

**IN THE INCOME TAX APPELLATE TRIBUNAL
AHMEDABAD “SMC” BENCH, AHMEDABAD**

**BEFORE DR. BRR KUMAR, VICE PRESIDENT &
Ms. SUCHITRA KAMBLE, JUDICIAL MEMBER**

**ITA No.1020/Ahd/2024
Assessment Year: 2015-16**

Sarabhai Chemicals India Pvt. Ltd., 15, Shantisadan, Mirzapur Road, Ahmedabad – 380 001. [PAN – AAJCS 7505 E] (Appellant)	Vs.	The Deputy Commissioner of Income Tax, Ward – 4(1)(1), Ahmedabad. (Respondent)
Assessee by	Shri S.N. Divetia & Shri Samir Vora, ARs.	
Revenue by	Shri C. Dharnidas V.S., Sr. DR	
Date of Hearing	21.11.2024	
Date of Pronouncement	19.12.2024	

ORDER

PER SUCHITRA KAMBLE, JUDICIAL MEMBER:

This appeal is filed by the Assessee against order dated 20.03.2024 passed by the CIT(A), National Faceless Appal Centre (NFAC), Delhi for the Assessment Year 2015-16.

2. The assessee has raised the following grounds of appeal :-

“1.1 The order passed by u/s.250 passed on 20.03.2024 by NFAC[CIT(A)], Delhi (for short CIT(A) dismissing the appeal on the grounds of non-compliance to the notices and thereby upholding the disallowances aggregating to Rs.1,27,73,580/- made by A.O. is wholly illegal, unlawful and against the principles of natural justice.

2.1 The Id. CIT(A) has grievously erred in law and or on facts in not appreciating that there could not be compliance to the notices claimed to be issued during the Corona Covid period. Thus, there was a sufficient cause for failure to comply with the notices claimed to be issued by NFAC(CIT(A).

2.2 *That in the facts and circumstances of the Id. CIT(A) ought not to have allowed sufficient opportunity of hearing before disposing of the impugned appeal. There was gross violation of the principles of natural justice in disposing of the appeal.*

3.1 *The Id. CIT(A) has grievously erred in law and or on facts in upholding the disallowance (a) Depreciation of Rs.11,28,773/- and (b) Adhoc disallowance of Rs.1,16,44,807/- at 50% out of the total expenses of Rs.2,32,89,615/-.*

3.2 *That in the facts and circumstances of the Id. CIT(A) ought not to have upheld the disallowance of expenses aggregating to Rs.1,27,73,580/-.*

It is, therefore, prayed that the disallowance of expenses aggregating to Rs.1,27,73,580/- upheld by the CIT(A) may kindly be deleted."

3. The assessee company is engaged in the business of trading of pharmaceutical products. The return of income was filed on 30.09.2015 declaring total loss of Rs.93,81,397/- as per normal provision. The case was selected for scrutiny and notice under Section 143(2) of the Income Tax Act, 1961 was issued on 08.04.2016. The Assessing Officer issued statutory notice and the assessee through his AR filed various details. The Assessing Officer observed that the assessee claimed depreciation of Rs.19,08,316/- out of which Rs.11,28,773/- was claimed on intangible assets (Trademark). The assessee vide letter dated 27.11.2017 submitted partial details as copy of trademark agreement purchased but failed to produce the proof of payments, relevant bank statement copy of voucher/bills/tax invoice etc. Thus, the Assessing Officer made disallowance of Rs.11,28,773/-. The Assessing Officer also noticed that the assessee claimed the following additional expenses under the head other expenses :-

i)	<i>Travelling Expenses</i>	<i>Rs.79,28,597/-</i>
ii)	<i>Selling Commission</i>	<i>Rs.32,54,857/-</i>
iii)	<i>Selling Expenses</i>	<i>Rs.51,05,727/-</i>
iv)	<i>Distribution Expenses</i>	<i>Rs.12,39,190/-</i>
v)	<i>Royalty Expenses</i>	<i>Rs.30,39,688/-</i>
vi)	<i>Misc. Expenses</i>	<i>Rs.27,21,556/-</i>
	<i>Total</i>	<i>Rs.2,32,89,615/-</i>

4. The assessee did not submit any cogent evidence and, therefore, the Assessing Officer made addition of Rs.1,16,44,807/- (50% of Rs.2,32,89,615/-).

5. Being aggrieved by the Assessment Order, the assessee filed appeal before the CIT(A). The CIT(A) dismissed the appeal of the assessee.

6. The Ld. AR submitted that the CIT(A) has passed ex-parte order and, therefore, the details submitted before the Assessing Officer was not taken into account properly. As regards other expenses, the Ld. AR submitted that the adhoc disallowance at 50% of the said expenses without giving sufficient opportunity by the Assessing Officer is not justifiable.

7. The Ld. DR relied upon the Assessment Order and the order of the CIT(A).

8. We have heard both the parties and perused all the relevant material available on record. As regards the disallowance of claim of depreciation in respect of intangible assets, the assessee at the time of hearing submitted that the assessee will give the requisite details and will demonstrate before the Assessing Officer relating to the claim of depreciation on intangible assets. Therefore, this issue is sent back to the file of the Assessing Officer for proper adjudication of the issues, after verifying the details as per Income Tax Act. As regards ground no.2 relating to adhoc disallowance of Rs.1,16,44,807/- at 50% out of the total expenses, the Ld. AR submitted before us that this issue also may be sent back to the Assessing Officer as many of the expenses which have been disallowed by the Assessing Officer can be demonstrated as business expenses. Therefore, this issue is also sent back to the file of the Assessing Officer for proper verification and adjudication by the Assessing Officer as per Income Tax Act. Needless to say, the assessee be given opportunity of hearing by following the principles of natural justice.

9. In the result, appeal of the assessee is partly allowed for statistical purpose.

Order pronounced in the open Court on this 19th December, 2024.

Sd/-
(DR. BRR KUMAR)
Vice President

Sd/-
(SUCHITRA KAMBLE)
Judicial Member

Ahmedabad, the 19th December, 2024

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Copies to: (1) *The appellant*
(2) *The respondent*
(3) *CIT*
(4) *CIT(A)*
(5) *Departmental Representative*
(6) *Guard File*

By order

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*Assistant Registrar
Income Tax Appellate Tribunal
Ahmedabad benches, Ahmedabad*