

**IN THE INCOME TAX APPELLATE TRIBUNAL
LUCKNOW BENCH 'SMC', LUCKNOW**

BEFORE SHRI ANADEE NATH MISSHRA, ACCOUNTANT MEMBER

I.T.A. No.102/Lkw/2025
Assessment Year:2017-18

Sandila Roller Flour Mills C/o Sanjay Saxena, 12, Pratap Enclave, Bisrat, G.T. Road, Shahjahanpur 242001 PAN:ABEFS7497Q (Appellant)	Vs.	Income Tax Officer-3(3), Hardoi. (Respondent)
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Appellant by	None
Respondent by	Shri Amit Kumar, D.R.

ORDER

(A) This appeal vide I.T.A. No.102/Lkw/2025 has been filed by the assessee for assessment year 2017-18 against impugned appellate order dated 29/11/2024 (DIN & Order No. ITBA/APL/S/250/2024-25/10770754518(1) of Addl/Jt. Commissioner of Income Tax (Appeals) ["ADDL/JCIT(A)" for short]. The only ground raised by the assessee reads as under:

- "1. That the CIT(A) erred on facts and in law in confirming the disallowance of Rs.3,65,190/- u/s 40A(3) of the Act, which is contrary to the facts and circumstances of the case."

(B) In this case the assessment order dated 29/12/2019 was passed u/s 143(3) of the Act whereby the assessee's total income was determined at Rs.30,36,187/- (rounded off to Rs.30,36,190/-). In the aforesaid assessment order, inter alia, additions of Rs.46,297/- and Rs.3,65,190/- were made by the Assessing Officer u/s 40A(3) of the Act. The relevant portion of the assessment order is reproduced as under:

4. The assessee had debited freight amounting to Rs 69,83,497/- during the instant year. On perusal and examination of ledger account of freight expenditure, it was observed that the assessee made cash payment of Rs 46,297/- on 29.10.2019 in which no deduction will be allowed as per proviso of section 40A(3) of the Income-tax Act, 1961. Therefore, Rs 46,297/- is disallowed as freight expenses and added back in the income of the assessee.

(Addition: Rs 46,297/-)

5. Further, on perusal of ledger account of loading charges, it was found that the assessee had made the following expenses as Loading charge which is above Rs 20,000/-.

S.No.	Date	Amount
1.	30.04.2016	Rs 46,649/-
2.	31.05.2016	Rs 41,400/-
3.	30.06.2016	Rs 46,369/-
4.	31.07.2016	Rs 26,670/-
5.	16.09.2016	Rs 20,260/-
6.	30.09.2016	Rs 22,029/-
7.	29.10.2016	Rs 46,297/-
8.	30.11.2016	Rs 33,958/-
9.	31.12.2016	Rs 26,278/-
10.	31.01.2017	Rs 25,260/-
11.	28.02.2017	Rs 30,020/-
Total		Rs 3,65,190/-

These expenses were paid by the assessee in cash. Therefore, as per section 40A (3) of the Income-tax Act, 1961, where the assessee incurs any expenditure in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft, exceeds twenty thousand rupees, no deduction shall be allowed in respect of such expenditure.

Therefore, considering the above, the loading expense amounting to Rs 3,65,190/- is disallowed as per section 40A(3) of the Income-tax Act, 1961 and added in the income of the assessee.

(Addition: Rs 3,65,190/-)

(B.1) The aforesaid additions were confirmed by the learned CIT(A) in impugned appellate order dated 29/11/2024. In the impugned appellate order, the learned CIT(A) agreed with the views expressed by the Assessing Officer. The present appeal has been filed by the assessee against the aforesaid impugned appellate of the learned CIT(A).

(C) At the time of hearing, the assessee was represented by none. In absence of any representation from assessee's side, learned Departmental Representative was heard and the materials available on record were perused. Learned Departmental Representative placed reliance on the impugned appellate order of the learned CIT(A) and the aforesaid assessment order dated 19/11/2024 and 29/12/2019 respectively.

(C.1) As regards the aforesaid addition of Rs.46,297/-, it is found from perusal of records that the Assessing Officer took adverse view of cash payment of Rs.46,297/- on 29/10/2019 on account of freight expenses. Similarly, as regards the aforesaid addition of Rs.3,65,190/-, the perusal of record shows that the Assessing Officer identified 11 separate dates on which the loading charges paid by the assessee in cash exceeded Rs.20,000/-. However, neither the Assessing Officer nor the learned CIT(A) has made relevant inquiries as to whether any individual payment exceeded Rs.20,000/- or total payments made to various parties on a particular day

exceeded Rs.20,000/-. Since this inquiry has not been made by the Assessing Officer or by learned CIT(A), as perusal of their respective order shows, it is not possible to decide whether the aforesaid disallowances of Rs.46,297/- and Rs.3,65,190/- are in accordance with provisions of law. In the fitness of things therefore, the impugned appellate order of the learned CIT(A) is set aside and the issue regarding disallowance of aforesaid amount of Rs.46,297/- and Rs.3,65,190/- made u/s 40A(3) of the Act is restored back to the file of the Assessing Officer with the direction to make necessary inquiry as discussed, and to pass fresh assessment order in accordance with law on this specific issue. In view of the aforesaid directions, the ground of appeal is treated as partly allowed for statistical purposes.

(D) In the result, the appeal is partly allowed for statistical purposes.

(Order pronounced in the open court on 30/10/2025)

Sd/.
(ANADEE NATH MISSHRA)
Accountant Member

Dated:30/10/2025
*Singh

Copy of the order forwarded to :

1. The Appellant
2. The Respondent.
3. Concerned CIT
4. D.R., I.T.A.T.