

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

**BEFORE SHRI PRASHANT MAHARISHI, VICE PRESIDENT
AND
SHRI PRAKASH CHAND YADAV, JUDICIAL MEMBER**

ITA No.1514/Bang/2024
Assessment Year: 2017-18

Nanopix Integrated Software Solutions Pvt. Ltd. Plot No.34 R.S. No.87/2B Tharihal Industrial Area Tharihal Villate Hubli 580 026 Karnataka PAN NO : AACCN0510B	Vs.	ACIT Circle-2(1) Hubli
APPELLANT		RESPONDENT

Appellant by	:	Sri Sanjeev Aditya, A.R.
Respondent by	:	Ms. Neha Sahay, D.R.

Date of Hearing	:	25.11.2024
Date of Pronouncement	:	26.11.2024

O R D E R

PER PRAKASH CHAND YADAV, JUDICIAL MEMBER:

Present appeal of the assessee is arising from the order of Id. CIT(A) dated 14.6.2024 having DIN No.ITBA/APL/S/250/2024-25/1065666143(1) for the AY 2017-18 passed u/s 250 of the Income Tax Act, 1961 (in short “The Act”).

2. Short facts in respect of the present appeal are, the assessee is a Company and engaged in the manufacturing of cashew grading machine and related after sale maintenance services. It has filed its return of income declaring an income of Rs.1,80,87,080/- on 17.10.2017. The same was processed u/s 143(1) of the Act and thereafter picked up for scrutiny. During the course of assessment proceedings, the Id. AO observed that assessee has debited foreign

travelling expenses in its profit & loss account. The ld. AO further observed that the assessee was unable to produce the genuineness of the expenses as well as the nexus of these expenses with the business of the assessee. Accordingly, he disallowed the same to the tune of Rs.5,30,944/-.

2.1 Regarding the second issue, the ld. AO observed that an amount of Rs.5,55,421/- is outstanding in the books of the assessee for more than one year under the head “trade payables”. The AO was of the view that there is a cessation of liability in terms of the provisions of section 41(1) of the Act and hence, the same are required to be added as income of the assessee. Accordingly, the AO framed the assessment.

2.2 Aggrieved with the order of AO, the assessee filed an appeal before the ld. CIT(A) and assailed the order of AO. However, the ld. CIT(A) affirmed the order of AO after observing that the assessee failed to substantiate its claim with documentary evidence even at the appellate stage.

2.3 Aggrieved with the order of ld. CIT(A), assessee has come up in appeal before us and has raised five grounds of appeal. However, the issues which are to be decided are a) whether the assessee is entitled for the deduction of foreign travelling expenses b) whether there is any cessation of liability u/s 41(1) of the Act?

3. The ld. Counsel for the assessee appearing on behalf of the assessee has argued that the assessee undertakes to file the documentary evidences before the lower authorities i.e. AO vis-à-vis both issues. The Counsel for the assessee explained the reasons behind the non-submissions of the details before the AO and contended that the questionnaire issued by the AO was not specific.

4. In order to substantiate its claim of foreign travelling expenses as well as trade payables, ld. D.R. appearing on behalf of the revenue relied on the orders of the authorities below.

5. After considering the rival submissions, we observe that the questionnaire issued by the AO during the course of assessment proceedings was not specific vis-à-vis calling for the details of documentary evidences in support of foreign travelling expenses. Similarly, the questionnaire with respect to the issue of trade payables was also not specific. Now before us, ld. Counsel undertakes that he will produce the relevant documentary evidence before the AO. Therefore, considering the facts and circumstances of the case, we remit both the issues to the file of AO for examining afresh in the interest of justice. Needless to say that the AO will afford proper opportunity to the assessee for presenting his case.

6. In the result, appeal of the assessee is allowed for statistical purposes.

Order pronounced in the open court on 26th Nov, 2024

Sd/-
(Prashant Maharishi)
Vice President

Sd/-
(Prakash Chand Yadav)
Judicial Member

Bangalore,
Dated 26th Nov, 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.**