

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH 'C', NEW DELHI**

Before Sh. C. M. Garg, Judicial Member

Dr. B. R. R. Kumar, Accountant Member

ITA No. 5708/Del/2018 : Asstt. Year: 2014-15

Indraprastha Logistics P. Ltd., M-92, Greater Kailash, Part-II, New Delhi-110048 (APPELLANT)	Vs.	ACIT, Circle-12(1), New Delhi (RESPONDENT)
PAN No. AABCI8635D		

**Assessee by : Sh. Narendra Kr. Arora, CA
Revenue by : Sh. Vivek Vardhan, Sr. DR**

Date of Hearing: 08.08.2023

Date of Pronouncement: 30.08.2023

ORDER

Per Dr. B. R. R. Kumar, Accountant Member:

The present appeal has been filed by the assessee against the order of Id. CIT(A)-22, new Delhi dated 27.06.2018.

2. The assessee has raised the following grounds of appeal:

"1. The Ld. CIT(A) has erred both in law and in facts in upholding the Ad-Hoc addition of Rs.31,80,000/- made to the returned loss on account of disallowance of salary expenses made to related party covered u/s 40(A)(2)b) of IT Act ignoring the facts of the case justifying such payments."

3. The assessee has made payment of Rs. 63,60,000/- to 11 persons which has been disallowed by the Assessing Officer u/s 40A(2)(b) of the Act. The Assessing Officer held that assessee has paid salary to the relatives of the directors who, as per their qualification and experience, are not eligible for such high

salary. The AO held that the assessee can hire employee of same qualification and experience on a one half of the salary given to the relatives. Therefore, the salary paid to the aforesaid relatives was considered excessive and 50% of Rs. 63,60,000/-, salary paid to the relatives was disallowed and added to the taxable income of the assessee. The Id. CIT(A) affirm the action of the AO holding that there is no justification and correlation between the payment of the salary and their contribution to the company.

4. Heard the arguments of both the parties and perused the material available on record.

5. We find that the AO has not brought anything on record by giving comparable cases to prove that the salary paid to these 11 persons are more than the market average. The disallowance made by the AO was certainly on ad-hoc basis and without any cogent material on record, hence, the disallowance made is hereby directed to be deleted.

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

Order Pronounced in the Open Court on 30/08/2023.

Sd/-

(C. M. Garg)
Judicial Member

Dated: 30/08/2023

Ajay Kumar Keot, Sr. PS

Copy forwarded to:

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

Sd/-

(Dr. B. R. R. Kumar)
Accountant Member

ASSISTANT REGISTRAR