

IN THE INCOME TAX APPELLATE TRIBUNAL
MUMBAI BENCH "E", MUMBAI

Before Shri Saktijit Dey (JUDICIAL MEMBER)

AND

Shri G Manjunatha (ACCOUNTANT MEMBER)

I.T.A No.1902/Mum/2015
(Assessment year: 2010-11)

M/s Shriram Chits (Maharashtra) Ltd, A 418- 419, Bezzola Complex, Opp. Suman Nagar, Sion-Trombay Road, Chembur(E), Mumbai 400 071 PAN : AAEC7592Q	vs	DCIT, Circle 3(3), Mumbai
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Appellant by	Shri Prakash Jotwani
Revenue by	Shri V Justin

Date of hearing	22-01-2018
Date of pronouncement	28-02-2018

ORDER

Per G Manjunatha, AM :

This appeal filed by the assessee is directed against order of the CIT(A)-8, Mumbai dated 22-12-2014 and it pertains to AY 2010-11.

2. The brief facts of the case are that the assessee company engaged in the business of management of assets of mutual funds filed its return of income for AY 2010-11 on 12-10-2010 declaring total income at Rs.1,24,16,820. The assessment has been completed u/s 143(3) on 26-03-2013 determining the total income at Rs.6,97,26,980 interalia making addition towards reversal of provision, service tax expenses and interest

on service tax expenses, disallowance of foreman commission, addition towards unreconciled AIR information and adhoc disallowance of 50% of staff meeting expenses.

3. Aggrieved by the order, assessee preferred appeal before CIT(A). Before the CIT(A), assessee has filed elaborate written submissions to challenge all additions made by the AO. The CIT(A), vide his order dated 22-12-2014 partly allowed appeal filed by the assessee wherein he has deleted addition made by the AO towards reversal of provision, service tax expenses and interest on service tax expenses, foreman commission; however, confirmed addition made by the AO towards adhoc disallowance of 50% of staff meeting expenses. The relevant portion of the order of CIT(A) insofar as disallowance of staff meeting expenses is reproduced below:-

“Ground No. 4

I find that the AO at para 9.2 of the assessment order had given an opportunity to the assessee to explain as to why expenditure claimed under the head "staff meeting expenses" should not be disallowed in absence of any satisfactory explanation/evidences. In response to it, the assessee filed a reply dated 19/3/2013 which has been extracted at para 9.3 of the assessment order. I find that the reply given by the assessee is general in nature without any supporting evidence. The assessee failed to file vouchers/bills before the AO. The learned A/R of the appellant failed to file the relevant vouchers/bills before me during the appellate proceedings. In view of the above, relying on the decision in the case of *CIT v. Calcutta Agency Ltd.* 19 ITR 191 (SC); *CIT v. Transport Corporation of India Ltd.* 256 ITR 701(AP) and *CIT v. Imperial Chemical Industries (I) Ltd.* 74 ITR 17 the disallowance of Rs.46,54,789/- made by the AO is confirmed.”

4. The Ld.AR for the assessee submitted that the Ld. CIT(A) was erred in confirming addition made by the AO towards adhoc disallowance of 50% of staff meeting expenses despite filing details of expenses which

includes conveyance allowance paid to staff but wrongly posted under the head staff meeting expenses. The assessee further submitted that it has furnished necessary reconciliation of salary as per gross salary bills to salary expenses debited to the P&L Account which includes conveyance allowance paid to staff which is part of staff meeting expenses. However, the AO ignored the evidences filed by the assessee and made adhoc disallowance of 50% of staff meeting expenses. Therefore, the issue may be sent back to the AO for further verification in the light of evidences filed by the assessee.

5. On the other hand, the Ld.DR strongly supported the order of the CIT(A).

6. We have heard both the parties and perused the materials available on record. The only issue came up for our consideration is adhoc disallowance of 50% staff meeting expenses. The AO disallowed staff meeting expenses on the ground that the assessee failed to furnish any evidence to justify staff meeting expenses even though such expenses has been drastically increased from Rs.2,38,825 to Rs.93,03,579 when compared to previous financial year. It is the contention of the assessee that staff meeting expenses include conveyance allowance of salary account of Rs.83,19,566 which was wrongly grouped under staff meeting expenses account. If conveyance allowance of Rs.83,19,566 is excluded, actual staff meeting expenses comes to Rs.9,90,012.

Therefore, there is no reason for the AO to make adhoc disallowance of 50% of expenses.

7. Having heard both the sides, we find merits in the arguments of the assessee for the reason that the assessee has furnished statement showing reconciliation of salary and allowances to staff as per salary statement for the year and salary expenses debited in the P&L account as per which conveyance allowance is included in staff meeting expenses which is part of salary paid as conveyance allowance to the staff. However, we do not know whether re-conciliation filed by the assessee is filed before the AO at the time of assessment or not. Therefore, we are of the considered view that the issue needs to be re-examined by the AO in the light of evidence filed by the assessee. If the reconciliation filed by the assessee is found to be correct, then the AO is directed to delete addition made towards adhoc disallowance of 50% of staff meeting expenses.

8. In the result, appeal filed by the assessee is partly allowed, for statistical purpose.

Order pronounced in the open court on 28th February, 2018.

Sd/-

sd/-

(Saktijit Dey)	(G Manjunatha)
JUDICIAL MEMBER	ACCOUNTANT MEMBER

Mumbai, Dt : 28th February, 2018

Pk/-

Copy to :

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

/True copy/

By order

Sr.PS, ITAT, Mumbai