

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH "D", NEW DELHI
BEFORE SHRI R. K. PANDA, ACCOUNTANT MEMBER
AND
SMT. BEENA A. PILLAI, JUDICIAL MEMBER**

**ITA No.715/Del/2015
Assessment Year : 2011-12**

T. R. Chadha & Co., B- 30, Kuthiala Building, Connaught Place, New Delhi.	Vs.	ITO, Circle- 61(1), New Delhi.
PAN : AAFT1655Q		
(Appellant)		(Respondent)

Assessee by : Shri Surendra Kumar, CA
Department by : Shri Amit Jain, Sr.DR
Date of hearing : 11-01-2018
Date of pronouncement : 16-01-2018

ORDER

PER R. K. PANDA, AM :

This appeal filed by the assessee is directed against the order dated 27.11.2014 of CIT(A)- XX, New Delhi relating to assessment year 2011-12.

2. Ground no.1 relating to addition of Rs.21,329/- by the Assessing Officer u/s 14A r.w. Rule 8D was not pressed by the ld. counsel for the assessee due to smallness of the amount for which ld. DR has no objection. Accordingly, the same is dismissed as not pressed.

3. In ground no.2, the assessee has challenged the order of the ld. CIT(A) in upholding the ad-hoc disallowance of Rs.1,38,527/- being 1/10th of total entertainment expenses.

4. Facts of the case, in brief, are that the assessee is a Chartered Accountant firm and derives income from profession. It filed its return of income on 28.09.2011 declaring total income at Rs.3,45,97,940/-. The Assessing Officer during the assessment proceedings observed that the assessee has claimed an amount of Rs.13,85,272/- under the head 'Entertainment expenses'. He observed from the bills and vouchers produced before him that these expenses are in the nature of bills of various restaurants and clubs. Since according to the Assessing Officer personal element of these expenses cannot be ruled out, he disallowed an amount of Rs.1,38,527/- on ad-hoc basis being 10% of such expenditure.

5. In appeal, Id. CIT(A) upheld the action of the Assessing Officer.

6. Aggrieved with such order of the Id. CIT(A), the assessee is in appeal before the Tribunal.

7. Ld. counsel for the assessee filed a copy of the order of the Id. CIT(A) for assessment year 2012-13 and submitted that under identical circumstances Id. CIT(A) has deleted the disallowance made by the Assessing Officer on the ground that the Assessing Officer has not given any cogent reason about any discrepancy that he has found during the assessment proceedings. Further, he has held that entertainment expenses is legitimate expenditure in the line of profession. In the present year also, the Assessing Officer has not given any cogent reason about any discrepancy that he has found during the year. He submitted that the accounts of the assessee are audited and vouchers are

maintained giving full details of such expenses. The expenses incurred are in the normal course of business/profession. Therefore, no part of the expenditure can be disallowed. He also relied on various decisions filed on Paper Book.

8. Ld. DR on the other hand heavily relied on the order of the Id. CIT(A).

9. We have considered the rival arguments made by both the sides, perused the orders of the Assessing Officer and the Id. 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 disallowed an amount of Rs.1,38,527/- on ad-hoc basis being 1/10th of the total expenses on the ground that the assessee has incurred such expenses in various restaurants and clubs and personal element cannot be ruled out. We find the Id. CIT(A) upheld the addition made by the Assessing Officer. A perusal of the assessment order shows that the Assessing Officer has not pointed out any discrepancy that he has found during the assessment proceedings and the disallowance made by him is, in our opinion, based on surmises and conjectures. He has not pinpointed a single bill and voucher which is not genuine. Further, the assessee is a reputed Chartered Accountant Firm with huge professional receipts exceeding more than Rs.10 crores per annum and the expenditure incurred towards entertainment expenses is very meager considering the volume of business. Since the books of accounts are maintained which are duly audited and no such discrepancy have been pointed out by the auditors and since the Assessing Officer has not given any specific instance of any expenditure which is not

genuine, therefore, no disallowance in our opinion should have been made under the facts and circumstances of the case. Further, in the subsequent year, Id. CIT(A) has deleted such disallowance made by the Assessing Officer and a statement was made by the Id. counsel for the assessee at bar that the Revenue has not filed any appeal against the order of the Id. CIT(A). In view of the above discussion and considering the totality of the facts of the case, we are of the considered opinion that the disallowance of 1/10th of the expenditure by the Assessing Officer and upheld by the Id. CIT(A) is not justified. We, therefore, set-aside the order of the Id. CIT(A) and direct the Assessing Officer to delete the disallowance. The grounds raised by the assessee are accordingly allowed.

10. In the result, the appeal filed by the assessee is allowed.

Order pronounced in the open Court on this 16th January, 2018.

Sd/-
(BEENA A. PILLAI)
JUDICIAL MEMBER

Sd/-
(R. K. PANDA)
ACCOUNTANT MEMBER

Dated: 16-01-2018.

Sujeet

Copy of order to: -

- 1) The Appellant
- 2) The Respondent
- 3) The CIT
- 4) The CIT(A)
- 5) The DR, I.T.A.T., New Delhi

By Order

//True Copy//

Assistant Registrar
ITAT, New Delhi