

**IN THE INCOME TAX APPELLATE TRIBUNAL  
“C” BENCH: BANGALORE**

**BEFORE SHRI CHANDRA POOJARI, ACCOUNTANT MEMBER  
AND  
SHRI KESHAV DUBEY, JUDICIAL MEMBER**

ITA No.1238/Bang/2024
Assessment Year: 2018-19

Dasanna Hanumanthappa Proprietor, M/s. Sunrise Marketing D.No.114/15, Sri Venkateshwara Nilaya Besthara Block, 4 <sup>th</sup> Main Sewage Farm Road Mysore 570 008  <b>PAN NO : AACTS7624Q</b>	<b>Vs.</b>	ITO Ward-1(1) Mysore
<b>APPELLANT</b>		<b>RESPONDENT</b>

<b>Appellant by</b>	:	Sri Vageesh Hedge, A.R.
<b>Respondent by</b>	:	Sri V. Parithivel, D.R.

<b>Date of Hearing</b>	:	08.08.2024
<b>Date of Pronouncement</b>	:	08.08.2024

**O R D E R**

**PER CHANDRA POOJARI, ACCOUNTANT MEMBER:**

This appeal by assessee is directed against order of NFAC dated 24.4.2024 for the assessment year 2018-19 passed u/s 250 of the Income Tax Act, 1961 (in short “The Act”).

**2.** The assessee raised grounds in this appeal with regard to sustaining addition of Rs.72,25,900/-. With regard to man power expenses on the ground that these payments are made in cash by self-made vouchers and therefore, the authenticity, reasonableness and genuineness of the same could not be ascertained.

**3.** Facts of the case are that the appellant is an individual and filed revised return of income on 18.09.2018, declaring total income of Rs.10,10,070/-. Subsequently the case was selected for Limited Scrutiny on the issue that the appellant has claimed to have incurred substantial sales promotion expenses vis-a-vis gross receipts. In view

of these facts the notice u/s 143(2) of the Act was issued to the assessee on 28.09.2019 and subsequently the details related to these expenses, along with credible documents were called for. In compliance the assessee had submitted the certain details which were examined by the AO. During the year the assessee was an official partners for the door to door marketing of the products of Amazon Distributors Private Limited and was engaged in this business for past many years. The assessee was also engaged in the business of providing labourers for the construction of single residential houses. After considering the submission of the assessee the AO completed proceedings u/s 143(3) r.w.s. 143(3A) & 443(3B) of the Act, on 05.03.2021. He made addition of Rs.92,25,900/- towards the man power expenses. Against this assessee carried appeal before NFAC. NFAC given relief of Rs.20 lakhs and sustained addition of Rs.72,252,900/-. Against this assessee once again in appeal before us.

**4.** The ld. A.R. submitted that assessee's books of accounts are audited u/s 44AB of the Act and there was no defects in the books of accounts noticed by the ld. AO and there was no rejection of books of accounts by ld. AO. Without rejecting the books of accounts, he disallowed the expenditure on adhoc basis. He also drew our attention to the earlier year's financials where he declared net profit. In the earlier year, the financial results are as follows:

Particulars	AY 16-17	AY 17-18	AY 18-19 (Appeal )
Sales	85,78,035	69,09,438	1,40,26,727
Labour charges	1,72,31,530	1,78,87,530	2,11,61,817
Total Turnover	2,58,09,565	2,47,96,968	3,51,88,544
Net Profit	8,46,560	10,46,865	14,54,610
Net Profit Ratio	3.28%	4.22%	4.13%
Promoter's Salary (Daily Wages)	1,39,16,500	1,34,60,680	1,39,40,690
% of Promoter's Salary-Daily Wages on Total Turnover	53.92%	54.28%	39.62%
Business Income	6,00,360	7,83,245	11,21,670
Taxable Income	4,73,614	6,74,195	10,10,067

**4.1** Further, he submitted that as seen from above, the net profit rate declared by the assessee is at par with the earlier assessment years. Hence, there cannot be any additions on this count.

**5.** The Id. D.R. submitted that the assessee was not able to substantiate this expenditure and supported by only self-made vouchers. The genuineness was doubted by the lower authorities. Hence, the above disallowance has been made and same to be sustained.

**6.** We have heard the rival submissions and perused the materials available on record. In the present case, as seen from the above, assessee declared net profit at 4.13% and as against the 4.22% declared in assessment year 2017-18 and 3.28% in assessment year 2016-17. However, the Id. AO noticed that the assessee claimed an expenditure of Rs.1,09,54,580/- towards manpower expenses for door to door selling of products. Out of this, the expenditure of Rs.17,28,680/- found to be genuine and balance amount of Rs.92,25,900/- found to be non-genuine and disallowed the same.

**6.1** We have carefully gone through the financial details produced by assessee as reproduced in para 4 of this order. The net profit rate for the assessment year under consideration was 4.13% as compared to assessment year 2017-18, which was 4.22%, which is lower than the earlier assessment year 2017-18. In our opinion, there may be inflation of expenditure by making self-made vouchers. However, it cannot be the expenditure of disallowance sustained by the Id. CIT(A) at Rs.72,25,900/-.

**6.2** Hon'ble jurisdictional High Court in the case of CIT and another Vs. Konkan Marine Agencies reported in 313 ITR 308 held as under:

*“Held, dismissing the appeal, that taking into consideration the assessee’s business and the prevailing practice in the trade, whereby payments had to be made by firms like the assessee in order to ensure that the work of handling goods was done within reasonable time and emergency operations of cargo handling were done beyond working hours, such payments were made either through labour or workers’ union.*

*It could not be considered to be prohibited by law. The assessee could not be expected to take receipts from individual workers or make payment by way of cheques. The payment was made by the assessee for business purposes and the expenditure had been incurred in the ordinary course of business. Therefore, the deduction was allowable by way of business expenditure."*

**6.3** In the present case, ld. A.R. fairly conceded that reasonable disallowance could be made on account of certain discrepancies in self-made vouchers.

**6.4** In our opinion, since the rate of net profit is lower than earlier assessment years 2017-18, there could be inflation of expenditure by self-made vouchers. Accordingly, to meet the ends of justice, the disallowance at 20% of Rs.72,25,900/- worked out at Rs.14,45,180/- is considered to be reasonable. Accordingly, we direct the ld. AO to sustain the addition only to the tune of Rs.14,45,180/- only. Ordered accordingly.

**7.** In the result, appeal of the assessee is partly allowed.

Order pronounced in the open court on 8<sup>th</sup> Aug, 2024

**Sd/-  
(Keshav Dubey)  
Judicial Member**

**Sd/-  
(Chandra Poojari)  
Accountant Member**

Bangalore,  
Dated 8<sup>th</sup> Aug, 2024.  
VG/SPS

Copy to:

1. The Applicant
2. The Respondent
3. The CIT
4. The DR, ITAT, Bangalore.
5. Guard file

By order

**Asst. Registrar,  
ITAT, Bangalore.**