

**IN THE INCOME TAX APPELLATE TRIBUNAL
[DELHI BENCH "B" NEW DELHI]**

**BEFORE SHRI G.S. PANNU, PRESIDENT
AND
SHRI AMIT SHUKLA, JUDICIAL MEMBER**

I.T.A. No. 5352/DEL/2017
Assessment Year 2012-13

YKM Holdings Pvt. Ltd., Singapore Tower A, 14 th Floor, South City, Gurgaon-122001 [Haryana]	Vs.	DCIT, Circle : 27(2), New Delhi.
TAN/PAN : AAACY0460B		
(Appellant)		(Respondent)

Assessee by :	Shri Satyen Sethi, Advocate; & Shri A. T. Panda, Advocate.		
Department by :	Shri Harpal Singh, Sr. D. R.;		
Date of hearing:	25	10	2021
Date of pronouncement	06	01	2022

ORDER

PER AMIT SHUKLA, J. M.:

1. The aforesaid appeal has been filed by the assessee against the impugned order dated 26.05.2017 passed by Ld. Commissioner of Income Tax (Appeals)-13, New Delhi, for the quantum of assessment passed under Section 143(3) of the Income Tax Act, 1961 (the Act) for the Assessment Year 2012-13.
2. In the grounds of appeal, the assessee has challenged the adhoc disallowance of Rs.10,00,000/- made towards expenses debited on account of; travelling and conveyance; and miscellaneous expenses.
3. The assessee is engaged in the business of investment in securities and lending of money. It has shown income from rent at

Rs.1,74,85,640/-; consultancy charges of Rs.3,40,000/-; interest income of Rs.6,27,526/-; miscellaneous income of Rs.98,738/-; and dividend income of Rs.8,400/-.

4. The assessee has debited an amount of Rs.67,42,559/- under the head employee benefit expenses and other expenses. Out of the said amount the assessee had suo moto disallowed Rs.44,57,411/- as per the following details:-

(i)	Electricity, water & diesel charges	7,91,364
(ii)	Repairs – buildings	1,14,319
(iii)	Business promotion expense	28,15,699
(iv)	Donation	5,00,000
(v)	Provision for doubtful loans & advances	1,40,520
(vi)	Municipal taxes paid	95,509
(vii)	Total	44,57,411

5. Thus, only expenditure of Rs.22,85,148/- was claimed, the break-up of which is as under:-

Employee benefit expenses			
(i)	Salary, wages and bonus	7,80,000	
Other expenses			
(ii)	Repair & maintenance others	1,12,119	
(iii)	Travelling and conveyance	10,96,510	
(iv)	Payment to Auditors	69,302	
(v)	Professional fee	31,060	
(vi)	Insurance	8,494	13,17,485
Misc. expenses			
(vii)	Advertisement expenses	38,413	
(viii)	Telephone expenses	1,32,505	
(ix)	Postage and telegram	720	

(x)	Bank charges	550	
(xi)	Printing and stationery	998	
(xii)	Filing fee	4,924	
(xiii)	Books and periodicals	4,260	
(xiv)	Stamp paper & domain renewal charges	5,293	1,87,663
	Total :		22,85,148

6. The Id. Assessing Officer required the assessee to explain the purpose of travelling, which was claimed at Rs.10,96,510/- and also the miscellaneous expenses of Rs.1,87,663/- out of sums aggregating Rs.2,83,172/-. The Id. Assessing Officer held that no vouchers have been produced for verification and the purpose for the visit in travelling account and other misc. expenses. Accordingly, he proceeded to make ad-hoc addition of Rs.10,00,000/-.

7. The Id. CIT (Appeals) has confirmed the disallowance. The relevant observations of the Id. CIT (Appeals) are as under:-

“5.1 The assessee has filed the ledger account of travelling and conveyance, showing expenditure of Rs.7,99,769/-, and the ledger account of boarding and lodging expenditure of Rs.2,96,741/-. It is submitted that most of the travel expenses related to visits made to Kolkata and Mumbai for consultations with Khaitan and Co., Solicitors and Advocates, in relation to litigation in respect of properties belonging to the appellant. It is also stated that foreign travel expenses were incurred for a Vice President of the company visiting London for the purpose of liquidating the appellant's share holding in Great Eastern Energy Corporation Ltd (GEECL), a company under the same management. It is seen that no evidence of these claims has been placed on record, either in the form of record of meetings with Khaitan & Co., or with prospective investors, or in the form of the sale of shares of GEECL even in subsequent years. No details of the tickets purchased, name and designation of the traveller, and destination of travel are available. Only the details of recipient are provided, namely the travel agency, the car rental, or the hotel. It

is seen further that a total amount of Rs.5,44,538/- has been paid to Span Air Pvt. Ltd., which is a charter plane company. When questioned, the AR candidly stated that no further details were available with them.

5.2 Insofar as the miscellaneous expenses are concerned, the major items are advertisement expenses of Rs.38,413/- and telephone expenses of Rs.1,32,505/-. Considering the facts that the appellant could not produce the details and /or vouchers before the AO, or during the appellate proceedings, and looking to the nature of income, the disallowance of Rs.10,00,000/- out of expenditure claimed of Rs.22,85,148/- is not found excessive or unreasonable. The appellant has placed reliance on a number of case laws to argue that it had to incur certain expenses to maintain its corporate identity. Those cases are clearly distinguishable as the question in this case is whether the expenses claimed had anything to do with the operation of the company at all. After careful consideration, the grounds of appeal nos. 1 and 2 are dismissed. “

8. We have heard both the parties and perused the relevant material referred to before us. In so far as the expenditure incurred on travelling and conveyance is concerned, the ld. Counsel has submitted that assessee has incurred most of the expenditure on domestic visit to Kolkata and Mumbai for consultations with ‘Khaitan and Co., Solicitors and Advocates’, who were handling the litigation of the appellant. In so far as the foreign travel expenses were concerned, the same were incurred towards travel of Directors and Vice President of the company visiting London for divesting the investment of Great Eastern Energy Corporation Ltd. (GEECL), a company under the same management. On the issue of miscellaneous expenses, he submitted that out of Rs.2,83,172/- the assessee had already suo moto disallowed most of the expenses and the balance of Rs.1,87,663/- was claimed for the purpose of business.
9. On the other hand, the ld. DR strongly relied upon the order of the Assessing Officer and the CIT (Appeals).

10. On the perusal of the details of expenses as incorporated above, we find that, out of total expenses of Rs.10,96,510/- on the travelling and conveyance, a sum of Rs.7,99,769/- was incurred on booking of tickets and remaining for boarding and lodging, which is evident from the details given in the paper book at page 2. For booking of the tickets the relevant evidences have also been filed which were there before the Assessing Officer and the ld. CIT (Appeals). These expenses were claimed for specific business purposes wherein the assessee had made investment of Rs.27.21 crores in Great Eastern Energy Corporation Ltd. to off-load the assessee's investment. The observations and the findings of the Assessing Officer while making the disallowance, is purely based on surmises. If the assessee has stated that it had undertaken travelling for getting consultations with solicitors for litigation connected with the business of the assessee and has produced the booking of tickets and other details to substantiate, we do not find why ad-hoc disallowance should have been made. Similarly with regard to miscellaneous expenses also, as noted above, these are petty expenses and mostly relating to telephone expenses, advertisement expenses etc. Such expenses could not be disallowed on ad-hoc basis especially in the case of a corporate entity. The ad-hoc disallowance made by the Assessing Officer and the ld. CIT (Appeals) are deleted.
11. In the result, the appeal of the assessee is allowed.

Order pronounced in the open Court on 06th January, 2022.

**Sd/-
(G. S. PANNU)
PRESIDENT**

**Sd/-
(AMIT SHUKLA)
JUDICIAL MEMBER**

DATED : 06th January, 2022.

MEHTA

Copy forwarded to:

1. Appellant;
2. Respondent;
3. CIT
4. CIT (Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR
ITAT, New Delhi.

Date of dictation	4.01.2022
Date on which the typed draft is placed before the dictating member	5.01.2022
Date on which the typed draft is placed before the other member	7.01.2022
Date on which the approved draft comes to the Sr. PS/ PS	7.01.2022
Date on which the fair order is placed before the dictating member for pronouncement	7.01.2022
Date on which the fair order comes back to the Sr. PS/ PS	7.01.2022
Date on which the final order is uploaded on the website of ITAT	7.01.2022
date on which the file goes to the Bench Clerk	7.01.2022
Date on which the file goes to the Head Clerk	
The date on which the file goes to the Assistant Registrar for signature on the order	
Date of dispatch of the order	

