

**IN THE INCOME TAX APPELLATE TRIBUNAL
COCHIN BENCH**

**BEFORE SHRI INTURI RAMA RAO, AM
AND SHRI MANU KUMAR GIRI, JM**

**ITA No. 733/Coch/2025
Assessment Year: 2021-22**

KLF Nirmal Industries Pvt. Ltd. Appellant
Father Dismas Road, Irinjalakuda 680125
[PAN: AADCK4657K]

vs.

Dy. Commissioner of Income Tax, Thrissur Respondent

Assessee by: Shri Ashok Cheeran, CA
Revenue by: Smt. Leena Lal, Sr. D.R.

Date of Hearing: 04.11.2025
Date of Pronouncement: 20.11.2025

ORDER

Per: Inturi Rama Rao, AM

This appeal filed by the assessee is directed against the order of the National Faceless Appeal Centre, Delhi (NFAC) dated 19.08.2025 for Assessment Year (AY) 2021-22.

2. Brief facts of the case are that the appellant is a company incorporated under the provisions of Companies Act, 1956. The return of income for AY 2021-22 was filed on 31.03.2022 declaring income of Rs. 5,17,90,870/-. Against the said return of income, the assessment was completed by the Assessment Unit, Income Tax Department (hereinafter called "the AO") vide order dated

27.12.2022 passed u/s. 143(3) r.w.s. 144B of the Income Tax Act, 1961 (the Act) at total income of Rs. 7,67,18,167/-. While doing so, the AO made disallowance of purchase of Rs. 2,49,27,297/- out of the total purchase of Rs. 1,24,63,64,860/- by holding that the appellant had failed to provide the details of purchases and payments made partywise and copies of ITR, confirmation from parties from whom the assessee had made purchases.

3. Being aggrieved, an appeal was filed before the CIT(A), who vide the impugned order confirmed the action of the AO by holding that the AO made only small disallowances which amounts to Rs. 1.384% of the entire purchases.

4. Being aggrieved, the appellant is in appeal before this Tribunal in the present appeal.

5. The learned counsel for the assessee submits that the AO ought not have made ad hoc disallowances without any basis or finding any defect in the books of account. He further submits that the CIT(A), without meeting the submissions of the appellant, merely confirmed the action of the AO.

6. On the other hand, the learned Sr. DR opposed the submission of the appellant.

7. We have heard the rival contentions and perused the material available on record. The issue in the present appeal relates to the ad

hoc disallowance of portion of the purchases claimed as deduction. The assessing authority had disallowed the sum of Rs. 1.24 crores being 1.3% of the total purchase made for the reason that the appellant had failed to file the details as sought by the AO. Even before the CIT(A) or before this Tribunal the appellant had not filed the details as called for by the AO. The failure of the assessee to produce the details trigger doubts in the minds of the authorities as to the genuineness of the purchases made by the appellant. Further, it is submitted that in view of the very nature of the transaction, furnishing of such details is humanly impossible. Therefore, no ad hoc disallowance can be made without rejecting the books of account. Now it is trite law that even in the case of bogus purchase only the profit element embedded therein should be added to the taxable income. Keeping in view this settled position of law, we are of the considered opinion that the matter requires remand to the AO to apply the appropriate percentage of profit instead of making disallowance on ad hoc basis.

8. In the result, the appeal filed by the assessee stands partly allowed for statistical purposes.

Order pronounced in the open court on 20th November, 2025.

Sd/-

(MANU KUMAR GIRI)
JUDICIAL MEMBER

Sd/-

(INTURI RAMA RAO)
ACCOUNTANT MEMBER

Cochin, Dated: 20th November, 2025

n.p.

Copy to:

1. The Appellant
2. The Respondent
3. The Pr. CIT concerned
4. The Sr. DR, ITAT, Cochin
5. Guard File

By Order

Assistant Registrar
ITAT, Cochin