

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

**BEFORE DR. BRR KUMAR, VICE PRESIDENT &
SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER**

I.T.A. No.1882/Ahd/2024
(Assessment Year: 2022-23)

Anupam Industries Ltd., 138, GIDC Estate, Vithal Udyognagar, Anand-388121	Vs.	The Assistant Commissioner of Income Tax, Anand Circle, Anand
[PAN No.AABCA9602Q]		
(Appellant)	..	(Respondent)

I.T.A. No.981&982/Ahd/2023
(Assessment Years: 2014-15 & 2017-18)

Anupam Industries Ltd., 138, GIDC Estate, Vithal Udyognagar, Anand-388121	Vs.	The Assistant Commissioner of Income Tax, Anand Circle, Anand
[PAN No.AABCA9602Q]		
(Appellant)	..	(Respondent)

I.T.A. No.1015/Ahd/2023
(Assessment Year: 2017-18)

The Assistant Commissioner of Income Tax, Anand Circle, Anand	Vs.	Anupam Industries Ltd., 138, GIDC Estate, Vithal Udyognagar, Anand-388121
[PAN No.AABCA9602Q]		
(Appellant)	..	(Respondent)

Appellant by :	Shri Mehul K. Patel, Advocate
Respondent by:	Shri Alpesh Parmar, CIT-DR

Date of Hearing	29.09.2025
Date of Pronouncement	17.11.2025

ORDER

PER BENCH:

These appeals have been filed by the Assessee and the Department against the order passed by the Ld. Commissioner of Income Tax (Appeals), (in short “Ld. CIT(A)”), National Faceless Appeal Centre (in short “NFAC”),

Delhi vide orders dated 18.10.2023, 12.10.2023, 11.10.2023 passed for A.Ys. 2014-15, 2017-18 & 2022-23.

We shall first take up Assessment Year 2022-23 (the assessee's appeal in ITA 1882/Ahd/2024)

2. **The assessee has raised the following Grounds of Appeal**

“(1) That on facts, in law, and on evidence on record, the learned NFAC has grievously erred in confirming the disallowance of Rs. 5,59,39,900/- being 10% of total expenses consumed, manufacturing and direct cost, employees cost benefits, administrative & general expenses, and selling & distribution expenses on ad hoc basis and purely on presumption.

(2) That on facts, in law and on evidence on record, since no defects are pointed in Audited Accounts, the entire expenses as claimed ought to have been allowed, as prayed for.

(3) That appellant craves leave to add, alter, amend any ground of appeal.”

3. The brief facts of the case are that the assessee, Anupam Industries Limited, filed its return of income on 29.09.2022 declaring a loss of Rs. 10,56,35,105/- for A.Y. 2022-23. During assessment proceedings, after examining the information filed, the Assessing Officer passed an order under section 143(3) r.w.s. 144B determining the total income at Nil **and reducing the returned loss to Rs. 5,18,07,905/-**. **This reduction was due to an addition of Rs. 5,59,39,900/-, being 10% of the total expenditure of Rs. 5,593.99 lakhs claimed under major heads such as raw material cost (Rs. 3,294.58 lakhs), manufacturing and direct expenses (Rs. 552.16 lakhs), employees' cost (Rs. 916.72 lakhs), administrative and general expenses (Rs. 656.68 lakhs), and selling and distribution expenses (Rs. 173.86 lakhs).** The

AO held that although some replies were filed, the assessee failed to furnish any documentary evidence to prove the genuineness of the expenditure. The Assessing Officer issued a show cause notice proposing a disallowance of 30%, but after considering the assessee's submissions—which mainly relied on a comparative analysis of two years—the AO disallowed 10% of the expenses. The AO also held that in the absence of vouchers, bills or evidence for the expenditure, the addition of Rs. 5,59,39,900/- was made. Interest under sections 234A, 234B, 234C and 234D was also charged as being consequential.

4. In appeal before CIT(Appeals), the assessee submitted detailed financial comparisons to justify that the disallowance was arbitrary. The assessee submitted that income from operations increased from Rs. 31.64 crores in FY 2020-21 to Rs. 47.28 crores in FY 2021-22, reflecting an increase of nearly 50%, while expenditure increased from Rs. 40.62 crores to Rs. 50.21 crores, showing an increase of only about 24%. The assessee also pointed out that the earlier year's "other income" included a one-time exceptional item of Rs. 1501.58 lakhs, making year-to-year comparison misleading. It was submitted that overall sales increased by Rs. 15.64 crores and total expenses decreased by Rs. 5.50 crores, and therefore a disallowance of 10% of expenses was not justified, especially when all accounts were audited.

5. The CIT(A), after examining the assessment record and submissions, held that the assessee had indeed claimed total expenditure of Rs. 5,593.99 lakhs but failed to produce even basic supporting documents either before the

AO or during the appellate proceedings. The CIT(A) rejected the assessee's comparative analysis on the ground that it did not address the core issue of non-furnishing of evidence. The CIT(A) highlighted that the assessee's **total receipts** were Rs. 4,745.51 lakhs in FY 2021-22 compared to Rs. 4,665.88 lakhs in FY 2020-21—an increase of only Rs. 79.63 lakhs—whereas **total expenditure** increased from Rs. 4,062.23 lakhs to Rs. 5,021.21 lakhs, an increase of Rs. 958.98 lakhs, which was disproportionate to the increase in receipts. Since the assessee could not substantiate the genuineness of the expenditure with any documentary evidence, the estimated disallowance of 10% made by the AO amounting to Rs. 5,59,39,900/- was upheld. As regards the levy of interest under sections 234A, 234B, 234C and 234D, the CIT(A) held that it was purely consequential and required no separate adjudication. The other grounds were found to be general in nature. Accordingly, the appeal was dismissed.

6. The assessee is in appeal before us against the order passed by CIT(Appeals) dismissing the appeal of the assessee.

7. **We have heard the rival contentions and perused the material on record**, and we find that the sole issue for consideration is whether the ad-hoc disallowance of 10% of total expenditure amounting to Rs. 5,59,39,900/- sustained by the CIT(A) is justified. The assessee has placed on record detailed comparative figures of earlier years showing that income from operations increased substantially from Rs. 31.64 crores in the preceding year to Rs. 47.28 crores in the present year an increase of nearly 50% while total expenditure increased only from Rs. 40.62 crores to Rs. 50.21 crores, which

is an increase of about 24%. The assessee also demonstrated that the previous year contained a one-time exceptional non-operating income of Rs. 15.01 crores, thereby distorting the comparative picture relied upon by the Assessing Officer and CIT(Appeals). We are of the considered view that these comparative figures establish that the business operations expanded significantly and the increase in expenses was commensurate with the increase in turnover.

8. We observe that both the Assessing Officer and the CIT(A) proceeded to make and confirm the addition merely on the ground that the assessee could not furnish certain documents during the assessment proceedings. However, the law is well settled that **no disallowance can be made on an ad-hoc or estimated basis in the absence of specific defects being pointed out in the books of account.** The Assessing Officer has not rejected the books of account under section 145(3), nor has he identified any particular expenditure that is unverifiable or non-genuine. It is trite law that when the accounts are duly audited and no specific defects are found, an ad-hoc disallowance cannot be sustained. This legal principle has been consistently upheld by various Courts and Tribunals. In the case of **Principal Commissioner of Income Tax vs. R.G. Buildwell Engineers Ltd. [2018] 99 taxmann.com 284 (SC)/[2018] 259 Taxman 370 (SC)[01-10-2018]**, the issue in dispute concerned the allowability of business expenditure claimed by the assessee towards items such as bricks, machinery repair, cartage and labour expenses. During assessment, the Assessing Officer disallowed 10% of these expenses on the basis that the assessee had not furnished sufficient evidence. In appeal,

the Tribunal deleted the disallowance, holding that an ad-hoc disallowance could not be sustained because the assessee's books of account had not been rejected and similar expenses had consistently been allowed in preceding scrutiny assessments. The High Court affirmed the Tribunal's view, observing that in the absence of rejection of books or identification of any specific defect, such estimated disallowance was unjustified. The Supreme Court, in Special Leave Petition proceedings, declined to interfere and dismissed the SLP, thereby upholding the High Court's decision in favour of the assessee. In the case of **Principal Commissioner of Income-tax vs. Remfry and Sagar [2025] 179 taxmann.com 623 (Delhi)[15-10-2025]**, the High Court held that where assessee's claim for travelling and entertainment expenses was subjected to ad hoc disallowance of 5 per cent by Assessing Officer without pointing out discrepancies in books or producing evidence of personal element, such disallowance was to be deleted.

9. In the present case, the Assessing Officer has neither pointed out any instance of bogus expenditure nor invoked section 145(3). He has accepted the audited books of account and yet proceeded to make a flat disallowance of 10% of total expenditure. Such an action is clearly contrary to the settled legal position. The comparative data furnished by the assessee also shows that the increase in expenses is reasonable and in line with business growth. Therefore, in our considered view, the addition made by the AO and sustained by the CIT(A) is purely ad-hoc and not supported by any cogent reasoning or legal basis.

10. In view of the above discussion and applying the ratio of the judicial precedents cited herein, we hold that the disallowance of Rs. 5,59,39,900/- made on an ad-hoc basis is liable to be deleted. We accordingly set aside the order of the CIT(A) and direct the Assessing Officer to delete the entire addition. The grounds relating to interest under sections 234A, 234B, 234C and 234D are consequential and shall follow the outcome of this order.

11. **In the result, the appeal of the assessee is allowed.**

Now we shall discuss the assessee's appeal for assessment year 2014-15 (in ITA Number 981/Ahd/2023)

12. The assessee has raised the following grounds of appeal:

“(1) That on facts, in law, and on evidence on record, the learned National Faceless Appeal Centre (NFAC) has grievously erred in confirming the addition of Rs.2,00,000/- made towards sale Value of land.

(2) That on facts, in law, and on evidence on record, the learned National Faceless Appeal Centre (NFAC) has grievously erred in confirming the disallowance of Rs. 44,00,000/- being Brokerage Expenses.

(3) That on facts, in law, and on evidence on record, the learned National Faceless Appeal Centre (NFAC) has grievously erred in confirming the disallowance of Rs.12,00,000/- being Provision of Warranty Expenses.

(4) The appellant craves leave to add, alter, amend any ground of appeal.”

13. The brief facts of the case are that the assessee, Anupam Industries Limited, engaged in manufacturing industrial cranes, filed its return of income for A.Y. 2014-15 declaring income of Rs. 8,70,75,800/-. A revised return was filed and assessment was completed under section 143(3)

determining income at Rs. 11,94,02,980/- after making certain additions. In appeal, partial relief was granted and the AO passed an appeal-effect order determining income at Rs. 8,73,60,961/-. Later, the Principal CIT invoked section 263 of the Act and set aside the assessment, holding it to be erroneous and prejudicial to the interests of the Revenue. Pursuant thereto, a fresh assessment under section 143(3) r.w.s. 263 was passed on 18.12.2019 determining income at Rs. 9,32,45,653/-, making three additions—(i) Rs. 2,00,000/- on account of difference in sale consideration of land, (ii) Rs. 44,00,000/- on account of alleged non-genuine brokerage payment, and (iii) Rs. 12,00,000/- being provision for warranty expenses. Aggrieved, the assessee carried the matter in appeal before the CIT(A).

14. On the issue relating to the provision for warranty expenses of Rs. 12,00,000/-, the AO observed that the amount was merely a provision, unsupported by workings, historical data, or agreement terms. The assessee argued that the provision was based on past trends, auditor guidance, and contractual obligations, and relied on the Supreme Court decision in *Rotork Controls India (P.) Ltd. v. CIT*. **However, the CIT(A) held that the assessee had not furnished any historical trend, details of past provisions, reversals, or evidence of warranty obligations. Since the assessee failed to bring supporting material and did not satisfy the conditions laid down in *Rotork Controls* (where historical trend and systematic data are mandatory), the disallowance was confirmed.**

15. The assessee is in appeal before us against the order passed by CIT(Appeals) dismissing the appeal of the assessee. Before us, the Counsel

for the assessee submitted that he shall not be pressing Ground Numbers 1 and 2 (addition of Rs. 2 lakhs towards sale value of land and disallowance of Rs. 44 lakhs towards brokerage expenditure) and accordingly, Grounds Number 1 and 2 are being dismissed as “Not Pressed”.

16. The only surviving issue before us is the disallowance of Rs. 12,00,000/- relating to the provision for warranty expenses.

17. The record shows that the Assessing Officer disallowed the provision on the ground that no working, historical data, basis of estimation, or agreement terms were furnished. The CIT(A) confirmed the disallowance holding that the assessee had failed to substantiate the claim in terms of the principles laid down by the Hon’ble Supreme Court in Rotork Controls India (P.) Ltd. v. CIT, wherein it was held that a provision for warranty is allowable only when supported by a consistent and reliable historical trend. Before us, however, the Counsel for the assessee submitted that the warranty period in the present line of business is only 12 months and that the warranty provision made during the year is fully reversed in the immediately succeeding year. It was therefore submitted that the provision is not an unascertained liability but a timing adjustment consistent with accounting principles, and that the reversal of the provision in the following year is verifiable from the audited accounts.

18. Since this specific contention of the assessee regarding yearly reversal of warranty provision was not examined either by the Assessing Officer or by the CIT(A), and since the allowability of such provision depends

substantially on factual verification of reversals, past trends and consistency, we are of the considered view that the matter requires fresh examination. The issue cannot be adjudicated without verifying whether the warranty liability is regularly and fully reversed in the next year and whether the assessee has been following a consistent method over the years.

19. Accordingly, in the interest of justice, we set aside the findings of the CIT(A) on this issue and restore the matter to the file of the Assessing Officer for de-novo consideration. The Assessing Officer shall examine the assessee's claim afresh, **specifically verifying the reversal of warranty provision in the subsequent year, the pattern of such reversals in earlier years, and the consistency of the method followed by the assessee.** The assessee may be afforded adequate opportunity to produce all relevant documentary evidence in support of its claim.

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

Now we shall deal with assessment year 2017-18, where both the assessee and Department are in appeal before us.

We shall first deal with the assessee's appeal (in ITA Number 982/Ahd/2023)

21. **The assessee has raised the following Grounds of Appeal:**

“(1) That on facts, in law, and on evidence on record, the learned National Faceless Appeal Centre (NFAC) has grievously erred in confirming the disallowance made u/s 43B of the Act of Rs. 4,09,590/-.,

(2) That on facts, in law, and on evidence on record, the learned National Faceless Appeal Centre (NFAC) has grievously erred in confirming the disallowance of Rs.44,00,000/- being interest as inadmissible u/s 23 of Micro, Small & Medium Enterprises Development (MSMED), Act, 2006.

(3) That on facts, in law, and on evidence on record, the learned National Faceless Appeal Centre (NFAC) has grievously erred in confirming the disallowance made u/s 43B of the Act of Bonus of Rs.30,69,781/-, Leave Encashment Rs .59,24,017/- Gratuity Rs.38,66,670/- CST Rs.89,27,589/- and Excise Duty Rs.4,70,41,546/-.

(4) That, in the alternate, and without prejudice to the above ground of appeal, if any disallowance is sustained u/s 43B of the Act, then, a direction ought to be given to allow the respective amount in the year of actual payment made.

(5) That on facts, in law, and on evidence on record, the learned National Faceless Appeal Centre (NFAC) has grievously erred in confirming the disallowance made u/s 2(24)(x) of the Act of Rs. 48,33,282/- in respect of Employees contribution to PF.

(6) The appellant craves leave to add, alter, amend any ground of appeal.”

22. The brief facts of for assessment year 2017-18 are that the assessee filed a belated return of income for A.Y. 2017-18 declaring a loss of Rs. 90,10,283/-. The case was selected for complete scrutiny under CASS and the Assessing Officer completed the assessment under section 143(3) on 23.12.2019 assessing the total income at Rs. 17,69,52,486/-. In finalizing the assessment, the AO made several additions. He first disallowed Rs. 9,90,24,205/-, comprising CENVAT duty of Rs. 9,51,33,000/- and penalty of Rs. 38,91,205/-, treating the entire amount as penal in nature following Explanation 1 to section 37(1) and various judicial precedents. The Assessing Officer then disallowed Rs. 2,19,479/- under section 37(1) of the Act, treating certain vehicle, telephone and electricity expenses of directors as personal in nature. The AO made a further disallowance of Rs. 4,09,590/- under section

40A(3) for cash payments exceeding permissible limits. The AO also disallowed interest of Rs. 46,47,106/- under section 37(1), holding that interest payable under the MSMED Act is expressly barred as a deduction under section 23 of that Act. Further, the Assessing Officer disallowed a sum of Rs. 7,08,10,597/- under section 43B as statutory dues not paid on or before the due date under section 139(1) of the Act. The AO further added Rs. 48,33,282/- under section 2(24)(x) of the Act for delayed deposit of employees' PF contribution, relying on the decision of the Gujarat High Court in *Gujarat State Road Transport Corporation*. Lastly, interest of Rs. 60,18,510/- received under section 244A was brought to tax as the assessee had not included it in its return.

23. In appeal, the CIT(Appeals) considered each issue in detail. For the CENVAT addition, the CIT(A) found that the AO had wrongly taken the total at Rs. 9,90,24,205/- instead of the correct debit of Rs. 9,70,31,000/- and, applying the Supreme Court decision in *Prakash Cotton Mills (P.) Ltd.*, held that only the penal component of Rs. 38,91,205/- was disallowable while the balance Rs. 9,31,39,795/- represented duty and was allowable. Therefore, this ground was partly allowed. Regarding the disallowance of Rs. 2,19,479/- under section 37(1), the CIT(A) noted that the expenses were taxed as perquisites in the hands of the directors, were supported by Form 16 and Form 12BA, and hence were not personal in nature. Accordingly, the disallowance was deleted. On the section 40A(3) addition of Rs. 4,09,590/-, the CIT(A) held that the assessee failed to produce supporting evidence such as bills, vouchers or proof of applicability of Rule 6DD, and upheld the entire

disallowance. As regards the interest of Rs. 46,47,106/- under the MSMED Act, the CIT(A) agreed with the AO that section 23 of the MSMED Act expressly prohibits such interest from being allowed as a deduction under the Income Tax Act, and noted that the assessee had not provided any contrary material; therefore, the disallowance was confirmed. **On the disallowance under section 43B, the assessee admitted that bonus of Rs. 30,69,781/- and professional tax of Rs. 3,65,795/- were not paid on time, and the CIT(A) upheld those disallowances. The CIT(A) accepted the assessee's contention that the balance bonus of Rs. 19,15,199/- had been paid before the due date of filing the return and deleted that portion subject to verification.** However, **for leave encashment of Rs. 59,24,017/-, gratuity of Rs. 38,66,670/-, CST payable of Rs. 89,27,589/- and excise duty of Rs. 4,70,41,546/-,** the CIT(A) held—following section 43B and the Supreme Court judgment in *Union of India v. Exide Industries Ltd.*—that these amounts were not allowable as they were not paid within the prescribed statutory time. On the addition of **Rs. 48,33,282/- relating to employees' PF contribution, the CIT(A) examined the provisions of sections 2(24)(x), 36(1)(va) and 43B and held, in light of the Supreme Court judgment in Checkmate Services (P.) Ltd. v. CIT, that employee contributions not deposited** within the due date under the respective labour laws are disallowable, and therefore upheld the addition.

24. Before us, the Counsel for the assessee submitted that the assessee shall not be pressing for Ground Numbers 1 and 2, and accordingly the same are dismissed as “Not Pressed”.

25. With respect to Ground Number 3, the Counsel for the assessee submitted that the assessee has paid the same within the due date being 30-11-2017 and accordingly, no disallowance is called for. Accordingly, in the interest of justice, Ground Number 3 of the assessee's appeal is hereby restored to the file of JAO for necessary verification and to allow relief in accordance with law. The assessee would be at liberty to produce supporting evidence in support of its case.

26. With respect to Ground Number 5, disallowance of Rs. 48,33,282/- relating to delay in employees' PF contribution, the record shows that the assessee had admittedly deposited the employees' contribution after the due dates prescribed under the relevant Provident Fund Act. The CIT(A) has examined the matter in detail with reference to sections 2(24)(x), 36(1)(va) and 43B of the Income-tax Act and has rightly held that the statutory scheme draws a clear distinction between the employer's contribution governed by section 43B and the employees' contribution governed specifically by section 36(1)(va). The Hon'ble Supreme Court in **Checkmate Services (P.) Ltd. v. CIT (2022) 143 taxmann.com 178** has conclusively settled the legal position that employees' contributions deducted from salaries constitute income under section 2(24)(x) and are allowable as deduction only if deposited within the due dates prescribed under the respective labour welfare enactments. The Supreme Court has further held that section 43B does not override section 36(1)(va) and that belated deposits of employees' contributions, even if made before the due date of filing the return of income, are not allowable. In the present case, the assessee has not shown that the payments were made within

the statutory due dates, and therefore the disallowance made by the Assessing Officer and confirmed by the CIT(A) is in accordance with law.

27. In these circumstances, and respectfully following the binding decision of the Hon'ble Supreme Court in *Checkmate Services*, we find no infirmity in the order of the CIT(A). Accordingly, the appeal of the assessee on this issue is dismissed.

Now we shall discuss Department's appeal (in ITA Number 1015/Ahd/2023)

28. The Department has raised the following Grounds of Appeal:

“1. That on the facts and in the circumstances of the case and in law, the Ld.CIT(A) erred in deleting the addition of Rs.9,90,24,205/- without appreciating the fact that the amounts paid represent fraudulent claims made by the assessee, which are penal in nature, and the same cannot be allowed as expenditure as per the provisions of Section 37(1) of the Income-tax Act, 1961?”

2. The appellant craves leaves to add, modify, amend or alter any grounds of appeal at the time of, or before, the hearing of appeal.”

29. Before us, Ld. DR submitted that, on the facts and in the circumstances of the case and in law, the learned CIT(A) erred in deleting the addition of Rs. 9,90,24,205/- made by the Assessing Officer towards CENVAT duty and penalty paid by the assessee to the DGCEI. The Assessing Officer had brought on record that the said amount represented fraudulent CENVAT credit claims availed by the assessee, which were detected during search proceedings conducted by the Directorate General of GST Intelligence on 29.11.2016. The assessee not only admitted to having availed ineligible

CENVAT credit but also paid the quantified amount during investigation. The AO held that such payments arose directly from acts that were in violation of law and therefore amounted to penal consequences falling squarely within the mischief of Explanation 1 to section 37(1) of the Income-tax Act. Explanation 1, as inserted by the Finance (No.2) Act, 1998 with retrospective effect from 01.04.1962, clearly provides that any expenditure incurred for a purpose which constitutes an offence or which is prohibited by law shall not be allowed as a deduction. The CIT(A), however, deleted the addition by bifurcating the total amount into a so-called "duty component" of Rs. 9,31,39,795/- and a "penalty component" of Rs. 38,91,205/-, allowing the former as a deductible expenditure. submits that this approach of the CIT(A) fails to appreciate the factual and legal position that the entire outflow arose only because the assessee had fraudulently claimed CENVAT credits in violation of the Excise law, which was detected during search proceedings. The recovery of ineligible credit, together with interest and penalty, is a direct consequence of an unlawful act admitted by the assessee itself. Even though styled partly as "duty", the payment fundamentally represents a reversal of fraudulently availed credit and is inherently penal in nature. In view of these facts, the deletion of the addition by the CIT(A) is contrary to law as well as contrary to Explanation 1 to section 37(1), which categorically bars deduction of amounts paid in connection with offences or activities prohibited by law. Ld. DR accordingly submitted that the order of the CIT(A) deserves to be reversed and the addition made by the Assessing Officer should be restored in full.

30. We have heard the rival contentions and perused the material on record. The CIT(A), after examining the assessment records, the tax audit report, the excise documents, and the detailed submissions of the assessee, found that the Assessing Officer had incorrectly computed the disallowance by including an amount of Rs. 9,51,33,000/- instead of the actual debit of Rs. 9,31,39,795/- representing reversal of CENVAT credit/duty, and that only the amount of Rs. 38,91,205/- represented penalty and fine. Relying on the binding law laid down by the Hon'ble Supreme Court in *Prakash Cotton Mills (P.) Ltd. v. CIT* (201 ITR 684), the CIT(A) held that where a statutory payment is composite in nature, the authority is duty-bound to bifurcate the penal element from the compensatory or duty component and allow deduction to the extent it represents a compensatory outflow. The CIT(A), on facts, found that the bulk of the amount represented duty which the assessee was otherwise liable to pay, and only a small portion reflected penalty. Accordingly, the CIT(A) allowed Rs. 9,31,39,795/- as a deductible business expenditure while sustaining disallowance of Rs. 38,91,205/-. Explanation 1 to section 37(1) disallows only expenditure incurred for any purpose which is an offence or prohibited by law; it does not extend to statutory dues or duty payments that are compensatory in nature. The Hon'ble Supreme Court in *Prakash Cotton Mills* has categorically held that the nature of each component must be examined and only the penal portion, if any, can be disallowed. Applying this ratio, we are of the considered view that the CIT(A) has taken a fair and legally correct view in allowing the duty portion.

31. Accordingly, the appeal of the Department is dismissed.

ITA Nos. 1882/Ahd/2024 & 981&982/Ahd/2023
Anupam Industries Ltd. Vs. ACIT
& ITA No. 1015/Ahd/2023
ACIT vs. Anupam Industries Ltd.
Asst. Years-2014-15, 2017-18 & 2022-23

- 18-

32. In the combined result, the appeal filed by the assessee in ITA No. 1882/Ahd/2024 for A.Y. 2022-23 is allowed, in ITA No. 981/Ahd/2023 for A.Y. 2014-15 is allowed for statistical purposes and ITA No. 982/Ahd/2023 for A.Y. 2017-18 is dismissed and the appeal by the Department in ITA No. 1015/Ahd/2023 for A.Y. 2017-18 is dismissed.

This Order pronounced in Open Court on

17/11/2025

Sd/-
(DR. BRR KUMAR)
VICE PRESIDENT

Ahmedabad; Dated 17/11/2025

TANMAY, Sr. PS

TRUE COPY

आदेश की प्रतिलिपि अग्रेषित/Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, अहमदाबाद / DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

उप/सहायक पंजीकार (Dy./Asstt.Registrar)
आयकर अपीलीय अधिकरण, अहमदाबाद / ITAT, Ahmedabad