

आयकर अपीलीय अधिकरण "ए" न्यायपीठ पुणे में ।
IN THE INCOME TAX APPELLATE TRIBUNAL "A" BENCH, PUNE

श्री डी. करुणाकरा राव, लेखा सदस्य एवं श्री विकास अवस्थी, न्यायिक सदस्य के समक्ष
BEFORE SHRI D. KARUNAKARA RAO, AM AND SHRI VIKAS AWASTHY, JM

आयकर अपील सं. / ITA Nos.690 & 691/PUN/2017
निर्धारण वर्ष / Assessment Years : 2010-11 & 2013-14

SAJ Test Plant Private Limited,
72/76, Mundhwa, Pune Cantonment,
Pune-411036.

PAN : AABCS4227K

.....अपीलार्थी / Appellant

बनाम / V/s.

JCIT, Range-6/DCIT, Circle-6,
Pune.

.....प्रत्यर्थी / Respondent

Assessee by : Shri C. H. Naniwadekar
Revenue by : Smt. Shabana Parveen

सुनवाई की तारीख / Date of Hearing : 13.06.2019

घोषणा की तारीख / Date of Pronouncement : 27.06.2019

आदेश / ORDER

PER D. KARUNAKARA RAO, AM:

There are two appeals filed by the assessee for the assessment years 2010-11 and 2013-14 under consideration. Both the appeals of the assessee are filed against the common order of the CIT(A)-4, Pune dated 21.11.2016 for the assessment years 2010-11 and 2013-14 respectively.

2. The issues raised in both the appeals of the assessee are identical and it relates to the **ad-hoc disallowance @ 20% of the Foreign Travel Expenses** claimed in the returns of income.

3. Briefly stated the relevant facts include that the assessee is engaged in the business of manufacturing and selling of dynamometers,

control systems and allied products. In the assessment, the Assessing Officer disallowed a sum of Rs.3,17,711/- for the assessment year 2010-11. Similarly, an amount of Rs.69,000/- was disallowed for the assessment year 2013-14. The Assessing Officer applied the flat rate of 20% in both the assessment years while disallowing the above amounts. The reason given by the Assessing Officer in the assessment year 2010-11 includes that the "visit report" furnished by the assessee are self-serving documents. Otherwise, it is an admitted fact that the assessee furnished travelling bills showing the purchase of foreign currency and air tickets etc and the bills relating to the boarding and lodging, conveyance etc were not submitted for verification. The CIT(A) confirmed the above disallowances.

4. Before us, on the common issues raised in both the appeals, ld. Counsel for the assessee submitted that the expenditure on account of foreign travel was incurred in connection with the employees, who are also the directors of the assessee company. Further, no foreign travel in relation to the employees' family members/relatives/spouses were involved in this case. Further, relying on the decision of the Co-ordinate Bench of the Tribunal in the case of ACIT vs. M/s. Associated Dairy Fab Pvt. Ltd. vide ITA No.1914/PUN/2016 for the assessment year 2011-12 dated 07.02.2019, ld. Counsel for the assessee read out the contents of para 15 of the said order of the Tribunal (supra) and submitted that when the employees/directors of the company undertook the foreign travel, the ad-hoc disallowance is uncalled for.

5. On the other hand, ld. DR for the Revenue relieved heavily on the orders of the revenue authorities.

6. On hearing both the sides on this limited issue, we find the contents of para 15 of the said order of the Tribunal (supra) are relevant to extract and the same are as under :-

*“15. Having heard both the sides and gone through the material on record, it is observed from the factual position narrated in the impugned order that the **foreign visits were undertaken** only by the Employees/Directors of the assessee company for business purpose and **no family member of such executives accompanied them**. This has not been controverted on behalf of the Revenue. The Tribunal vide its aforesaid order for the preceding year has sustained the addition in respect of family members accompanying the Employees/Directors of the company. In so far as the other expenses towards foreign visits of the Directors/Employees are concerned, the same stood allowed. Since no family member of the Directors/Employees of the assessee company accompanied such visiting persons, in our considered opinion, **no disallowance is warranted**. The same is held to have been rightly deleted.”*

7. From the above, it is evident that no disallowance is called for when the relatives/spouses of the directors/employees of the company accompanied the visiting employees of the company. Now, it is undisputed fact that the Assessing Officer allowed the foreign travel expenses to the extent of 80% leaving 20% for disallowance. Therefore, in our view, such method of disallowance on the ground of self-serving visit reports, is uncalled for when the employees undertook the foreign travel for business visit and also when there is no basis for the percentage of ad-hoc disallowance. Considering the above settled proposition on this issue, we are of the opinion that the disallowance

made by the Assessing Officer is unsustainable in law. Accordingly, the relevant grounds raised by the assessee on this issue are allowed.

8. In the result, both the appeals of the assessee are allowed.

Order pronounced on 27th day of June, 2019.

Sd/-
(विकास अवस्थी /VIKAS AWASTHY) (डी. करुणाकरा राव/D. KARUNAKARA RAO)
न्यायिक सदस्य/JUDICIAL MEMBER लेखा सदस्य/ACCOUNTANT MEMBER

पुणे / Pune; दिनांक / Dated : 27th June, 2019.

Sujeet

आदेश की प्रतिलिपि अग्रेषित / Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant.
2. प्रत्यर्थी / The Respondent.
3. The CIT(A)-4, Pune.
4. The Pr.CCIT, Pune.
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, "ए" बेंच,
पुणे / DR, ITAT, "A" Bench, Pune.
6. गार्ड फ़ाइल / Guard File.

आदेशानुसार / BY ORDER,

// True Copy //

Senior Private Secretary
आयकर अपीलीय अधिकरण, पुणे / ITAT, Pune.