

आयकर अपीलीय अधिकरण, हैदराबाद पीठ
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'B' Bench, Hyderabad

Before Shri R.K. Panda, Accountant Member
AND
Shri K. Narasimha Chary, Judicial Member

ITA No.90/Hyd/2018		
Assessment Year: 2013-14		
Kamineni Health Services (P) Ltd, Hyderabad PAN:AAACK8313R	Vs.	Dy. C. I. T. Circle 2(1) Hyderabad
(Appellant)		(Respondent)
Assessee by:	Advocate Sashank Dundu	
Revenue by:	Shri Kumar Aditya, DR	
Date of hearing:	22/02/2023	
Date of pronouncement:	31/03/2023	

ORDER

Per R.K. Panda, A.M

This appeal filed by the assessee is directed against the order dated 7th Nov.2017 of the learned CIT (A)-2, Hyderabad relating to A.Y.2013-14.

2. Facts of the case, in brief, are that the assessee is a company engaged in the business of healthcare. It filed its return of income for the impugned A.Y declaring Nil income after setting off of business loss of Rs.48,33,667/- under the normal provision and book profits u/s 115JB amounting to Rs. 1,38,45,489/-. The case was selected for scrutiny through CASS and statutory notices u/s 143(2) and 142(1) were issued to the assessee to

which the A.R of the assessee filed the requisite details from time to time.

3. During the course of assessment proceedings, the Assessing Officer noted from the Profit & Loss A/c that the assessee has claimed Rs.29,56,433/- on a/c of foreign exchange fluctuation. On being asked by the Assessing Officer to substantiate the same, the assessee submitted that it has taken buyers credit facility from Bank of India, Sanfransico. The exchange difference as on 31.3.2013 amounting to Rs.29,56,433/- for buyers credit was debited to Foreign Exchange Fluctuation a/c. According to the Assessing Officer since the loan is a capital liability therefore, he held that the Foreign Exchange Fluctuation loss on same cannot be allowed as revenue expenditure. He accordingly made addition of Rs.29,56,433/-.

3.1 The Assessing Officer further noted that the assessee has shown interest free advances of Rs.7,95,87,355/- as on 31.03.2013. He observed from the P&L A/c that the assessee has incurred financial charges amounting to Rs.3,19,99,386/-. On being confronted by the Assessing Officer, the assessee submitted that other advances include share application money of Rs.7.00 crores which was invested in M/s. Kamineni Health Care Pvt Ltd during the earlier years and shares have been allotted on 30th March, 2015. It also includes advances paid to M/s. United Steel Allied India Pvt. Ltd (USAIPL) of Rs.73,10,578/- and Kamineni Estates Pvt Ltd of Rs.18,10,089/-. It was submitted that the assessee has also given advances to its holding company USAIPL towards construction of Super Specialty Hospital in Vijayawada

and amount paid to M/s. Kamineni Estates Pvt Ltd is towards rental advance for Wellness Centre at Jubilee Hills.

4. However, the Assessing Officer was not satisfied with the arguments advanced by the assessee. So far as the investment in shares of M/s Kamineni Health Care is concerned, he noted that shares have not been allotted during the year. Therefore, it is in nature of advance on which the assessee is claiming interest during the year. He further noted that the investment was done in earlier year out of borrowed funds and therefore, interest on such investment is to be disallowed.

4.1 As regards advances given to USAIPL and M/s. Kamineni Estates (P) Ltd are concerned, he noted that the assessee could not substantiate with supporting documents. He noted that interest paid on advances given to USAIPL was disallowed in A.Y 2012-13 and the assessee gave the same explanation. He referred to the decision of the Hon'ble Punjab & Haryana High Court in the case of CIT. Patiala Vs M/s Punjab Tractors, where it has been held that once it is established that the assessee had raised certain loans for business purposes, on which interest liability is being incurred and on the other hand the funds were advanced to sister concern for non-business purposes on interest free basis, then the interest payable by the assessee to financial institutions to that extent cannot be held to have been used for business purposes and no deduction accordingly can be permitted under section 36(1)(iii) of the I.T.Act. According to the Assessing Officer, the assessee failed to establish that there were business transaction between the assessee company and its sister concerns and that the funds were

transferred to sister concerns from out of its reserve funds but and not from borrowed funds. The Assessing Officer, therefore, disallowed an amount of Rs.95,50,483/-.

4.2 The Assessing Officer also made disallowance of Rs.97,734/- u/s 14A. However, the same is not in dispute, therefore, we are not concerned with the same. Thus, the Assessing Officer determined the total income of the assessee at Rs.1,26,04,650/-. After adjusting the brought forward losses for the A.Y 2007-08 at Rs.1,26,04,650/- out of Rs.1,39,74,652/-, he determined the taxable income at Nil.

5. In appeal, the learned CIT (A) upheld both the additions made by the Assessing Officer.

5.1 So far as the issue relating to foreign exchange fluctuation loan is concerned, the learned CIT (A) dismissed the ground raised before him by observing as under:

“3. The above action of the Assessing Officer was contested in ground No.2 of appeal. However, no submissions were made by the appellant either oral or written during the appeal proceedings. It is, therefore, taken that the appellant has nothing to state in the matter. Since the Assessing Officer had duly considered the facts of the case and disallowed the foreign exchange fluctuation on loan amount being on capital account, the action of the Assessing Officer is upheld and the ground of appeal is dismissed”.

5.2 So far as the issue relating to disallowance of interest expenditure is concerned, the learned CIT (A) dismissed the issue by observing as under:

“7. I have carefully considered the issue and submissions made by the AR. The cardinal principle of allowing

expenditure u/s 36(1)(iii) as laid down by the Hon'ble Supreme Court in the case of S.A. Builders Vs. CIT (Supra), as if the loans/ advance have been given to the sister concerns in view of commercial expediency, then the interest on the borrowings made for the said interest free advances would be allowable in the hands of the assessee. From the facts of the case, as brought out by the Assessing Officer in the assessment order and as furnished by the AR, during the appeal proceedings, the appellant failed to substantiate the claim that the interest free loans/advances given to the sister concerns was out of commercial expediency. As rightly noted by the Assessing Officer, on one hand the appellant was paying huge interest on the borrowed funds and on the other hand it has been advancing interest free loans to its sister concerns, ostensibly without any commercial expediency. In the absence of case being made out by the appellant that the said interest free loans/advances were out of commercial expediency, the action of the Assessing Officer in disallowing interest @ 12% on the interest free loans/advance amounting to Rs.95,50,483/- is upheld and the grounds of appeal are dismissed”.

6. Aggrieved with such order of the learned CIT (A) the assessee is in appeal before the Tribunal by raising the following revised grounds of appeal:

“1. The order of the learned CIT (Appeals), in so far as it is prejudicial to the interest of the appellant, is against law, weight of evidence and probabilities of the case.

2. The learned CIT (Appeals) grossly erred in disallowing foreign exchange fluctuation loss of Rs 29,56,433/- overlooking the fact that the exchange fluctuation loss on foreign currency loan is intricately connected with a loan liability; in fact, it is in the nature of interest or borrowing cost for a borrowed. Further, Section 36(1)(ii) provides deduction in respect of interest expenditure incurred in connection with the business of the assessee.

3. The learned CIT (Appeals) grossly erred in disallowing finance cost 12% on the advance given to United Steel Allied Industries Pvt Ltd (USAIPL) of Rs 95,50,483/- overlooking the fact that that the appellant had given the money to USAIPL for construction of a super specialty hospital in Vijayawada with an intention to acquire shares in that company.

4. The learned CIT (Appeals) failed to appreciate that the advances given by the appellant are used for business purpose for construction of super specialty hospital in Vijayawada and shares were also allotted by that company against such advances.

5. *The learned CIT (Appeals) ought to have considered the decision of the Hon'ble Supreme Court in the case of S.A. Builders v. CIT 288 ITR 1 (SC) and ACIT vs. Tulip Star Hotels Ltd. (2012) (SC), the facts of which are squarely applicable to the case of appellant.*

6. *Without prejudice to the above grounds, the learned CIT (Appeals) grossly erred in disallowing finance cost @ 12% on the advance given to United Steel Allied Industries Pvt Ltd (USAIPL) of Rs 95,50,483/-.*

7. *The appellant craves leave to add to, amend or modify the above ground(s) of appeal either before or at the time of hearing of the appeal”.*

In the present case, disallowance made by the lower authorities refer to estimated interest expenditure incurred in obtaining a loan and using the same to provide interest free advances to USAIPL as well as other business advances. However, grounds 3 and 6 emphasize on estimated interest expenditure @ 12% w.r.t. payment made to USAIPL only and hence we are revising the grounds to bring the correct facts on record for proper adjudication of the matter.

Ground no. 3:

3. *The Ld. CIT(A) grossly erred in disallowing estimated finance cost 12% on the 3 amounts paid to United Steel Allied Industries Private Limited (USAIPL) as well as on advances given to others to the tune of Rs.95,50,483/- overlooking the fact that the appellant had given the money to USAIPL for construction of a super specialty hospital in Vijayawada with an intention to acquire shares in that company and had further advanced funds to others for the purpose of business.*

Ground No. 6:

6. *Without prejudice to the above grounds, the learned CIT (Appeals) grossly erred in disallowing estimated finance cost@ 12% on the amounts paid to United Steel Allied Industries Private Limited (USAIPL) as well as others for business purpose to the tune of Rs.95,50,483/-.*

It is prayed that the Hon'ble Income Tax Appellate Tribunal be pleased to admit this Revised Grounds in the interests of justice.”

7. The first issue raised by the assessee in the grounds of appeal is regarding the disallowance of foreign exchange fluctuation loss of Rs.29,56,433/-.

7.1 The learned Counsel for the assessee submitted that the assessee has purchased an MRI Machine during October,

2011 by availing buyers' credit of US dollars 9,45,000 from Bank of India, San Francisco. The machinery was put to use on 6.10.2011 and the rate of exchange prevailing at that time was Rs.51/-. The foreign currency loan was repaid in full in the year 2014. The learned Counsel for the assessee submitted that the medical equipments are fast depreciating asset due to the rapid technological advancements which happen in the medical industry. Therefore, any loss or expenditure incurred towards purchase of such equipments must be considered in terms with the Accounting Standard 11 which explains the effect of changes in foreign exchange rates so as to provide the true and fair value of outstanding liabilities towards borrowings of the company. Referring to the provisions of section 211 of Companies Act r.w. AS-11, he submitted that it mandates a company to account for foreign exchange fluctuation gain or loss in its profit and loss account regardless of the nature of underlying asset or liability whether capital or revenue.

7.2 In his second plank of argument, the learned Counsel for the assessee submitted that even if the argument of the Revenue that the loan is taken for purchasing a capital asset and therefore, even the foreign exchange fluctuation loss/gains must be capitalized is accepted, even in that case, the whole exercise remains tax neutral since the fact of disallowing foreign exchange would mean capitalization of a loss and addition of the same to the value of the medical equipment on which there would be a claim of depreciation in the subsequent years. He accordingly submitted that the disallowance of foreign exchange fluctuation loss of Rs.29,56,453/- by the Assessing Officer and sustained by the CIT (A) is not justified.

7.3. The learned DR, on the other hand, drew the attention of the Bench to the findings given by the learned CIT (A) on this issue at Para 3 of his order and submitted that before the CIT (A) the assessee had not made any argument either orally or written for which the learned CIT (A) upheld the action of the Assessing Officer on this issue. Even otherwise also, he submitted that since the foreign currency was obtained for purchase of a machinery i.e. a capital asset, therefore, any increase in liability on account of fluctuation in rate of foreign exchange in respect of such outstanding loan had to be added to the cost of the capital asset for the purpose of depreciation for the relevant A.Ys. For the above proposition, he relied on the following decisions:

- i) *ITAT Mumbai Bench in the case of ACIT vs. Tata Petrodyne Ltd in ITA No.5117/Mum/2007 for the A.Y 2004-05.*
- ii) *Hon'ble Supreme Court in the case of CIT vs. Arvind Mills Ltd reported in (1992) 60 Taxmann.192 (S.C)*
- iii) *Hon'ble Bombay High Court in the case of Padamjee Pulp and Paper Mills Ltd vs. CIT reported in (1994) 210 ITR 97 dated 6th October, 1993.*
- iv) *Hon'ble Gujarat High Court in the case of CIT vs. Gujarat State Fertilizers Co. Ltd reported in (2003) 126 Taxmann 572 (Gu.) dated 19th October, 2002.*

8 We have considered the rival arguments made by both sides, perused the orders of the Assessing Officer and the CIT (A) and the paper book filed on behalf of the assessee. We have also considered the various decisions cited before us. We find the Assessing Officer in the instant case disallowed foreign exchange fluctuation loss of Rs.29,56,433/- debited in the P&L A/c on the ground that the loan was taken for the purpose of acquisition of a capital asset and hence foreign exchange fluctuation loss incurred

thereon is to be treated as a capital expenditure and not as revenue expenditure. We find the learned CIT (A) upheld the action of the Assessing Officer, the reasons of which have already been reproduced in the preceding paragraph. It is the submission of the learned Counsel for the assessee that the foreign currency loan was taken for the purpose of acquiring a medical equipment and since the medical equipment is a fast depreciating asset due to the rapid technological advancements, therefore, any loss or expenditure incurred towards purchase of such equipment must be considered in terms with AS-11 which explain the effects of the changes in foreign exchange rates so as to provide the true and fair value of outstanding liabilities towards borrowings of the company. It is also his alternate argument that if the exchange fluctuation loss is treated as capital expenditure, even then the whole exercise will remain as tax neutral since after disallowing the foreign exchange fluctuation loss depreciation on the enhanced value is to be allowed in the current year as well as in the subsequent years.

8.1 We do not find any merit in the above argument of the learned Counsel for the assessee. It has been held in various decisions that when the assessee import machinery with loan obtained from foreign banks which is repayable in foreign exchange, the increased liability on account of fluctuation in the rate of foreign exchange in respect of outstanding loan amount to be added to the actual cost of acquisition of assets for the purpose of depreciation for the relevant A.Y.

8.2 We find the Hon'ble Supreme Court in the case of *Sutlej Cotton Mills Ltd vs. CIT* (1979) 116 ITR 1 has held that the additional liability on account of fluctuation in the foreign

exchange rate in respect of liability incurred for the import of machinery by the assessee would not constitute revenue expenditure.

8.3 We find the Hon'ble Bombay High Court in the case of Padamjee Pulp and Paper Mills Ltd vs. CIT reported in (1994) 210 ITR 97 (Bom) held as under:

From a reading of the above section it is clear that where an assessee had borrowed money for acquisition of any asset from a country outside India and in consequence of the change in the rate of exchange at any time after the acquisition of such asset there is an increase in the Liability of the assessee as expressed in Indian currency in repayment of the whole or a part of the moneys borrowed by him from any person in any foreign currency specifically for the purpose of acquiring such asset, the amount by which the liability is so increased shall be added to the actual cost of the asset as defined in clause (1) of section 43 of the Act. This section specially provides for the treatment of increased liability of the assessee as expressed in Indian currency for repayment of the moneys borrowed by him from any person in foreign currency specifically for the purposes of acquiring the asset. In the present case, the assessee had acquired a capital asset from a country outside India for the purpose of its business by making payment in foreign currency. For this specific purpose, it borrowed moneys in foreign currency from the Industrial Finance Corporation of India and the liability in respect thereof was outstanding at the end of the relevant previous years. This liability had increased on account of change in the rate of exchange. Thus, section 43A fully applies and the additional liability so raised had to be added to the cost of acquisition. This view is also in consonance with the clarification issued by the Ministry of Finance, by its letter of January 4, 1967, addressed to the Federation of Indian Chambers and Industry, the extracts of which have been reproduced in the judgment of the Supreme Court in CIT v. Arvind Mills Ltd. [1992] 193 ITR 255, at page 266. Para 2 of the above letter, which is relevant for the present purpose, is reproduced below:

“The Government agrees that for the purpose of the calculation of depreciation allowance, the cost of Capital assets imported before the date of devaluation should be written off to the extent of the full amount of the additional rupee liability incurred on account of devaluation and not what is actually paid from year to year. The proposed legal provision in the matter is intended to be framed on this basis.”

Section 43A also was considered at length by the Supreme Court in Arvind Mills' case [1992] 193 ITR 255. It was observed (at page 270):

"It is no doubt true that, but for the new section, various kinds of arguments could have been raised regarding the year in which such liability should be adjusted. But, we think, arguments could also have been raised as to whether the actual cost calls for any adjustment at all in such a situation. It could have been contended that the actual cost can only be the original purchase price in the year of acquisition of the asset and that, even if there is any subsequent increase in the liability, it cannot be added to the actual cost at any stage and that, for the purposes of all the statutory allowances, the amount of actual cost once determined would be final and conclusive. Also section 43A provides for a case in which as in the present case, the assessee has completely paid for the plant or machinery in foreign currency prior date to the of devaluation but the variation in exchange rate affects the liability of the assessee (as expressed in Indian currency) for repayment of the whole or part of the monies borrowed by him from any person, directly or indirectly, in any foreign currency specifically for the purposes of acquiring the asset. It is a moot question as to the whether in such a case, on general principles, the actual cost of the assessee's plant or machinery would be the revised liability or the original liability. This is also a situation which is specifically provided in the section.... As we had said earlier, there is no need to speculate problems on all the problems that might have arisen if section 43A has not been there because the statute has resolved these problems. It lays down, firstly that the increase or decrease in liability should be taken into account to modify the figure of actual cost and secondly that such adjustment should be made in the year in which the increase or decrease in liability arises on account of the fluctuation in the rate of exchange".

In view of the foregoing discussion and the decision of the Supreme Court referred to above, it is clear that the Tribunal was not justified in holding that the sums of Rs.21,36,840 and Rs.4,89,502 did not constitute additional cost of machinery imported by the assessee for the purpose of depreciation. We are of the clear opinion that in view of section 43A of the Act, these amounts are to be added in the cost of acquisition of the asset for the purpose of depreciation for the A.Ys concerned. We, therefore, answer question No.2 in the negative, i.e. in favour of the assessee and against the Revenue".

8.4 Respectfully following the above decision, we hold that the loss on foreign exchange fluctuation loss has to be added to the cost of the asset and depreciation has to be allowed on this but such foreign exchange fluctuation loss cannot be allowed as a revenue expenditure. The ground raised by the assessee is accordingly decided in the above terms.

9. So far as the 2nd issue is concerned, the same relates to addition of notional interest of Rs.95,50,483/- being interest free advance given to different persons.

9.1 The learned Counsel for the assessee filed the following details substantiating the break-up of advances given to various persons:

- i) *Advances for Vijayawada Project – Investment – Shares in Kamineni Health Care Pvt Ltd – 7,00,000,000/-*
 - ii) *USAIPL – 65,31,314/-*
 - iii) *Rent Deposit – Kamineni Estates Pvt. Ltd – 18,10,089/-*
 - iv) *Advance to professionals – 9,29,192/-*
 - v) *Capital WIP – Group – 2,22,022/-*
 - vi) *Bidar New project expenses – 52,150/-*
 - vii) *Dr. L. Vijay Kumar – 40,000/-*
 - viii) *Travelling Exp L&B (New Project) – 2,588/-*
- Total – Rs.7,95,87,355/-*

9.2. So far as the advances given to Vijayawada Project is concerned, he submitted that identical issue had come up before the Tribunal in assessee's own case in ITA No.344/Hyd/2017 for the A.Y 2012-13 dated 3.7.2019 and the Tribunal after considering the MOU entered into between the assessee and the holding company had restored the issue to the file of the Assessing Officer with a direction to consider as to whether the advance was given for business purposes. Referring to page 39 of the Paper Book, he submitted that the Assessing Officer in the consequential proceedings accepted the fact that the advances given were for business purposes and accordingly deleted the addition. Therefore, the proportionate interest relating to advances given to Vijayawada Project has to be deleted.

9.3 So far as the other advances amounting to Rs.95,87,355/- is concerned, he submitted that the amount of

Rs.65,31,314/- arises from the running a/c maintained between the holding company (USAIPL) and the assessee company wherein funds were transferred as per business requirements and needs. He accordingly submitted that the addition made by the Assessing Officer and sustained by the CIT (A) on this amount is not justified. So far as the other advances are given, he submitted that these are advances given during the course of business for business purposes and therefore, no disallowance is called for on account of notional interest.

10. The learned DR, on the other hand, heavily relied on the order of the CIT (A).

11. We have heard the rival arguments made by both the sides, perused the orders of the AO and the learned CIT (A) and the paper book filed on behalf of the assessee. We have also considered the various decisions cited before us by both sides. We find the AO in the instant case made addition of Rs.95,50,483/- being the interest @ 12% on advances of Rs.7,95,87,355/- given to various persons on the ground that interest bearing funds have been diverted for non-business purposes. We find the learned CIT (A) sustained the addition made by the Assessing Officer, the reasons of which have already been reproduced in the preceding paragraph. A perusal of the details of break-up of advances filed by the learned Counsel for the assessee shows that an amount of Rs.7,00,000,000/- was given as advance for the Vijayawada Project being investment in shares in Kamineni Health Care Pvt. Ltd. We find identical issue had come up before the Tribunal in assessee's own case for the preceding A.Y, vide ITA 384/Hyd/2017 order dated 3.7.2017 and the Tribunal restored

the issue to the file of the Assessing Officer by observing as under:-

“5. After hearing both the parties, we find that assessee’s contention has always been that it has given the advance for construction of a hospital at Vijayawada and that it was to acquire equity shares of the company to manage the hospital at Vijayawada. However, it had not filed the relevant documents either before the AO or before the CIT(A) and have now filed the same before us. On perusal of MoU now between the assessee and USAIPL, we find that there is a clause that the assessee shall acquire the shares of the demerged company. Ld. Counsel for the assessee stated that the assessee could not acquire the equity shares initially because at that point of time the demerger of the said company has not yet taken place and on demerger, assessee had acquired the shares of the company, for which, he filed copies of the documents showing shareholding of the Kamineni Health Services Pvt. Ltd. He, therefore, prayed that all these documents be considered for accepting assessee's contention that the advance is for business purposes. We find that the documents filed before us by the assessee, as additional evidence, go to the root of the matter and in the interest of justice, we admit the same and remit the issue to the file of the AO for de-novo consideration. Needless to say that the assessee shall be given fair opportunity of hearing in the matter.”

12. We find the Assessing Officer in the consequential order after considering the details filed by the assessee deleted the addition by observing as under:

“5. Following the orders/directions of the ITAT, the assessee was issued notices u/s 142(1) from time to time. In response, assessee filed MoU dated 1/10/2009 between Kamineni Health Services Pvt. Ltd (KHSPL) and United Steel Allied Industries Pvt. Ltd (USAIPL), share certificates and other details from time to time.

6. The online submission made by the assessee has been carefully examined and considered and returned loss of Rs.13,66,338/- is accepted”.

13. Since the advance paid to Vijayawada Project amounting to Rs.7.00 crore is continuing in this year also and since the issue has already been decided by the Tribunal and the Assessing Officer in the consequential order has allowed the same, therefore, no disallowance of interest on this amount issue is called for. Accordingly, the Assessing Officer is directed to

delete the disallowance of interest on this amount of Rs.7,00,00,000/-.

14. So far as the balance amount of Rs.95,87,355/- is concerned, we find an amount of Rs.65,31,314/- arises from the running account maintained with the holding company and the assessee company wherein funds were transferred as per the business requirement the details of which are as per page 9 of the paper book and which are is as under:

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Kamineni Health Service Pvt Ltd
4-1-1227, King Kotl Road
Hyderabad
United Steel Allied Ind Pvt Ltd
Ledger Account

1-Apr-2012 to 31-Mar-2013

Date	Particulars	Vch Type	Vch No.	Debit	Credit
01/04/2012	To Opening Balance			870356 00	-
20/04/2012	By INDIAN BANK SOD A/C NO.876780833	Receipt	326		1000000 00
28/07/2012	To Indian Bank (750684508)	Payment	2087	5000000 00	
30/07/2012	By INDIAN BANK SOD A/C NO.876780833	Receipt	2491		2621645 00
31/07/2012	To Indian Bank (750684508)	Payment	2130	3000000 00	
08/10/2012	By INDIAN BANK SOD A/C NO.876780833	Receipt	4184		2000000 00
15/02/2013	To Indian Bank (750684508)	Payment	5550	3300000 00	
20/03/2013	To Indian Bank (750684508)	Journal	3137	2000000 00	
28/03/2013	To INDIAN BANK SOD A/C NO.876780833	Payment	6088	5000000 00	
28/03/2013	By Kamineni Hospitals Pvt Ltd(Lab)	Journal	3187		5000000 00
31/03/2013	By Rent	Journal	3355		1213488 00
31/03/2013	By Telephone Charges	Journal	3407		24645 00
31/03/2013	By Kamineni Wellness Centre	Journal	3409		779264 00
				19170356 00	12639042 00
	By Closing Balance				6531314 00
				19170356 00	19170356 00

14.1 In our opinion, no notional interest on such recurring transactions is called for. Accordingly, we direct the Assessing Officer not to charge any notional interest on the amount of Rs.65,31,314/-.

15. Similarly, amount of Rs.18,10,089/- pertains to the rent deposit given to Kamineni Estates (P) Ltd., for the purpose of

leasing a space to operate a Wellness Centre. Therefore, no addition of notional interest on account of rental advance for lease of property in our opinion can be made since the same is for business purposes.

16. Similarly, the disallowances of notional interest on the advances given to professionals who are doctors at Rs.9,29,192/- in our opinion cannot be made. In this view of the matter, we are of the considered opinion that the CIT (A) is not justified in sustaining the addition of proportionate notional interest on the advances to professionals of Rs.9,29,192/- made by the Assessing Officer. The various other advances do not call for disallowance of notional interest. Accordingly, the same is directed to be deleted. The second issue raised by the assessee is accordingly allowed.

17. In the result, appeal filed by the assessee is partly allowed.

Order pronounced in the Open Court on 31st March, 2023.

Sd/- (K. NARASIMHA CHARY) JUDICIAL MEMBER	Sd/- (R.K. PANDA) ACCOUNTANT MEMBER
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Hyderabad, dated 31st March, 2023

Vinodan/sps

Copy to:

S.No	Addresses
1	Kamineni Health Services (P) Ltd, No.10 Kanchanjunga Complex, King Koti Road, Hyderabad 500001
2	Dy.CIT, Circle 2(1) Hyderabad
3	CIT - 2,Hyderabad
4	Pr. CIT-2, Hyderabad
5	DR, ITAT Hyderabad Benches
6	Guard File

By Order