

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH “C” DELHI**

**BEFORE SHRI PRADIP KUMAR KEDIA, ACCOUNTANT MEMBER
AND
SHRI SUDHIR PAREEK, JUDICIAL MEMBER**

ITA No.355/Del/2024
Assessment Year 2017-18

DCIT Room No.316-A, Central Revenue Building, I.P. Estate New Delhi	Vs.	KD Campus Private Limited 2691, Dr. Mukherjee Nagar North West Delhi Delhi
TAN/PAN: AAFCK7649R		
(Appellant)		(Respondent)

Applicant by:	Shri Amol Sinha, Advocate		
Respondent by:	Mr. Waseem Arshad, CIT (DR)		
Date of hearing:	25	04	2024
Date of pronouncement:	18	07	2024

ORDER

PER PRADIP KUMAR KEDIA - A.M.:

The captioned appeal has been filed by the Revenue against the order of the Commissioner of Income Tax (Appeals)- National Faceless Appeal Centre (NFAC), Delhi [‘CIT(A)’ in short] dated 01.12.2023 arising from the assessment order dated 30.12.2019 passed by the Assessing Officer (AO) under Section 143(3) of the Income Tax Act, 1961 (the Act) concerning AY 2017-18.

2. The grounds of appeal raised by the Revenue read as under:

“1. Whether on the facts and circumstances of the case, the Ld. CIT(A) erred in deleting the addition of Rs.21,96,68,518/- made on account of excess cash deposits in bank as there is mismatch in Sales and Revenue from operations and Cash Receipts and Cash Deposits.

2. Whether on the facts and circumstances of the case, the Ld. CIT(A) erred in deleting the addition of Rs.52,96,000/- made on account of investment in property as the assessee has failed to substantiate its

claim of investment in property.

3. *Whether on the facts and circumstances of the case, the Ld. CIT(A) erred in deleting the addition of Rs.7,66,29,091/- made on account of unexpired fee as the assessee has failed to substantiate its claim on this count.*

4. *Whether on the facts and circumstances of the case, the Ld. CIT(A) erred in deleting the addition of Rs.1,66,64,284/- made on account of rent charges on the ground that the assessee has failed to furnish copies of rent agreements of all properties.*

5. *Whether on the facts and circumstances of the case, the Ld. CIT(A) erred in deleting the addition of Rs.5,38,57,551/- made on account of payment to contractors as they have not filed their return of income.”*

3. Briefly stated, the assessee is engaged in the business of running coaching centers at various locations in India primarily in the State of Delhi, Haryana, Rajasthan, Jharkhand, Bihar, Uttar Pradesh, Madhya Pradesh, etc. The assessee filed return of income on 31st October, 2017 declaring a loss of Rs.2,02,23,664/-. The case was selected for scrutiny assessment. The AO made various additions and disallowances to the returned income including Mismatch in tuition fee receipts of Rs.21.97 crore; Investment in Property Rs.0.53 crore; Unexpired Fee of Rs.7.66 crore; estimated additions towards Rent charges paid Rs.1.67 crore; payment to contractors of Rs.5.39 crore.

4. The CIT(A) in the first appeal analyzed the factual matrix in length and found that the impugned additions are contrary to facts on record. The additions made by the AO were thus not found to be sustainable in law. The CIT(A) thus reversed the additions/disallowances.

5. Aggrieved by the relief granted by the CIT(A), the Revenue preferred appeal before the Tribunal.

6. Ground No.1 concerns addition of Rs.21,96,68,518/- on account of alleged excess deposits in bank by invoking provisions of Section 69A r.w. Section 115BBE of the Act. The AO made additions under the head 'cash deposits' alleging a variance between receipts reported by the assessee in its books of accounts and audited P&L account of Rs.42,28,22,245/- and the total receipts as noticed in the bank statements furnished by the assessee of Rs.64,24,90,763/-. The CIT(A), in first appeal, examined the detailed submissions and reconciliation statement filed by the assessee together with explanation offered. The CIT(A) found apparent incongruities in the action of the AO in this regard and absence of any mismatch alleged. The CIT(A) thus dealt with issue in favour of assessee for which the relevant findings as under:

“5.1.2 I have perused the submissions and the evidence produced on behalf of the appellant, it is noted that the appellant has discharged the onus as the total bank credits including cash taken by the Assessing Officer for computing the turnover of the appellant is incorrect. The A.O failed to appreciate the submission made during the course of assessment proceeding by ignoring the following:

- (a) *That the total Fee Receipt is of Rs. 42,28,22,245/-.*
- (b) *Service Tax Return Component has not been taken into account.*
- (c) *Contra entries appearing in the bank statement has not been appreciated during the course of assessment proceeding, though the appellant had submitted the same.*
- (d) *Credit entries in the bank account cannot be taken as turnover by the Assessing Officer. The AO order was erroneous on this aspect. Further, the reconciliation of Gross Turn Over with the bank was submitted during the course of appellate proceeding which is also reproduced as under:*

<i>Particulars</i>	<i>ICICI Bank (Rs.)</i>	<i>IDBI Bank (Rs.)</i>	<i>Total (Rs.)</i>
<i>Total GTO as per Bank Statements as taken by the AO</i>	<i>11,55,66,658/-</i>	<i>52,69,24,105/-</i>	<i>64,24,90,763/-</i>

Less: Excess credit taken by theAO		(-) 4,80,90,136/-	(-) 4,80,90,136/-
Actual total of credit entries in the banks	11,55,66,658/-	47,88,33,969/-	59,44,00,627/-
Less: Service tax component in the total receipts			(-) 6,31,70,843/-
Less: Inter-bank transfers	0	10,85,01,000/-	(-)10,85,01,000/-
Less: Cheques/ RTGS returns	3,20,521/-	32,93,493/-	(-) 36,14,014/-
Less: Cheques received from Smt. Neetu Singh		48,22,500/-	(-) 48,22,500/-
Less: Income tax refund		10,45,000/-	(-) 10,45,000/-
Less: Refund of the security deposits against rent		18,24,509/-	(-) 18,24,509/-
Add: Amount not deposited in bank and spent in cash for expenses			(+) 1,13,99,484/-
Receipts as per P&L Account			42,28,22,245/-

Thus, the finding given by the Assessing Officer is incorrect. Even when the remand report was called for from the A.O. nothing adverse has been commented upon and there was no response from the A.O. Following observations are thus made:

(a) *The figure taken by the AO as supposedly reflecting in the IDBI Bank account of the appellant is incorrect as the actual amount credit to the bank account of the appellant during the year under consideration as is evident from the bank certificate issued by IDBI Bank (annexed at Page 387 of the paperbook) shows that the total credit is of Rs. 47,88,33,969/- instead of Rs. 52,69,24,105/-. Therefore, the excess addition of Rs. 4,80,90,136/- is deleted.*

(b) *The next component of the above addition is the addition made by the assessing officer of service tax receipt to the tune of Rs. 6,31,70,843/-. The same cannot be added in the hands of the appellant because it does not partake the character of income of the appellant in terms of Section 5 of the Income Tax Act, 1961 and therefore cannot be included in the gross receipts of the assessee for the purpose of computing the income tax. Thus, the addition of Rs. 6,31,70,843/- stands deleted.*

(c) *It is seen from the record and the voluminous paper book filed by the appellant during the course of appellate proceeding that the AO has failed to give the benefit of contra entries in the bank*

account of the appellant, being trite law that the same income cannot be subjected twice over. Thus, these contra entries totalling to Rs. 10,85,01,000/- being intra bank transfers are deleted.

(d) It is seen from the bank statements that whenever cheques have bounced, there has been an initial credit and then a reversal, therefore, these entries cancel out each other and cannot be included in the total turnover. Therefore, the addition of Rs. 36,14,014/- stands deleted.

(e) The director of the company Smt. Neetu Singh had infused her own capital of Rs.48,22,500/-, this does not represent the turnover of the assessee being the shareholder/director's contribution being loan. Therefore, the said addition to the extent of Rs.48,22,500/- is deleted.

(f)The appellant during the year under consideration has received income tax refund to the extent of Rs.10,45,000/-, the same cannot be added u/s 69A of the Act, not being "unexplained money", therefore, the addition to the tune of Rs.10,45,000/- stands deleted.

(g) The appellant has further satisfactorily explained the sum of Rs.18,24,509/- as having been received as return of security deposit against rented premises having been vacated by the appellant on account of vacation of premises used for business purposes by the appellant. Therefore, this addition stands deleted.

(h) The appellant had submitted during the course of assessment proceeding of having received fees in cash from its numerous students out of which Rs. 1,13,99,484/- was not deposited and was used for petty expenses in cash only. The AO has failed to point out any discrepancy with this regards. The same is forming total part of cash received in the cash book.

In light of the above observations, the addition to the tune of Rs. 21,96,68,518/- thus made by the Assessing officer stands deleted. The ground of appeal is allowed."

7. We have perused the first appellate order, the assessment order, paper books filed on behalf of the assessee and the extensive arguments lead on behalf of the assessee to defend the action of the CIT(A). The Revenue has relied upon the assessment order.

8. It is contended on behalf of the assessee that the nomenclature towards excess cash deposits in bank account itself is misleading

and contrary to the facts on record. The additions of such whopping amount was carried out most casually and in nonchalant manner de hors the facts on record. A show cause notice was issued on a different figure and additions were made in complete disregard of show cause notice without giving any opportunity to the Assessee to explain the alleged difference in revenue income which was non existent. While drawing assessment order, the under-reporting of revenue from operations was alleged at Rs. 21,96,68,518/- based on aggregate credit entries in the bank accounts and consequently addition to this extent was carried out on the grounds of mismatch in revenue income. Before the CIT(A), the assessee filed detailed break up and date specific reconciliation statement of entries reflected in all bank accounts along with documentary evidences and contended that the AO has grossly misunderstood the accounting entries and has committed multiple mistakes in arriving at such staggering difference between the receipts in the bank and revenue reported by the assessee for the taxation purposes. It was alleged that the AO committed blatant error in assuming all credit entries in the bank account as revenue income. The mistake committed by the AO ranges from adopting wrong figures of receipts reflected in IDBI bank, wrong inclusion of service tax component in the turnover figure, wrong inclusion of contra entries/ inter bank transfer entries as income from revenue operations, wrong inclusion of entries relating to cheque bounces as part of revenue receipt, wrong inclusion capital infused by the Director as revenue receipt , income tax refund, return of security deposit given etc. The whopping additions were thus made based on misplaced exposition of facts and acted manifestly contrary to the facts emerging from record.

9. The assessee contended that a show cause notice dated 24.12.2019 was issued requiring the assessee to submit the variance

between the gross turnover emanating from books at Rs.42,28,22,245/- whereas the audited account reflects the revenue from operations at Rs.41,11,52,751/-. Thus, the variance of Rs.1,16,69,454/- was pointed out to the assessee. The Assessee promptly responded to the alleged variance vide reply dated 27/12/2019 and pointed out that the revenue is recognized on mercantile system of accounting as per the mandate of section 145(1) of the Act whereby the revenue are recognized in the income statement in the period in which they are earned and not in the period when the fee is collected. The difference occurred between aggregate fee amount received Rs. 42,28,22,245/- during the year vis-à-vis revenue recognized during the year Rs.41,11,52,751/- is attributable to mercantile accounting. A reconciliation of receipt and revenue recognized for the year was placed before the AO in response to the show cause notice. However, the AO while framing the assessment order proceeded on a wholly different tangent without bringing the alleged difference of Rs.21.96 crore to the notice of the Assesse. The assessment order was passed on 31/12/2019 where the AO simply aggregated all credit entries in the respective banks as a cavalier exercise and compared it with the turnover declared. The AO aggregated the bank statement credit entries as turnover at Rs.64,24,90,763/- [ICICI Bank credit entries Rs.11,55,66,658 + IDBI credit entries Rs.52,69,24,105/-] and proceeded to make high pitched additions. To assail the action of AO before CIT(A), the Assessee filed reconciliation between the credit entries in the bank and corresponding turnover declared in the profit & loss statement along with corroborative evidence to establish the correctness of revenue income reported by the assessee. Detailed and threadbare reply was filed in this regard which is also reproduced in the first appellate order. The reply and evidences were

confronted to the AO by way of remand which remained uncontroverted by the AO.

10. It is seen from the first appellate order that the CIT(A) has taken into account the pin point reconciliation of credit (date-wise) entries in both bank accounts vis-à-vis the gross turnover figure reported by the Assessee and found gross misdemeanor on the part of AO in adopting excessive revenue from operations. The CIT(A) thus excluded (a) excess credit figure wrongly adopted by the AO in IDBI bank (b) wrong inclusion of service tax liability collected from students which can not be regarded as taxable revenue income (c) contra entries/ inter-bank transfer entries which do not give rise to revenue income (d) credit entries on account of cheque bouncing amount (e) capital infused by Director (f) Income tax refund and (g) refund of security deposit, etc. The CIT(A) found the explanation offered by the assessee on accurate reporting of revenue income by the Assessee to be satisfactory in the light of tabulations and evidences filed. The CIT(A) thus agreed with the case made by the assessee and ordered reversal of wrongful additions on account of such alleged mismatch.

11. The adoption of mercantile system of accounting policy mandatory for assessee-company as per Section 145(1) has been properly disclosed in the audited financial accounts. As per mercantile method, the receipt towards coaching fee will be regarded as chargeable income only upon its accrual i.e legal right to receive such money. Mere receipt of money/ fee would not result in its taxability unless the service against such fee received has been rendered. As per the accounting policy, the fee received has been recorded as income in proportion to the time frame till the coaching services/ tuition was required to be carried out. We also observe that

a detailed reconciliation statement pointing out wrong inclusion of non-revenue entries as part of revenue income forms part of the first appellate order as well as the paper book placed before us. The CIT(A) has duly applied his mind to the relevant facts. The conclusion to dislodge perfunctory addition appears to be based on nuanced analysis of facts by the CIT(A) and resonate with the accounting principles and corroboration of facts on record. The CIT(A) has thus rightly removed the absurdity committed by the AO and correctly accepted the audited turnover as declared by the assessee.

12. We also observe that it is incomprehensible on the part of the AO to include credit entries on account of interbank transfers/contra entries, cheque bounce figures, service tax component, capital infused, income tax refund etc. as noted in the reconciliation statement as part of revenue/ sales receipt. The action of the AO is singularly perverse and also smacks of gross violation principles of natural justice. We fail to understand as to how all the credits appearing in the bank account of an assessee can be assumed as turnover of that assessee without appreciating the nature of entries. The additions made by the AO is *prima facie* in contravention of rudimentary principles of accounting and grossly unreasoned. The arbitrary action of the AO has been rightly set aside by the CIT(A). Significantly, following the mercantile method of accounting, the assessee has also recognized the income received in the earlier year but accrued in this year as the taxable income of this year. Likewise, coaching fee received in this year but services rendered in the next year has been proportionately carried forward for taxation in next year since a component of fee received did not accrue in this year. Such amount of fee was carried forward and recognized in the subsequent year as per the rudimentary principles of accounting.

Noticeably, the accounts have been subjected to statutory audit without any qualifications. Furthermore, the sales/turnover recorded by the assessee in the books is found to be in conformity with the service tax return. The addition made by the AO on the other hand is plagued with wild and creative accounting giving rise to absurd results.

13. We can effortlessly see complete absence of any semblance in the action of the AO. The process of reasoning adopted by the CIT(A) to reverse such addition is based on objective scrutiny of facts and is thus fully endorsed. The utterly incomprehensible addition conjured up by the AO on manifestly wrong premises by including non-revenue entries without any opportunity to the Assessee can not be countenanced in any manner. Hence, we decline to interfere with the order of the CIT(A).

14. Ground No.1 is dismissed.

15. Ground No.2 concerns additions under s. 69A on account alleged unaccounted investment in property. The assessee referred to an affidavit placed the lower authorities categorically denying to have purchased any property during the year in question and submitted that the AO has acted on gross misconception. The assessee has taken the property in question on lease/rent for which lease/rent deed were duly registered. The additions have been made by the AO on account of incorrect appreciation of facts.

15.1. Before the CIT(A), the assessee demonstrated the relevant facts and provided detailed submissions to assail the action of the AO. The CIT(A) found merit in the plea of the assessee and reversed the additions made by the AO. The relevant operative paragraph of the order of the CIT(A) read as under:

“5.2.2 It is seen from the records submitted by the appellant that the said premises was used for coaching purposes after having been taken on lease/rent. It is also seen from the record that the ownership of the property continued to be vested with the landlords and no part of the title of the premises was ever transferred in the name of the Assessee herein. Further, the Assessee paid rent to the landlord after deducting TDS and has duly deposited the TDS which is also reflected in the FORM 26AS. Further, the assessing officer has not brought anything on record to show the ownership of the said property vested with the Assessee. I have also perused the paper book filed before me consisting of lease deed/rent agreement of the property bearing unit no. 204 to 207 Apex Mall, Tonk Road, Jaipur. Appellant has further filed an affidavit denying any purchase of the property. I find no infirmity in the documents filed before me and in the facts and circumstances, the appellant herein cannot be held as owner of the property in question. In light of the above facts, the addition made by the A.O to the tune of Rs.52,96,000/- under 69A of the Act stands deleted. The ground of appeal is allowed.”

15.2 As pointed out to the Tribunal, the AO has made additions towards undisclosed investment in undisclosed property of Rs.52,96,000/- on the basis of some inaccurate information gathered in SFT-12 in form 26AS. With reference to alleged investment in property, the assessee has taken a clear stand that it has not made any purchase or investment in immovable property. Rather, the assessee has taken the property at lease/rent for which copy of lease/rent agreement was produced before the AO as well as before the CIT(A). An affidavit to the effect that assessee did not purchase any property during the year under consideration was also placed before the lower authorities. The copy of ledger account of security deposit with the landlord in relation to the impugned property, rent paid to landlord in relation to property vindicates the stand of the assessee. The AO, on the other hand, has not brought any concrete evidence to support bald allegation. The onus placed on the AO was thus not discharged.

15.3 The CIT(A), in our considered view, has analyzed the facts in right perspective which is self explanatory. On the face of tell tale facts, we endorse the action of the CIT(A) and decline to interfere.

15.4 Ground No.2 is dismissed.

16. Ground No.3 concerns additions on account of unexpired fee. The assessee contended before the CIT(A) that the unexpired fee represents coaching fee collected from students in advance for which coaching/tuition services will be provided in the ensuing period, a part of which, at times, falls in the next financial year. The unexpired fee accordingly was calculated on pro rata basis and the advance fee receipt was carried forward to next financial year as per the mercantile basis of account applicable to the assessee and as per the provisions of Section 145(1) of the Income Tax Act. Consistent with accounting policy of accrual method similar amount of unexpired fee was also brought forward from earlier years and accounted for as income during the year since the service were rendered in the present F.Y. 2016-17 relevant to A.Y. 2017-18.

16.1 The CIT(A) took note of the submissions made and documentary evidences placed before him and reversed the additions made on this score. The relevant paragraph dealing with the issue read as under:

“5.4.2 The following facts are discernible in the case of appellant, ie, (a) The appellant follows mercantile system of accounting. As such the revenue is recognized for the period in which service is provided. (b) Some courses are spread over two accounting period and accordingly the fee received is recognized as revenue proportionately over two accounting periods. As fee is received in advance, the part of the fees to be recognized in the following year is treated as unexpired fees in the current year and is shown as such current liabilities in the Balance Sheet and recognized as revenue in the following year. (c) The appellant has been following the same method consistently over preceding and succeeding years. Further, it is seen from the record and the paper book filed from pages 2802-2836 during the course of appeal proceeding, the appellant follows mercantile system of accounting and it has been consistently following this over the past and previous assessment years. There being no change in the accounting policy of the appellant, the AO has not rejected the books of accounts of the appellant and has further failed to point out any violation of accounting principles and accounting standards by the appellant. If the AO has disallowed this unexpired fees then the AO was expected to have reduced the unexpired fees shown by the appellant carried over from the

previous A.Y 2016-17. The Assessing Officer cannot approbate and reprobate in the same breath, therefore the addition to the extent of Rs.7,66,29,091 stands deleted. The ground of appeal is allowed.”

16.2. The AO made additions under the head ‘unexpired fee’ of Rs.7,66,29,091/- alleging that the unexpired fee, in the nature of income, has been shown on the liability side of the balance-sheet. It is the case of the assessee before the AO as well as the CIT(A) that the assessee has been regularly maintaining its books of account on mercantile basis. The statutory auditors in their audit report (Notes of Account) have duly explained the nature of unexpired fee. It was brought to the notice of the AO that similar sum of Rs.6,33,40,126/- was unexpired fee relating to preceding year which has been recognized as revenue in the current year on its accrual. The basis of calculation of unexpired fee, balance-sheet of last three years, ledger account of unexpired fee were submitted to demonstrate the method of accounting. It is thus the case of the assessee that in the terms of Section 145(1) of the Act, the revenues are shown in the income statement in the period in which they are earned and not in the period when the fee is collected. Some of the courses are spread over two accounting periods and accordingly fee received is recognized as revenue proportionately over two accounting period. The fee received in advance is recognized proportionately as income in the respective accounting year to which such fee relates. Pursuant to such recognized accounting policy, Rs.7,66,29,091/- was found to be fee relatable to next financial year and thus recognized as ‘unexpired fee’ for the year as per the consistent accounting policy. The aforesaid sum has been recognized in the following A.Y.2018-19 whereas Rs.6,33,40,126/- of the earlier year was recognized and offered to taxation in the current year consistent with the accounting policy adopted.

16.3 The pro rata basis for calculating an unexpired fee is apparently consistent with the recognized accounting policy. The CIT(A) has rightly appreciated the facts in proper prospective. The CIT(A) has examined the issue threadbare and the basis of calculation of unexpired fee has also been correctly appreciated by the CIT(A) as tabulated in its appellate order. The action of the AO is contrary to the recognized accounting method employed by the assessee. The additions made by the AO does stand to reasons and suffers from obvious flaw. The action of the CIT(A) is in consonance with the factual matrix and accounting policy. Thus, no interference with the view taken by the CIT(A) is called for.

16.4 Ground No.3 is dismissed.

17. Ground No.4 concerns additions on account of rent charges on the ground that rent agreements of some property have not been provided. Accordingly, the AO doubted the genuineness and correctness of rent charges and disallowed 10% of the total rent amount on estimated basis. The assessee defended its case before the CIT(A) showing that TDS have been deducted on rent payment. List of properties along with the name of all owners together with rent agreements were provided. The PAN and copy of electricity bills relating to rental properties were provided to support the allowability. It was stated that the rental premises were used wholly and exclusively for coaching purposes and the payments towards rent have been paid through banking channel.

17.1 The CIT(A) considered the submissions made and perused the evidences adduced and found merit in the plea. The CIT(A) reversed and cancelled the additions made by the AO as per the findings noted below:

“5.7.2 The Assessee has filed the rent agreement with 54 parties with electricity bills relating to the properties. It can be seen from the preceding paragraph that the same were part of submission made before the AO as well. The AO has failed to take the same on record while passing the assessment order. The appellant has also filed the comprehensive details of rent expenses with TDS certificate. The appellant has further filed FORM 3CD. It is also appearing from the record that the appellant is running a coaching business for which the appellant rents various premises across India. The said premises are wholly and exclusively used for coaching purposes against which appellant has made payment of rent from banking channel. I find no reasoning to sustain the ad-hoc addition made by the AO. Thus, the addition of Rs.1,66,64,284/- made on account of rent paid by the Assessee is deleted. The ground of appeal is allowed.”

17.2 The AO made additions under the head ‘rent paid’ of Rs.1,66,64,284/- alleging that the rent agreement of all 89 properties were not provided. The AO accordingly disallowed 10% of total rent paid on estimated basis. The assessee submitted before the AO as well as the CIT(A) documentary evidences such as details of tax deducted on rent payment, list of properties along with name of all owners. The rent agreements were uploaded in respect of halls booked on the website of the Income Tax together with PAN of the landlords. A comprehensive detail of rent paid along with TDS, nature of payment, name of the party, PAN, amount paid/credited, property number and address of the land and landlord was also submitted. The relevant facts were also concurrently produced before the CIT(A) as recorded by the CIT(A). Before us as well, the documentary evidences have been adverted the course of hearing. In the backdrop of facts noted above, the estimated disallowance of 10% of rent payment is wholly incomprehensible and uncalled for. The CIT(A), in our considered view, has rightly appraised the facts in perspective. The findings of the CIT(A) is self speaking and does not require further elaboration. We thus see no reason to interfere with the findings of the CIT(A).

17.3 Ground No.4 is dismissed.

18. Ground No.5 concerns additions on account of payment to contractors.

18.1 Before the CIT(A), the assessee provided a comprehensive chart of 46 contractors showing the nature of payments, name of the party, PAN, total amount paid/credited and TDS deducted etc. The copies of bills of contractors and the payment details were also provided. On appraisal of facts placed, the CIT(A) found the explanation offered by the assessee to be convincing. The additions so made was thus reversed and cancelled. The relevant paragraph dealing with the issue read as under:

“5.8.2 The present disallowance made by the AO u/s 68 of the Income Tax Act 1961 is again done when there is no credit in the books of the appellant. The appellant runs coaching business and on account of which it has to incur expenditure under various heads i.e., advertisement, business promotion, office maintenance, repair and maintenance, security services and SMS charges. The appellant in order to remain relevant and to focus on its objective in the business procure these services from different contractors. The AO has failed to demonstrate that these expenses are not related to the business of the appellant, rather, as can be seen from the paper book filed by the appellant that these expenses have been incurred wholly and exclusively for the purposes of the appellant business. The appellant has also filed the details of contractors along with FORM 3CD. The appellant has also filed the sample bills in his paper book. These expenses are duly vouched for made through banking channels and confirmed by the parties. Therefore, the addition made by the AO has no basis. In light of the aforementioned finding, the addition of Rs. 5,38,57,551/- stands deleted. The ground of appeal is allowed.”

18.3 The AO made additions on account of payment to contractors of Rs.5,38,57,551/- alleging that assessee has provided a chart of 46 contractors including the nature of payments, name of the party, PAN, total amount paid/ credited and TDS deducted but no details of address of the contractors, confirmation, copy of agreements, etc. were furnished. The assessee filed a comprehensive detail of such party to whom payments were made before the CIT(A). Invoices on

sample basis was also submitted. The payments have been calimed to be subjected to TDS applicable as per law. It was contended that the payment to contractors pertained to various heads of expenditure and has already dealt with by the AO elsewhere and a separate disallowance entails multiple disallowance of the same item in defiance of provisions of law. The payment to contractors relates to many expenses such as advertisement expenses, business promotion expenses, office maintenance, repair and maintenance, security services, SMS charges and so on. The CIT(A) examined the issue in the light of evidences placed and found that the expenses have been incurred wholly and exclusively for the purposes of business and thus cancelled the disallowance of expenses on this score.

18.4 The facts placed before the lower authorities were adverted and reiterated before us as well. On appraisal of facts placed on record holistically, we find that conclusion drawn by the CIT(A) is complimented by the relevant facts. In the light of comprehensive documentations, payment through banking channel, deduction of TDS on such payments etc. we see no reason to depart from the findings of the CIT(A). We thus decline to interfere with the conclusion drawn by the CIT(A).

18.5 Ground No.5 is dismissed.

19. In the result, the appeal is dismissed.

Order pronounced in the open Court on 18th July, 2024.

Sd/-

**[SUDHIR PAREEK]
JUDICIAL MEMBER**

Sd/-

**[PRADIP KUMAR KEDIA]
ACCOUNTANT MEMBER**

DATED: July, 2024
Prabhat