

IN THE INCOME TAX APPELLATE TRIBUNAL
“SMC” BENCH, MUMBAI
BEFORE SHRI PAVAN KUMAR GADALE, JUDICIAL MEMBER

ITA No. 3089/Mum/2023
(A.Y: 2014-15)

Crescent Chemicals, 2 nd Floor, Windsor CST Road, Kalina, Santacruz Mumbai-400098.	Vs	ITO, Ward 22(1), Piramal Chamber, Lalbaugh, Mumbai-400053.
PAN/GIR No. : AA AFC0755A		
Appellant	..	Respondent

Assessee by :	Shri Piyush Chhajed.AR
Revenue by :	Shri S.G. Menon.Sr.DR

Date of Hearing	08.11.2023
Date of Pronouncement	16.11.2023

आदेश / O R D E R

PER PAVAN KUMAR GADALE JM:

The appeal is filed by the assessee against the order of the National Faceless Appeal Centre (NFAC) Delhi/CIT(A) passed u/sec143(3) and U/sec250 of the Ac. The assessee has raised the following grounds of appeal:

- 1. On the facts and circumstances of the case, the learned Commissioner of Income Tax (Appeals), NFAC erred in confirming the Ad hoc disallowance amounting to Rs. 1,66,180/- from Business Promotion - Rs.75,000/-, Sundry expenses - Rs. 16,620/-, Office Maintenance Charges - Rs.59,490/- and Conveyance - Rs. 15,070/-.*

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2 On the facts and circumstances of the case, the learned Commissioner of Income Tax (Appeals), NFAC erred in confirming the action of Assessing Officer i.e. making the disallowance on the ground to cover up any discrepancy against self-made vouchers and making the addition of Rs. 1,66,180/- to the income of the appellant without pinpointing any defects in the expenses incurred by the appellant company

3 The appellant craves leaves to add, to delete or amend any of the above grounds of appeal at the time of hearing.

2. The Brief facts of the case are that, the assessee firm is engaged in the business of dealing in chemicals, plastics and electrical appliances. The assessee has filed the return of income for the A.Y 2014-15 on 24.11.2014 disclosing a total income of Rs.3,37,931/- and the return of income was processed u/sec143(1) of the Act. Subsequently, the case was selected for scrutiny under CASS and notice u/sec 143(2) and U/sec142(1) of the Act along with the questionnaire are issued. In compliance to the notice, the Ld.AR of the assessee appeared from time to time and submitted the details and the case was discussed. The Assessing Officer (AO) on perusal of the Audited Profit and Loss Account found that (i) the assessee has debited Business Promotion Expenses of Rs.27,76,841/- and most of the expenses are incurred in cash and some of expenses

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are supported with the self made vouchers and has made adhoc addition @10% of cash expenses, which works out to Rs. 75,000/- (ii) The AO found that the assessee has debited sundry expenses of Rs.1,66,216/- and since the expenses are incurred in cash and not supported with the proper bills and vouchers, the A.O. has estimated the disallowance @10% of total claim which works to Rs.16,620/- (iii) The A.O found that the assessee has claimed Office maintenance charges of Rs.11,89,647/- and since the expenditure is incurred in cash and are supported with the self made vouchers, the A.O has estimated adhoc disallowance @10% of the total amount which works out to Rs.59,490/- and (iv) the assessee has debited conveyance expenses of Rs.1,50,722/- to the Profit & Loss account and since most of the expenses are incurred in cash and are supported with the self made vouchers, the A.O. has estimated the disallowance @10% of the claim which works out to Rs.15,070/-. Finally the A.O has assessed the total income of Rs.5,04,110/- and passed the order u/sec 143(3) of the Act dated 30.12.2016.

3. Aggrieved by the order, the assessee has filed an appeal before the CIT(A), whereas the CIT(A) considered the grounds of appeal, submissions of the assessee and

findings of the A.O but has confirmed the action of the AO and dismissed the assessee appeal. Aggrieved by the CIT(A)order, the assessee has filed an appeal before the Honble Tribunal.

4. At the time of hearing, the Ld. AR submitted that the CIT(A) has erred in confirming the disallowance made by AO overlooking the facts and submissions made in the assessee proceedings. The Ld. AR also emphasized that in the earlier years these claims have been accepted by the revenue and only for this year the AO has estimated the disallowance without referring to the specific item under the expenses claim and made adhoc additions. Further the disallowance of the expenses are routine day to day expenses and at higher side and the Ld.AR has substantiated the submissions with the factual paper book and judicial decisions and prayed for allowing the assessee appeal. Per Contra, the Ld. DR relied on the order of the CIT(A).

5. Heard the rival submissions and perused the material available on record. The Ld. AR submitted that the CIT(A) has erred in sustaining the addition of expenses estimated by the Assessing Officer, ignoring the material information

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and evidences filed in the proceedings. The AO has not considered any specific expenditure item to be disallowed and the assessee has incurred the expenditure for the purpose of business, and the AO on the presumptions and assumptions has estimated the disallowances on the claims debited to the profit & Loss account which is at higher side. The Ld. AR demonstrated the ledger account copy of the office maintenance charges, conveyance charges, sundry expenses and business promotion expenses placed at page 20 to 28 of the paper book. The Ld. AR made submissions on the percentage of expenses claimed in the earlier years and the subsequent years in comparison to turnover of the assessee business. Whereas the A.O has not disputed the genuineness of the expenditure claimed and the utilization of expenses is wholly and exclusively for the purpose of business but due to non production of complete bills and vouchers has estimated the disallowances. Hence considering the overall facts, turnover and nature of business activities of the assessee and to meet the ends of justice, set aside the order of the CIT(A) and direct the Assessing officer to restrict the disallowance of aggregate expenditure of conveyance charges, sundry expenses and business promotion expenses @ 3% (as against @10%) and office

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maintenance expenses @2% (as against @5%).Further, this reduced percentage is applicable only to this Assessement year. Accordingly partly allow the grounds of appeal in favour of the assessee.

6. In the result, the appeal filed by the assessee is partly allowed.

Order pronounced in the open court on 16.11.2023.

Sd/-
(PAVAN KUMAR GADALE)
JUDICIAL MEMBER

Mumbai, Dated 16.11.2023

KRK, PS

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent
3. The CIT (Judicial)
4. The PCIT
5. DR, ITAT, Mumbai
6. Guard File

आदेशानुसार/ BY ORDER,

सत्यापित प्रति //True Copy//

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(Asst. Registrar)
ITAT, Mumbai