

IN THE INCOME TAX APPELLATE TRIBUNAL
HYDERABAD BENCH "SMC", HYDERABAD
(Through Virtual Hearing)

BEFORE SHRI A. MOHAN ALANKAMONY,
ACCOUNTANT MEMBER

ITA No.425/Hyd/2021		
A.Y. 2015-16		
Chintakunta Munayagari Gopal, Proddatur, Andhra Pradesh. PAN: ABVPC 2460 L	VS.	DCIT, Central Circle-1(2), Hyderabad.
(Appellant)		(Respondent)
Assessee by:	Sri P. Muralimohan	
Revenue by:	Smt. Aditi Goyal, DR	
Date of hearing:	10/11/2021	
Date of pronouncement:	06/01/2022	

ORDER

This appeal is filed by the assessee against the order of the Ld. CIT(A)-11, Hyderabad in appeal No. 10330/2017-18, dated 08/09/2021 passed U/s. 143(3) r.w.s 250(6) of the Act for the A.Y. 2015-16.

2. The assessee has raised five grounds in his appeal however, the crux of the issue is that:

"The Ld. CIT(A) has erred in upholding the addition made by the Ld. A.O. of Rs. 10,42,550/- U/s. 40A(3) of the Act."

3. Brief facts of the case are that the assessee is an individual engaged in the business of Civil Contracts filed his return of income for the A.Y. 2015-16 on 30/09/2015 declaring total income of Rs. 23,92,440/-. Thereafter, the case was taken up for scrutiny and the assessment was completed U/s. 143(3) of the Act vide order dated 5/12/2017 wherein the Ld. A.O. made addition of Rs. 10,42,550/- invoking the provisions of section 40A(3) of the Act as the assessee has made payment in cash exceeding Rs. 20,000/- to a person in a day which was subsequently confirmed by the Ld. CIT(A). During the course of the assessment proceedings, the assessee was unable to produce vouchers in order to establish that the payments were made to different entities and not to a single person. Even before the Ld. CIT(A), the assessee could not provide any evidence to substantiate that the cash payments were made to different entities on a single day. Therefore, the addition of Rs.10,42,550/- made by the Ld. A.O. invoking the provisions of section 40A(3) of the Act was confirmed by the Ld. CIT(A).

4. Before me, the Ld. AR produced the ledger account of hire charges and explained that these amounts were hire charges paid to different entities. On perusing the ledger account, I find that the highest payment made in a single day is about Rs. 28,540/-. Normally, the hire charges are paid to different entities during the course of executing works contract and they are not paid to any single entity. Therefore, it

is evident that hire charges pertain to more than one entity. Hence in the case of the assessee it is obvious that payments made to a single party towards hire charges is less than Rs.20,000/- . Considering the nature of business of the assessee and the explanation and materials produced by the assessee before me, I am of the view that the addition made in the hands of the assessee invoking the provisions of section 40A(3) is not warranted. Therefore, I hereby direct the Ld. A.O. to delete the addition of Rs. 10,42,550/- made in the hands of the assessee invoking the provisions of section 40A(3) of the Act.

5. In the result, appeal of the assessee is allowed.

Pronounced in the open Court on the 06th January, 2022.

Sd/-
(A. MOHAN ALANKAMONY)
ACCOUNTANT MEMBER

Hyderabad, Dated: 06th January, 2022.

OKK

Copy to:-

- 1) Appellant: Chintakunta Munayagari Gopal, C/o. P. Murali & Co., Chartered Accountants, 6-3-655/2/3, Somajiguda, Hyderabad-500082.
- 2) Respondent: DCIT O/o. Deputy Commissioner of Income Tax, Central Circle-1(2), Hyderabad.
- 3) The CIT(A)-11, Hyderabad.
- 4) The Pr. CIT (Central), Hyderabad.
- 5) The DR, ITAT, Hyderabad
- 6) Guard File