

1. **If borrowed fund was used for capital work in progress, interest on said fund is allowable under section 36(1)(iii).** The A.O. disallowed the funds by observing that the funds were not utilized for the revenue expenditure. But both the appellate authorities have allowed the claim by observing that the interest on borrowed funds for acquiring capital asset is also an allowable deduction under section 36(i)(iii) of the I.T. Act. Considering the totality of the facts and circumstances of the case, we are of the view that the borrowed funds was utilized for expansion of the business and the interest paid thereupon is allowable. The nature of utilization of funds makes no difference as during the assessment year under consideration, no new Unit was started by the assessee. In view of the above discussions, the orders of the appellate authorities are hereby sustained. **CIT v. Translam Ltd [2014] 229 Taxmann 618 (Allahabad).**

2. **Interest paid on borrowed amount invested in shares and debentures for purpose of business, would be allowed as deduction under section 36(1)(iii).** From a bare reading of section 36(1)(iii), it is clear that deduction shall be allowed in respect of the amount of interest paid if the capital is borrowed for the purpose of business or profession. The language employed in the said provision is plain and unambiguous. The intendment of the said provision is that so long as the assessee has utilized the capital borrowed for the purpose of business, the amount of interest paid in respect of such capital borrowed should be allowed as deduction. In the case on hand, it is beyond any cavil that capital was borrowed by the assessee and interest was paid on the borrowed capital. The amount so borrowed was invested in shares and debentures for the purpose of business. When the amount is, thus, utilized for business purpose, the interest paid will have to be allowed as deduction in terms of section 36(1)(iii). **CIT v. Shriram Investments (Firm) Moogambika Complex, Chennai. [2015] 229 Taxmann 179 (Madras).**