

**IN THE INCOME TAX APPELLATE TRIBUNAL  
'A' BENCH, BANGALORE**

**BEFORE SHRI WASEEM AHMED, ACCOUNTANT MEMBER AND  
SHRI SOUNDARARAJAN K, JUDICIAL MEMBER**

ITA No.1151/Bang/2025
Assessment Year: 2017-18

Antony Paul, C-32, Sobha Ivory II, St. Johns Road, Sivan Chetty Gardens S.O, Bangalore North, Bangalore.  <b>PAN – ACSPP 1669 G</b>	Vs.	The Asst. Commissioner of Income Tax, Circle - 1(2)(2), Bangalore.
APPELLANT		RESPONDENT

Assessee by	:	Shri Narayana Murthy, CA
Revenue by	:	Shri Balusamy N, JCIT

Date of hearing	:	31.07.2025
Date of Pronouncement	:	14.08.2025

**ORDER**

**PER WASEEM AHMED, ACCOUNTANT MEMBER:**

This is an appeal filed by the assessee against the order passed by the NFAC, Delhi vide order dated 20/03/2025 in DIN No. ITBA/NFAC/S/250/2024-25/1074743096(1) for the assessment year 2017-18.

2. The only issue raised by the assessee is that the learned CIT(A) erred in confirming the disallowance made by the AO of ₹21,17,047, being 20% of various expenses, on account of non-production of supporting vouchers.

3. The AO, during the assessment proceedings, found that the assessee had incurred various expenses under different heads. The details of the same are reproduced as under:

Nature of Expenditure	Amount (Rs.)
Administrative Expenses	40,24,391
Advertisement Charges	41,53,072
Business Promotion – actually it is Bonus payment	3,01,506
Making Charges	98,91,200
Melting Charges	8,65,286
Salaries & Wages	63,50,430
Total	2,55,85,885

4. The AO further found that the assessee had deducted TDS on the expense/ payment of ₹1,50,00,650 out of the total expenses of ₹2,55,85,885.00 only. Besides the above, the AO also found that the assessee had not produced supporting documents to prove that these expenses were incurred for business purposes. Accordingly, the AO, on an ad-hoc basis, disallowed an amount of ₹21,17,047, being 20% of the expenditure, and added the same to the total income of the assessee.

5. On appeal, the learned CIT(A) confirmed the same by observing as under:

*"It is submitted that, during the assessment proceedings, vide notice U/s142(1) dated 16/09/2019 (Annexure 2) the assessing*

*officer sought the details of TDS made and the date of remittance in Government account on the payment of Administrative expenses. Assessing Officer did not ask any other details or production of any evidence regarding the genuineness of the expenditure or to show that the expenditure was incurred wholly and exclusively for the purpose of the business. He did not ask for any Bills/Vouchers.”*

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

7. The learned AR before us filed various paper books and made several contentions, including that the AO, during the assessment proceedings, only enquired about the deduction of TDS on the above-listed expenses, which was duly explained to him. According to the AR, there was no query raised by the AO about the supporting documents to justify the expenses. As such, the AO disallowed 20% of the expenses in an arbitrary manner, without putting any question to the assessee regarding the justification of such expenses. Accordingly, the learned AR contended that the disallowance made by the AO and confirmed by the learned CIT(A) is liable to be deleted.

8. On the other hand, the learned DR vehemently supported the orders of the authorities below.

9. We have heard the rival contentions of both the parties and perused the materials available on record. On perusal of the paper book filed by the assessee containing 75 pages, including various notices issued by the AO during the assessment proceedings—particularly from pages 8 to 34, we find that there was no enquiry raised by the AO about the genuineness of the expenses. Even at the time of hearing, the

learned DR could not bring anything on record to suggest that the AO had raised any such query before making the disallowance of ₹21,17,047, being 20% of the total expenses on which TDS was not deducted.

9.1 It is the settled law that no expense claimed by the assessee can be disallowed unless an opportunity is granted to the assessee to justify the genuineness of such expenses. In the given facts and circumstances, such opportunity was not afforded by the AO to the assessee before making the disallowance. Accordingly, we hold that there is a violation of the principles of natural justice. Therefore, the addition made by the AO and confirmed by the learned CIT(A) is not sustainable in the given facts and circumstances. Hence, the ground of appeal of the assessee is hereby allowed.

10. In the result, the appeal filed by the assessee is allowed.

Order pronounced in court on 14<sup>th</sup> day of August, 2025

Sd/-

**(SOUNDARARAJAN K)**  
Judicial Member

Sd/-

**(WASEEM AHMED)**  
Accountant Member

Bangalore  
Dated, 14<sup>th</sup> August, 2025

/ vms /

Copy to:

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

By order

Asst. Registrar, ITAT, Bangalore