

**IN THE INCOME TAX APPELLATE TRIBUNAL
HYDERABAD 'A' BENCH, HYDERABAD.**

**BEFORE SHRI A. MOHAN ALANKAMONY, ACCOUNTANT MEMBER
AND SHRI S.S. GODARA, JUDICIAL MEMBER
(THROUGH VIDEO CONFERENCE)**

ITA No.967/Hyd/2018 (Assessment Year : 2014-15)		
M/s. Touch Tone Teleservices, Hyderabad. PAN AACFT 5196N	Vs.	Asst. Commissioner of Income Tax, Circle 4(1), Hyderabad.
Appellant		Respondent

Appellant By : Shri S. Rama Rao (A.R.)

Respondent By : Shri Sunil Gowtham (D.R.)

Date of Hearing : 24.11.2021.

Date of Pronouncement : 29.11.2021.

O R D E R

Per Shri S.S. Godara, J.M. :

This assessee's appeal for Asst. Year 2014-15 arises from the Commissioner of Income Tax (Appeals)-1, Hyderabad's order dt.15.12.2017 passed in case No. 0265/CIT(A)-1/Hyd/2016-17/2017-18 in proceedings under Section 143(3) of the Income Tax Act, 1961 ('the Act').

Heard both the sides. Case file perused.

2. The assessee seeks the following substantive grounds in the instant appeal :

“ 2. The learned CIT (Appeals) erred in confirming the addition of Rs.19,15,561/- being the payment of interest.

3. The learned CIT (Appeals) ought to have considered the fact that out of the said amount Rs.7,96,783/- was paid to the bank and the same is allowable as a deduction.

4. The learned CIT (Appeals) ought to have considered the fact that an amount of Rs.11,18,779/- was paid to the financial institutions and all of them are assesseees on file and, therefore, the provisions u/s. 40(a)(ia) have no application.

5. The learned CIT (Appeals) erred in confirming the disallowance of 25% of the labour charges of Rs.1,39,48,784/- particularly when TDS was made in respect of most of the payments.

6. The learned CIT (Appeals) erred in confirming the disallowance of 20% of Rs.2,86,39,591/- being expenses under the head “other expenses”.”

3. Coming to the first and foremost issue that both the learned lower authorities have erred in law and on facts in invoking section 40(a)(ia) interest disallowance of Rs.19,15,561 during the course of assessment framed on 19.12.2016 as upheld in the learned CIT(A)'s lower appellate order, learned counsel's sole argument is that the corresponding payee i.e. banks and financial institutes, already stand assessed qua income in issue and therefore, the impugned

disallowance no more survives in light of section 40(a)(ia) 2nd proviso r.w.s. 201(1) first proviso. He fails to dispute the clinching fact that the Assessing Officer is yet to verify the final status of the assessee's payees having assessed in light of the foregoing statutory proviso(s). We therefore direct the Assessing Officer to carryout his factual verification to this effect as per law within three effective opportunities of hearing. Ordered accordingly.

4. We next come to the assessee's identical fifth and sixth substantive grounds seeking to reverse both the learned lower authorities' action disallowing 25% and 20% of labour charges and "other" expenses; respectively. There is hardly any dispute between the parties that major portion of the impugned twin heads already stands accepted since the question before us is that of estimation thereof only. We find in this factual backdrop that neither the assessee has been able to prove each and every head of expense, in case of the corresponding payee(s) nor there is any justification on the Revenue's part to make the instant estimated disallowance at the foregoing much higher rate(s). Faced with this situation, we restrict the impugned disallowance at a lumpsum rate of 8% with a rider that

the same shall not be treated as a precedent. Necessary computation follow as per law.

No other ground has been pressed before us.

5. This assessee's appeal is partly allowed in above terms.

Order pronounced in the open court on 29th Nov., 2021.

Sd/-

(A.MOHAN ALANKAMONY)
Accountant Member

Sd/-

(S.S. GODARA)
Judicial Member

Hyderabad, Dt.29.11.2021.

* Reddy gp

Copy to :

1.	M/s. Touch Tone Teleservices, 3-6-550/4, 1 st Floor, St. No.7, Himayathnagar, Hyderabad-500 029
2.	ACIT, Circle 4(1), Hyderabad.
3.	Pr. C I T-1, Hyderabad.
4.	CIT(Appeals)-1, Hyderabad.
5.	DR, ITAT, Hyderabad.
6.	Guard File.

By Order

Sr. Pvt. Secretary, ITAT, Hyderabad.