

**Cit Vs. Official Liquidator, Pilot Pen Co. (P) Ltd.**

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**SooperKanoon Citation :** [sooperkanoon.com/829426](http://sooperkanoon.com/829426)

**Court :** Chennai

**Decided On :** Jun-20-2001

**Reported in :** [2002]253ITR533(Mad)

**Appeal No. :** T. C. Nos. 627 and 628 of 1994 (References Nos. 247 and 248 of 1994) 20 June 2001

**Appellant :** Cit

**Respondent :** Official Liquidator, Pilot Pen Co. (P) Ltd.

**Advocate for Pet/Ap. :** Mrs. Chitra Venkataraman, *for the Revenue* P. P. S. Janarthana Raja, *for the Assessee*

**Judgement :**

**K. Gnanaprakasam, J.**

At the instance of the revenue, the following questions are referred for the assessment years 1986-87 and 1987-88, respectively :

'Whether, on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal was right in law in holding, that the expenditure of Rs.52,945 for the assessment year 1986-87 incurred as security charges in respect of the land and factory building should be treated as loss from a separate sub-source of income and eligible for set off against other incomes, irrespective of the fact, that

there is no income from this sub-source during the relevant previous year ?

Whether, on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal was right in law in holding that the expenditure of Rs. 68,422 for the assessment year 1987-88 incurred as security charges, in respect of the land and factory building, should be treated as loss from a separate sub-source of income and eligible for set off against other incomes, irrespective of the fact, that there is no income from this sub-source during the relevant previous year ?'

The assessee made a claim that the amount incurred by way of security charges, in respect of the land and factory building should be treated as loss from a separate sub-source of income and eligible for set off against other incomes. The said contention of the assessee was accepted by the Tribunal and as against this, this reference has been made.

The learned advocate for the revenue fairly placed before us, the decision in the case of CIT v. Gannon Dunkerley and Co. (P) Ltd. : [2000]243ITR646(Mad) , wherein it was held that the expenditure that had been incurred by the Official Liquidator by way of rent and payment of statutory dues had nexus with the earning of interest and, therefore, those amounts were deductible and the assessee is entitled to the claim made by it.

The principles laid down in the said case are squarely applicable to the case on hand, as the assessee spent the amount towards security charges to safeguard its land and factory building. Hence, the Tribunal was correct in coming to the aforementioned conclusion and, therefore, the reference is answered in favour of the assessee and against the revenue.

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