

INCOME TAX APPELLATE TRIBUNAL
AGRA BENCH "DB": AGRA
SHRI SATBEER SINGH GODARA, JUDICIAL MEMBER
AND
BEFORE SHRI M. BALAGANESH, ACCOUNTANT MEMBER
(Through virtual hearing)

ITA No. 395/AGR/2024
(Assessment Year: 2018-19)

Ramraja Construction Company, Jet House, Prithvipur, Tikamgarh, MP	Vs.	DCIT, Circlwe-1(1), Gwalior
(Appellant)		(Respondent)
PAN: AAHFR2736F		

Assessee by :	Shri Deependra Mohan, CA
Revenue by:	Shri Shailender Shrivastava, Sr. DR
Date of Hearing	07/02/0025
Date of pronouncement	07/02/2025

ORDER

PER M. BALAGANESH, A. M.:

1. The appeal in ITA No. 395/AGR/2024 for AY 2018-19, arises out of the order of the National Faceless Appeal Centre (NFAC), Delhi [hereinafter referred to as 'Id. NFAC)', in short] dated 16.08.2024 against the order of assessment passed u/s 143(3) of the Income-tax Act, 1961 (hereinafter referred to as 'the Act') dated 16.08.2024 by the Assessing Officer, NFAC, Delhi (hereinafter referred to as 'Id. AO').
2. Though the assessee has raised several grounds before us, the only effective issue to be decided in this appeal is as to whether the Id NFAC was justified in restricting the disallowance @0.75% as against 1% of expenditure made by the Id AO in the facts and circumstances of the instant case.
3. We have heard the rival submissions and perused the material available on record. The assessee firm had electronically filed its return of income for AY

2018-19 dated 31.10.2018 declaring total income of Rs. 1,71,63,580/-. The assessee is engaged in the business of road/ civil contractor and sub contractor-ship for different Govt. department bodies viz. PMGSY, PWD, RES, Municipal bodies etc. During the scrutiny assessment proceedings, the Id AO sought to examine the veracity of the various expenses debited in the profit and loss account and called for details from the assessee regarding the same. On perusal of the details, the Id AO concluded that in respect of (i) diesel and lubricants; (ii) Labour wages; (iii) Material purchase; (iv) petty contract work; (v) royalty expenses; (vi) freight and cartage charges and (vii) Repair and maintenance, the assessee had filed only part reply in the form of ledger copy of the expenses with some muster rolls. The assessee had failed to provide confirmation from the parties from whom purchases have been made and sub contract work given. Accordingly, the Id AO made an ad hoc disallowance @1% on account of unverifiable expenses and made disallowance of Rs. 57,16,212/-. Before the Id NFAC, the assessee furnished the net profit percentage for AYs 2014-15 to 2018-19 and submitted that it is maintaining regular audited books of account and books of accounts were not rejected by the Id AO. However, the Id NFAC also observed that assessee had furnished only part bills in the ledger account of each all those expenses and accordingly the Id NFAC upheld the estimated disallowance of expenses made by the Id AO in principle. However, the Id NFAC sought to restrict the said disallowance to 0.75% of the expenditure considering the nature of the business carried out by the assessee. Before us, the Id AR submitted that the books of account were not rejected and book results were not rejected by the lower authorities. He argued that without pointing out any defects in the same, there cannot be any estimated disallowance of expenses. But when the bench confronted the Id AR with regard to the fact as to whether the Id assessee could furnish the entire bills together with documentary evidences for all the expenses debited in P&L

Account, the Id AR submitted that considering the nature of business and nature of Govt Contract carried out by the assessee, it may not be possible to file the complete details thereon. Hence, in these circumstances, certainly some amount of expenses would indeed remain unverified. Accordingly, the Id AR agreed for an ad hoc disallowance of Rs. 5 lakhs that could be made in the instant case. Per contra, the Id AR vehemently relied on the orders of the lower authorities.

4. Considering the totality of the facts and circumstances of the case, we find that ad hoc Rs. 15 lakhs in the instant case would meet the ends of justice. Accordingly, grounds raised by the assessee are partly allowed.

5. In the result, the appeal of the assessee is partly allowed.

Order pronounced in the open court on 07.02.2025.

-Sd/-
(SATBEER SINGH GODARA)
JUDICIAL MEMBER

-Sd/-
(M. BALAGANESH)
ACCOUNTANT MEMBER

Dated: 07/02/2025
A K Keot

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1. Applicant
2. Respondent
3. CIT
4. CIT (A)
5. DR:ITAT

ASSISTANT REGISTRAR
ITAT, New Delhi