUDICIAL MEMBER	**ACCOUNTANT MEMBER**

Dated: 01.09.2026
Priti Yadav, Sr. PS*

Copy forwarded to:

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

Asstt. Registrar, ITAT, New Delhi