

**IN THE INCOME TAX APPELLATE TRIBUNAL  
COCHIN BENCH, COCHIN**

Before Shri Waseem Ahmed, Accountant Member and  
Shri Soundararajan K., Judicial Member

**ITA No. 238/Coch/2023**  
(Assessment Year: 2011-12)

Super Nova Plywoods Puliyampilly Road, Allapara Kutipadam, Perumbavoor 683556 [PAN: ABHFS4930M]	vs.	Income Tax Officer Ward - 3, Aluva
(Appellant)		(Respondent)

Appellant by:	----- None -----
Respondent by:	Smt. Girly Albert, Sr. D.R.

Date of Hearing:	26.09.2024
Date of Pronouncement:	27.09.2024

**ORDER**

Per Bench

This appeal filed by the Revenue is directed against the order of the National Faceless Appeal Centre, Delhi [CIT(A)] dated 24.02.2023 for Assessment Year (AY) 2011-12.

2. The first issue raised by the assessee is that the learned CIT(A) erred in confirming the addition made by the Assessing Officer (AO) of Rs. 2,00,425/- representing the capital contribution by the partners.

3. In the present case, the partners' capital account was credited for Rs. 1,63,200/- and Rs.37,225/- on account of capital contribution in cash, the source of which was not believed by the AO. Therefore, the AO added the same to the total income of the assessee. On appeal, the learned CIT(A) confirmed the same.

4. Being aggrieved by the order of the learned CIT(A), the assessee is in appeal before us.

5. The learned Sr. DR before us vehemently supported the orders of the authorities below.

6. We have heard the learned Sr. DR appearing on behalf of the Revenue and perused the materials available on record. There is no doubt that the capital contribution was made by the partners of the firm in their individual capacity. Thus, it is implied that the assessee being a partnership firm has discharged the onus by furnishing the details about the source of capital contribution by the partners. Had there been any doubt about the source of capital contribution, the same can be questioned from the partners. Accordingly, we hold that no addition is warranted on account of capital contribution by the partners in the given set of facts. Accordingly, we set aside the findings of the learned CIT(A) and direct the AO to delete the addition made by him.

7. The next issue raised by the assessee is that the learned CIT(A) erred in confirming the addition of Rs.1,68,003/- being 20% of Rs. 8,40,015/- representing direct expenses (factory wages, store consumables, transporting charges and miscellaneous cooly expenses) on ad-hoc basis.

8. The AO during the assessment proceedings found that there was addition of capital assets which were installed in the year under consideration. However, it was noticed by the AO that the assessee has not capitalized any expenditure in connection with the installation of machineries such as installation charges, transporting charges, electric charges, cooly or labour charges.

9. In addition to the above the AO also found that the assessee has claimed various expenses under the head direct expenses such as factory wages, store consumables, transporting charge and miscellaneous cooly expenses on self-made vouchers. Based on the above observations, the AO was of the view that lump sum disallowance needs to be made to avoid leakage of revenue for the irregularities discussed above. Thus, the AO disallowed a sum of Rs.1,68,003/- being 20% of Rs.8,40,015/- and added to the total income of the assessee. Aggrieved assessee preferred an appeal before the learned CIT(A).

10. The assessee before the learned CIT(A) submitted that the machines were purchased amounting to Rs.6,28,140/- which was inclusive of charges such as installation, transportation, wages for erecting technicians and cooly charges for unloading workers. There was an agreement that the machine supplier to bear all the cost including supply, erection up-to the state of trials and production. Thus, the allegation of the AO that the assessee has not incurred any expenses regarding the installation of the machine was devoid of any merit.

11. It was also submitted by the assessee that there are several expenses for which external supporting documents are not available except self-made vouchers, but such vouchers were duly signed by the recipients. Furthermore, the AO has not pointed out any specific instance indicating a particular expense not supported by the proper voucher. Accordingly, the assessee contended that the expenses based on self-made vouchers cannot be disallowed. However, the learned CIT(A) disagreed with the contentions of the assessee and confirmed the order of the AO by observing as under: -

*“5.3 Ground no. 3 is related to expenditure in connection with installation of machinery purchased like, installation charges. The AO has discussed this issue in assessment order. He has clearly mentioned that most of the vouchers are self made vouchers and can not be*

*verified independently. Accordingly he disallowed 20% of these expenses. The appellant has mentioned that part of these expenses were capital expenditure. If the is submission of the appellant is considered then the entire expenditure would be disallowed as revenue expenditure. Further appellant has not submitted any documentary evidence during appellate proceedings. Therefore, the disallowance made by the AO is confirmed. This ground of appeal fails.”*

12. Being aggrieved by the order of the learned CIT(A), the assessee is in appeal before us.

13. The learned Sr. DR before us vehemently supported the orders of the authorities below.

14. We have heard the learned Sr. DR appearing on behalf of the Revenue and perused the materials available on record. In our opinion there are instances where the external vouchers are not available to justify the expenses, but it does not mean that the expenses were not incurred for the purpose of business. Regarding the doubt of the AO, that there was no installation expense incurred by the assessee, we note that the assessee has clarified by stating that the machine was purchased along with installation of the same by the vendor. This fact has nowhere been doubted by the authorities below.

15. Regarding the disallowance of the expenses in ad-hoc manner, it is pertinent to note that the AO was supposed to pinpoint the specific instances where there were no supporting vouchers, but the AO has not done so. As such we are of the view that the basis adopted by the AO is not proper. However, to curb any leakage of revenue and in the interest of justice, we reduced the disallowance made by the AO to 10% of Rs.8,40,015/- only. In other words, the disallowance is restricted to Rs.84,000/- only against the disallowance made by the AO at Rs.1,68,003/-. Thus, the ground of appeal of the assessee is hereby partly allowed.

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

Order pronounced on 27<sup>th</sup> September, 2024 under Rule 34 of The Income Tax (Appellate Tribunal) Rules, 1963.

Sd/-  
(Soundararajan K.)  
Judicial Member

Sd/-  
(Waseem Ahmed)  
Accountant Member

Cochin, Dated: 27<sup>th</sup> September, 2024

n.p.

Copy to:

1. The Appellant
2. The Respondent
3. The Pr. CIT concerned
4. The Sr. DR, ITAT, Cochin
5. Guard File

Assistant Registrar  
ITAT, Cochin