

**IN THE INCOME TAX APPELLATE TRIBUNAL,  
MUMBAI BENCH "SMC", MUMBAI**

**BEFORE SHRI KULDIP SINGH, JUDICIAL MEMBER**

**ITA No.1396/M/2023  
Assessment Year: 2014-15**

M/s. Aarya 24-Kt (India) Pvt. Ltd., 4/3 Gowardhan Bhuvan, Road No.12, Jaihind Society, Vileparle, Mumbai – 400 015 <b>PAN: AAKCA2947F</b>	Vs.	Dy. Commissioner of Income Tax-9(1)(1), Bandra, Mumbai – 400 051
(Appellant)		(Respondent)

**Present for:**

Assessee by : None  
Revenue by : Shri B. Laxmi Kanth, D.R.

Date of Hearing : 11 . 07 . 2023  
Date of Pronouncement : 25 . 07 . 2023

**O R D E R**

**Per : Kuldip Singh, Judicial Member:**

The appellant, M/s. Aarya 24-Kt (India) Pvt. Ltd. (hereinafter referred to as 'the assessee') by filing the present appeal, sought to set aside the impugned order dated 20.03.2023 passed by the National Faceless Appeal Centre(NFAC) [Commissioner of Income Tax (Appeals), Delhi] (hereinafter referred to as CIT(A)) qua the assessment year 2014-15 on the grounds inter-alia that :-

*"1. The Appellant respectfully contends that the learned Commissioner of Income Tax (Appeals) ["CIT(A)"] gravely erred in upholding the arbitrary addition of Rs.6,31,828/-, representing 30% of the credit card expenses totalling Rs.21,06,094/-, as determined by the Assessing Officer, premised upon the unsubstantiated assertion that*

*said expenditures were not expended wholly and exclusively for business, notwithstanding the absence of any material evidence on record to substantiate such a conclusion.*

*2. The Appellant further contends that the learned CIT(A) grievously erred in neglecting to duly acknowledge the incontrovertible fact that the credit cards in question were issued to the company in the name of its directors, the expenses incurred were legitimate business expenses of the company, and the payment of the credit card bills was effectuated from the company's bank account. Consequently, these expenses ought to be deemed deductible under Section 37(1) of the Income Tax Act.*

*3. The Appellant avers that the learned CIT(A) erroneously failed to recognise the verifiable and genuine nature of the bifurcation of expenses as furnished by the Appellant, which further substantiates the claim that the expenses were incurred wholly and exclusively for the company's business operations.*

*4. The Appellant contends that the learned CIT(A) erred in dismissing the appeal without duly examining the various pieces of evidence proffered by the Appellant and disregarding the fact that the Appellant is a corporate entity, subject to audit under the Companies Act and under Section 44AB of the Income Tax Act, wherein the auditors have reported no adverse findings.*

*5. In light of the grounds above, the Appellant respectfully entreats the Hon'ble Income Tax Appellate Tribunal to set aside the impugned order rendered by the learned CIT(A) and direct the deletion of the addition of Rs. 6,31,828/- made by the Assessing Officer, thus granting the Appellant relief in consonance with the principles of law and justice..”*

2. Briefly stated facts necessary for consideration and adjudication of the issues at hand are : the assessee company is into the business of trading and manufacturing of jewellery. The return of income filed by the assessee declaring total income of Rs.34,78,555/- was subjected to scrutiny. The Assessing Officer (AO) noticed from the financial statement that the assessee has debited to the P&L account an amount of Rs.32,60,296/- on account of travelling expenses and Rs.72,28,135/- on account of selling and distribution expenses. On failure of the assessee to file evidence that the expenses were incurred wholly and exclusively

for the purpose of business and to produce the list of persons to whom the gifts and compliments were given, the AO proceeded to disallow 30% of the expenses claimed by the assessee of Rs.21,06,094/- which comes to Rs.6,31,828/- and thereby framed the assessment under section 143(3) of the Income Tax Act, 1961 (for short 'the Act').

3. The assessee carried the matter before the Ld. CIT(A) by way of filing appeal who has confirmed the addition by dismissing the appeal. Feeling aggrieved with the impugned order passed by the Ld. CIT(A) the assessee has come up before the Tribunal by way of filing present appeal.

4. Notice through Registered Post with Acknowledgment Due (RPAD) was issued to the assessee company which was received undelivered with the report that the assessee has left the place of its last address. Registry has issued the notice on the address given by the appellant in form No.36. This fact shows that the assessee has left the place of last address and has intentionally given the wrong address being not interested in prosecuting the present appeal. So the Bench has decided to dispose of this appeal on the basis of document available on record and with the assistance of the Ld. D.R. for the Revenue.

5. I have heard the Ld. D.R. for the Revenue, perused the orders passed by the Ld. Lower Revenue Authorities and documents available on record in the light of the facts and circumstances of the case and case law relied upon.

6. I have perused the order passed by the Ld. CIT(A) confirming the addition made by the AO @30% of the expenses claimed to be incurred by the assessee for business purposes by returning following findings:

*“6.1 I have gone through the order of the learned Assessing Officer and submission made by the appellant, the grounds of appeal have been disposed collectively here under-*

*6.2 The learned Assessing Officer observed that the company has booked hotel rooms in names of directors and other persons. The appellant had also incurred certain gift related expenses which were made from credit cards in name of company. The learned Assessing Officer has made additions on credit card expenses issued in the name of director of the company at the rate of 30%.*

*6.3 The learned Assessing Officer has made the contention that there was no evidence to prove that the expenses were expended exclusively for the purpose of business and hence made an ad hoc addition at the rate 30% of the expenses to the extent of Rs.6,31,828/-.*

*6.4 The appellant in his written submission has claimed that credit cards are issued to the company in the name of the directors and the same has used for the expenses of the company which is the common practice of banks.*

*6.5 The appellant has claimed that the expenses are legitimate expenses of the company and payment of the credit card bills are made from the company bank account.*

*6.6 The appellant has also produced bifurcation of expenses and copy of the vouchers. However, the appellant has failed to produce any supporting evidences like tickets, employee register and designation, invoices of purchase of gifts etc with respect to the bifurcation of expenses provided by them.*

*6.7 In the view of the above, I am of the considerate opinion that the bifurcation provided by the appellant is not verifiable as genuine in absence of supporting documents. Therefore, the addition made by the learned Assessing Officer is upheld.”*

7. Bare perusal of the impugned order passed by the Ld. CIT(A) goes to prove that the assessee has been given ample opportunities by the AO as well as the Ld. CIT(A) to prove the fact that the expenses claimed were incurred wholly and exclusively for the

purpose of business. The assessee has merely claimed that the credit card was issued to the company in the name of the directors and the same has been used for the expenses of the company which is the common practice of the banks. Under section 37 of the Act every expenditure claimed by the assessee is to be proved by way of cogent evidence. In these circumstances, I find no illegality or perversity in the impugned order passed by the Ld. CIT(A). Hence, appeal filed by the assessee is hereby dismissed.

**Order pronounced in the open court on 25.07.2023.**

**Sd/-  
(KULDIP SINGH)  
JUDICIAL MEMBER**

Mumbai, Dated: 25.07.2023.

\* Kishore, Sr. P.S.

Copy to: The Appellant  
The Respondent  
The CIT, Concerned, Mumbai  
The DR Concerned Bench  
//True Copy//

By Order

Dy/Asstt. Registrar, ITAT, Mumbai.