

आयकर अपीलीय न्यायाधिकरण में, हैदराबाद 'बी' बेंच, हैदराबाद  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**Hyderabad "B" Bench, Hyderabad**

श्री मंजूनाथ जी, माननीय लेखा सदस्य एवं श्री रवीश सूद, माननीय न्यायिक सदस्य  
**SHRI G. MANJUNATHA, HON'BLE ACCOUNTANT MEMBER**  
**AND**  
**SHRI RAVISH SOOD, HON'BLE JUDICIAL MEMBER**

आयकरअपीलसं./I.T.A.No.1179/Hyd/2025  
(निर्धारण वर्ष/ Assessment Year: 2015-16)

Sri Rama Agri Genetics (INDIA) Private Limited, Kurnool.  PAN : AAJCS5041F	Vs.	The Deputy Commissioner of Income Tax, Circle - 1, Kurnool.
<b>(अपीलार्थी/ Appellant)</b>		<b>(प्रत्यर्थी/ Respondent)</b>

करदाता का प्रतिनिधित्व/ Assessee Represented by	:	Mr. S. Venkateswarlu, Tax Consultant.
राजस्व का प्रतिनिधित्व/ Department Represented by	:	Dr. Narendra Kumar Naik, CIT-DR
सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing	:	17.11.2025
घोषणा की तारीख/ Date of Pronouncement	:	21.01.2026

**ORDER**

**PER MANJUNATHA G., A.M :**

This appeal filed by the assessee is directed against the order of the learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre [in short "NFAC"], Delhi, dated 11.06.2025, pertaining to the assessment year 2015-16.

2. The grounds raised by the assessee read as under :

*“1. The Ld. CIT(A) erred in disallowing an amount of Rs. 4,60,131 1 paid to Ministry of Corporate Affairs/ROC ignoring the provisions of the Act.*

*2. The appellant craves leave to add, alter OR amend the above grounds of appeal before OR in course of hearing.*

*3. The order of the Ld. CIT(A) is bad in both law and on facts of the case.*

*4. The Ld. CIT(A) erred in confirming an addition of Rs 8,77,278 being interest paid by the appellant on late payment of TDS, without considering the judicial pronouncements in favour of the assessee.*

*5.The Ld. CIT(A) erred in confirming the disallowance of Rs 5 11,08,678/- u/s 36(1)(iii) of the Act being interest expense, without considering the facts submitted by the appellant.*

*6. The Ld. CIT(A) erred in confirming the disallowance of cash discount of Rs. 1,53,67,316/- by stating that the appellant has not furnished the break-up/Details of the amount of Rs. 1,53,67,316 both during the assessment and the appellate proceedings, though the same were furnished by the appellant before the AO during assessment proceedings.*

*7. The Ld. CIT(A) erred in upholding the disallowance of Rs 13,00,57,930/-made by the AO out of total seed purchase of Rs 7 28,13,75,221/- on the alleged ground that the details of suppliers like PAN were not furnished proving the incurring of expenditure towards seed purchases.*

*8. The action of the Ld. CIT(A) in confirming disallowance of Rs 8 13,00,57,930/- on account of seed purchase is bad in law without pointing out any discrepancy either in the sales OR stock.”*

3. The brief facts of the case are that, the assessee company is engaged in the business of production of agri-seeds and also research and development activities, filed its return of income for

the assessment year 2015-16 on 31.10.2015 admitting total income of Rs. 45,25,020/-. The assessment has been completed under Section 143(3) of the Income-Tax Act, 1961 (for short the "Act") on 22.12.2017 and assessed the total income at Rs. 56,09,955/-. Thereafter, the order under Section 263 of the Act was passed in assessee's case on 13.03.2020 by the learned PCIT and set aside the order of the A.O. to verify the issues discussed in 263 proceedings like the claim of interest on TDS under Section 201(1A), belated payment of contribution to EPF and ESI, loans and advances given to related parties and expenditure incurred by the assessee under the head "trade discounts", "seed purchases" and also amount debited under the head "ROC charges". Consequent to the order passed by the learned PCIT under Section 263 of the Act, the A.O. issued notice under Section 142(1) of the Act on various dates and called upon the assessee to furnish relevant details.

4. The A.O., after considering the relevant submissions of the assessee and also taking note of the reasons given by the learned PCIT, has passed order under Section 143(3) r.w.s. 263 r.w.s.

144B of the Income-tax Act, 1961, on 24.09.2021 and determined the total income at Rs. 28,46,91,790/- by making additions of Rs. 8,77,278/- towards disallowance of interest on TDS and further disallowance of EPF & ESI under Section 36(1)(va) for Rs. 3,66,095/-, addition towards disallowance of interest expenditure under Section 36(1)(iii) for Rs. 11,08,678/-, disallowance of expenses claimed by the assessee under the head 'trade discounts' and 'seed purchases' to the tune of Rs. 18,31,21,070/- and addition towards advances under Section 68 of the Act for Rs. 1,99,60,299/- and addition towards cessation of liabilities under Section 41(1) of the Act for Rs. 7,30,75,930/-.

5. Aggrieved by the assessment order, the assessee preferred appeal before the Ld. CIT(A). Before the Ld. CIT(A), the assessee had challenged the additions made by the A.O. for the reasons stated in the assessment order dated 24.09.2021. The appeal filed by the assessee was partly allowed, wherein the Ld. CIT(A) deleted the addition made by the A.O. under Section 68 of the Act for Rs. 1,99,60,299/- and also deleted the addition made by the A.O. towards the cessation of liability under Section 41(1) of the Act for Rs. 7,30,75,930/-. The learned CIT(A) has also partly allowed

relief to the assessee in respect of addition made towards trade discount, and out of the addition made by the A.O. for Rs. 5,30,63,140/-, sustained addition to the extent of Rs. 1,53,67,360/- and deleted the balance addition of Rs. 3,76,95,824/-. The learned CIT(A) has allowed partial relief, in respect of addition made towards disallowance of ROC charges by allowing relief of Rs. 1,12,350/- and sustained the balance addition of Rs. 4,60,131/-. However, the learned CIT(A) sustained additions made by the A.O. towards disallowance of interest on TDS, disallowance of EPF & ESI and disallowance of interest under Section 36(1)(iii) of the Act. The learned CIT(A) has also confirmed the addition made towards disallowance of seed purchases for Rs. 13,00,57,930/-.

6. Aggrieved by the order of the learned CIT(A), the assessee is now in appeal before the Tribunal.

7. The first issue that came up for our consideration from Ground no.7 of the assessee's appeal is addition of Rs. 4,60,131/- towards ROC fee paid for increase in authorised capital.

8. During the course of assessment proceedings, it is seen from the Profit and Loss Account of the assessee, the assessee has debited a sum of Rs. 5,72,481/- towards the ROC charges. The A.O. called upon the assessee to file relevant details, for which the assessee failed to furnish any details. The A.O. issued one more show-cause notice and asked the assessee to file its objections, if any, for the proposed disallowance of expenditure, for which the assessee vide letter dated 24.09.2021 submitted that, it has incurred expenditure towards payment of fee to ROC for increase in authorised capital and the same has been used for working capital requirement of the assessee company and the same is in the nature of revenue expenditure and it should be allowed. The A.O., after considering the submissions of the assessee and also by following the decision of Hon'ble Supreme Court in the case of Punjab State Industrial Development Corporation Limited Vs. CIT, 225 ITR 792 and Brooke Bond India Limited Vs. CIT, 225 ITR 798, disallowed ROC charges paid of Rs. 5,72,481/- on the ground that, the expenditure incurred towards increase in authorised capital of the assessee company is capital in nature and the same

cannot be allowed under Section 37(1) of the Income-tax Act, 1961.

9. On appeal, the Ld. CIT(A) allowed partial relief to the assessee on the ground that, on perusal of the details submitted by the assessee, it is seen that, an amount of Rs. 4,60,131/- was incurred towards increase in authorised capital and the balance amount was towards filing charges. Therefore, the Ld. CIT(A) confirmed the disallowance towards ROC charges paid for increase in authorised capital and allowed the fee paid towards filing charges.

10. The learned counsel for the assessee, Shri S. Venkateswarlu, Tax Consultant, submitted that, the Ld. CIT(A) erred in sustaining ROC charges paid of Rs. 4,60,131/- for increase in authorised capital of the assessee company without appreciating the fact that the same is in the nature of revenue expenditure or in the alternative should be treated as preliminary or pre-operative expenses and 1/5<sup>th</sup> of the said expenditure should be allowed as deduction for the year under consideration. In this regard, reliance was placed on the decision of ITAT Hyderabad Bench in

the case of DCIT Vs. Mercury Projects Pvt. Ltd. in ITA No. 450/Hyd/2017 dated 18.07.2018.

11. The Ld. CIT-DR for the Revenue, Dr. Narendra Kumar Naik, on the other hand, supporting the order of the Ld. CIT(A), submitted that, the issue is covered against the assessee by the decision of Hon'ble Supreme Court, in the case of Brooke Bond India Ltd. Vs. CIT 225 ITR 798, wherein it has been held that, fee paid to ROC for increase in authorised capital, is capital in nature, and the same cannot be allowed as deduction under Section 37(1) of the Act.

12. We have heard both the parties, perused the material available on record and had gone through the orders of the authorities below. We have also carefully considered the decision relied upon by the assessee in case of ITAT, Hyderabad Bench in the case of DCIT Vs. Mercury Projects Pvt. Ltd. (ITA 450/Hyd/2017) and find that, the co-ordinate Bench of the Tribunal has decided the issue of ROC fee paid for increase in authorised capital in the light of the provisions of Section 35D of the Act and by following the decision of Hon'ble Supreme Court in

the case of Shasun Chemicals and Drugs India Limited Vs. CIT, Civil Appeal No. 9611 of 2016 arising out of SLP (C) No. 31962 of 2011, held that, the ROC fee paid for increase in authorised capital of the company falls under the provisions of Section 35D of the Act and therefore, the assessee is entitled to claim deduction towards 1/5<sup>th</sup> of the said expenditure for a period of five years.

The relevant findings of the Tribunal are as under :

*“11. Ground no: 06 relates to disallowance of ROC charges of Rs. Rs.5,72,481/-. The PCIT vide order u/s 263 of the IT Act dated 22-12-2017 held that the issue needs verification and the same was not carried out by the AO in the original assessment order. The AO observed that the appellant had claimed Rs.5,72,481/- as ROC charges and the same included ROC charges paid for increase in share capital authorised capital and stamp duty. The AO disallowed the said amount as it is in the nature of capital expenditure.*

*11.1 During the appellate proceedings, the appellant submitted that AO had made a disallowance of Rs.5,72,481/- being the ROC charges treating the same as the expense in the nature of Capital without limiting the amount exceeding the allowable amortized portion of 1/5<sup>th</sup> of the ROC Charges. On perusal of the details submitted by the appellant it is seen that an amount of Rs.4,60,131/- was incurred towards the increase in the authorised share capital and the balance was towards filing charges. Thus, it is evident that an amount of Rs.4,60,131/- is in the nature of capital expenditure as held by various courts. Therefore, the action of the AO is upheld. The AO is directed to restrict the addition made to Rs.4,60,131/-. The balance amount pertaining to filing charges is to be allowed as an expenditure u/s 37 of the Act. Accordingly, the ground no :06 is partly allowed.”*

13. We further note that, the Hon'ble Supreme Court in the case of Shasun Chemicals and Drugs India Limited (supra) has also

considered its earlier decision in the case of Brooke Bond India Limited Vs. CIT (supra) and held that, those judgments were rendered when Section 35D was not on the statute book and the insertion of Section 35D has altered the legal position. In view of the above and by following the decision of the co-ordinate Bench of the Tribunal, ITAT Hyderabad, we direct the A.O. to allow 1/5<sup>th</sup> of the sum of Rs. 4,60,131/- as deduction for the year under consideration towards ROC fee paid for increase in authorised capital of the assessee company.

14. The next issue that came up for our consideration from ground no. 4 of the assessee's appeal is addition made towards disallowance of interest paid on TDS under Section 201(1A) of the Act.

15. The A.O. disallowed interest paid under Section 201(1A) of the Act on TDS deducted by the assessee on the ground that, the said interest is in the nature of interest paid on income-tax and not allowable as deduction. It was the argument of the assessee before the A.O. that interest paid on TDS is compensatory in nature and falls under the category of revenue expenditure and

should be allowed as deduction under Section 37(1) of the Act. The A.O. disallowed the interest paid on TDS by following the decision of Hon'ble Madras High Court in the case of CIT Vs. Chennai Properties and Investments Ltd., 239 ITR 435 (Mad), where it has been held that, interest under Section 201(1A) paid by the assessee does not assume the character of business expenditure and also cannot be regarded as compensatory payment. On appeal, the Ld. CIT(A) confirmed the additions made by the A.O.

16. Aggrieved by the order of Ld. CIT(A), the assessee is now in appeal before the Tribunal.

17. The learned counsel for the assessee submitted that, the learned CIT(A) erred in sustaining the additions made by the A.O. towards disallowance of interest paid on TDS without appreciating the fact that the said payment partakes the nature of revenue expenditure, because it is compensatory in nature and not penal and therefore the A.O. ought to have allowed the relief claimed by the assessee. In this regard, he relied upon the decision of ITAT, Hyderabad Bench in the case of DCIT Vs. Mercury Projects Pvt.

Ltd. (supra) and also the decision of ITAT Jaipur Bench in the case of Ganapati Gems and Jewellers Ltd. Vs. ACIT in ITA 36/JPR/2025 dt.13.05.2025.

18. The Ld. CIT-DR, on the other hand, supporting the order of the learned CIT(A), submitted that, the issue is covered in favour of the Revenue by the decision of Hon'ble Madras High Court in the case of Chennai Properties and Investments Ltd. (supra), where it has been clearly held that, interest under Section 201(1A) does not assume the character of business expenditure and also cannot be regarded as compensatory payment. The learned CIT(A), after considering the relevant facts, has rightly disallowed the interest paid on TDS and the order of the learned CIT(A) should be upheld.

19. We have heard both the parties, perused the material available on record and had gone through the orders of the authorities below. We find that, the assessee has claimed deduction towards interest paid under Section 201(1A) on belated payment of TDS. Although the assessee argues that, it is

compensatory in nature and allowable as deduction, but in our considered view, once the assessee has deducted the tax, it becomes income-tax liability and thus interest paid on belated payment of such tax partakes the nature of tax payment and cannot be allowable under Section 37(1) of the Act. This legal principle is further supported by the decision of Hon'ble Madras High Court in the case of Chennai Properties and Investments Ltd. (supra), where it has been clearly held that, interest under Section 201(1A) paid by the assessee does not assume the character of business expenditure and cannot be regarded as compensatory payment. The learned CIT(A), after considering the relevant facts, has rightly sustained the additions made by the A.O. towards disallowance of interest paid on TDS under Section 37(1) of the Act. Thus, we are inclined to uphold the findings of the learned CIT(A) and reject the ground taken by the assessee.

20. The next issue that came up for our consideration from ground no. 5 of the assessee's appeal is disallowance of interest expenditure under Section 36(1)(iii) of the Income-tax Act, 1961, for diversion of interest-bearing funds for non-business purpose for Rs. 11,08,678/-.

21. During the course of assessment proceedings, the A.O. observed that, the assessee has advanced loans and advances to related parties for Rs. 93,28,536/- and that the assessee has not charged any interest on these loans and advances. The A.O. further noted that, the assessee had incurred substantial interest expenditure on the money borrowed from banks and at the same time diverted interest-bearing funds to sister concerns for non-business purpose. Therefore, the A.O. disallowed interest of Rs. 11,08,678/- under Section 36(1)(iii) of the Act.

22. Aggrieved by the order of A.O., assessee preferred appeal before the Ld. CIT(A). Before the Ld. CIT(A), the assessee submitted that, the A.O. erred in disallowing interest expenditure of Rs. 11,08,678/- under Section 36(1)(iii) of the Income-tax Act, 1961, on the ground that, the assessee had advanced interest-free loans and advances to related parties. It was submitted that, the advances were given in the ordinary course of business for purchase of seeds and in furtherance of business operations and that it is a normal trade practice to pay advances before executing transactions. In support, the assessee filed the financials of its

sister concern, M/s. Sri Rama Agri Cold Storage India Pvt. Ltd. and a copy of the letter issued to M/s. Teja Dal Grading Pvt. Ltd. for recovery of the advance.

23. The Ld. CIT(A), after considering the submissions of the assessee and the assessment order, observed that, the assessee had advanced interest-free loans and advances of Rs. 93,28,536/- while incurring substantial interest expenditure on borrowed funds and that no supporting documentary evidence was furnished to establish that the advances were for business purposes. The Ld. CIT(A) further observed that, the assessee failed to establish commercial expediency as required under Section 36(1)(iii) of the Act and accordingly upheld the disallowance of proportionate interest expenditure of Rs. 11,08,678/-.

24. Aggrieved by the order of Ld. CIT(A), the assessee is now in appeal before the Tribunal.

25. The learned counsel for the assessee, submitted that, the learned CIT(A) erred in sustaining the disallowance, contending that, the advances given to M/s. Sri Rama Agri Cold Storage India

Pvt. Ltd. were in the nature of a running account in the ordinary course of business and therefore the provisions of Section 36(1)(iii) of the Act were not attracted.

26. The learned counsel for the assessee further referring to the advance paid to M/s. Teja Dal Grading Pvt. Ltd. submitted that, this advance has also been paid in the ordinary course of business. However, the same has become irrecoverable and once the principal itself is irrecoverable, then the question of charging interest does not arise. Further, the assessee has paid the above advance out of mixed funds, being share capital and reserves and also borrowed funds, and once the advance has been given out of mixed funds, it is presumed that, the advance has been given out of own funds. On this count also, the addition cannot be sustained. Therefore, he submitted that, the addition made by the A.O. should be deleted.

27. The Ld. CIT-DR, on the other hand, supporting the order of the A.O. and the learned CIT(A), submitted that, although the assessee has claimed that, the loans and advances were given in the ordinary course of business, but failed to furnish relevant

details to prove how the said advances are linked with the business of the assessee and what advantage the assessee has derived from the said advances. In the absence of any details as to the business exigency between the companies, the arguments of the assessee that the loans and advances have been given in the ordinary course of business out of commercial expediency cannot be accepted. The A.O. and the learned CIT(A), after considering the relevant facts, have rightly rejected the explanation of the assessee and thus, the order of the learned CIT(A) should be upheld.

28. We have heard both the parties, perused the material available on record and had gone through the orders of the authorities below. We have also carefully considered the relevant case laws relied upon by the learned counsel for the assessee in support of its contentions. Admittedly, the assessee has advanced loans and advances of Rs. 63,28,576/- to M/s. Sri Rama Agri Cold Storage India Pvt. Ltd. and furnished the relevant ledger account of the party. Upon perusal of the ledger account, we find that, it is a running account between the assessee company and the said company and advances have been given in the ordinary course of business for purchase of seeds. Since the advances have been

given in the ordinary course of business, the question of disallowance of interest expenditure under Section 36(1)(iii) of the Act does not arise. This legal principle is supported by the decision of the Hon'ble Supreme Court in the case of S.A. Builders Ltd. Vs. CIT, 288 ITR 1 (SC).

29. In so far as the advance given to M/s. Teja Dal Grading Pvt. Ltd. is concerned, once again, the assessee claims that, the same has been given in the ordinary course of business for purchase of seeds. However, the said advance has become irrecoverable and once the principal itself is bad and irrecoverable, then the question of charging interest on the said advance does not arise. We further find that, the assessee has paid the above advance out of mixed funds, being share capital and reserves and also borrowed funds. It is a well-established principle of law by the decision of the Hon'ble Supreme Court in the case of CIT v. Reliance Industries Ltd. (2019) 410 ITR 466 (SC) wherein it has been clearly held that, if the advances were given out of mixed funds, then the presumption is that the advances were given out of own funds and the question of disallowance of interest under Section 36(1)(iii) of the Act does not arise. A similar view has been

taken by the ITAT, Chennai Bench in the case of M/s. Thiruvalluvar Textiles Pvt. Ltd. Vs. ACIT. (ITA No.1734/Chny/2025 dt.04.11.2025) Since the assessee has advanced the amounts in the ordinary course of business and further proved that, the said advances have been paid out of mixed funds, in our considered view, the question of disallowance of interest on the said advances does not arise. The A.O., without appreciating the relevant facts, disallowed the interest expenditure under Section 36(1)(iii) of the Act and the learned CIT(A), without appreciating the relevant facts, simply sustained the additions made by the A.O. Accordingly, we set aside the order of the learned CIT(A) on this issue and direct the A.O. to delete the addition made by the A.O. towards disallowance of interest expenditure under Section 36(1)(iii) of the Income-tax Act, 1961.

30. The next issue that came up for our consideration from ground no.6 of the assessee's appeal is confirming the disallowance of cash discount of Rs. 1,53,67,316/-.

31. The assessee has allowed cash discounts to customers to encourage payments against sales. The assessee has also allowed

similar discounts under various heads, including trade discounts. The A.O. disallowed cash discounts given to customers on the ground that, except ledger accounts, the assessee has not produced bills and confirmations in support of the discounts claimed. Moreover, no explanation was given in respect of discount given to customers and therefore, rejected the explanation of the assessee and made an addition of Rs. 1,53,67,316/- under Section 37(1) of the Act. On appeal, the Ld. CIT(A) confirmed the addition made by the A.O.

32. Aggrieved by the order of Ld. CIT(A), the assessee is now in appeal before the Tribunal.

33. The learned counsel for the assessee submitted that, the Ld. CIT(A) erred in sustaining the disallowance of cash discount of Rs. 1,53,67,316/-, even though the assessee has furnished relevant details and also explained the reasons for allowing cash discounts to customers. The learned counsel for the assessee further submitted that, the assessee has allowed cash discounts to customers for timely payment of dues, which in turn helps the assessee to cater the needs of working capital and reduce the

dependence on banking facilities, which in turn helps the assessee to reduce finance cost. Although the assessee has explained the reasons and also furnished relevant details, the A.O. and the Ld. CIT(A) disallowed the cash discount given by the assessee only on the ground that, the assessee failed to furnish supporting evidences including confirmations from the parties to whom the discount has been allowed.

34. The learned counsel for the assessee, referring to the paper book, submitted that, the assessee has furnished details of cash discounts given to various customers by filing their ledger accounts which are available at pages 923 to 928 of Volume-II of the paper book. The assessee has also furnished a detailed reply explaining the reasons for providing cash discounts to customers. Since the assessee is in the business of trading in seeds, which is highly competitive in nature and requires substantial working capital, it has allowed cash discounts to customers for timely payment. Since the discount has been allowed and the same has been recorded in the books of account of the assessee, the A.O. ought not to have disallowed the cash discounts given to the customers. The Ld. CIT(A), without appreciating the relevant facts,

simply sustained the addition made by the A.O. Therefore, it was submitted that, the addition made by the A.O. should be deleted.

35. The Ld. CIT-DR, on the other hand, supporting the order of the Ld. CIT(A), submitted that, the Ld. CIT(A) has recorded a categorical finding that, the assessee has submitted only partial details in respect of cash discounts allowed to customers without supporting evidence such as confirmations from the parties and details of bills and invoices on which the discounts were allowed. Since the assessee claimed cash discount as an expenditure in the profit and loss account, the assessee ought to have discharged the onus by filing relevant supporting documents to substantiate the claim. As the assessee has not substantiated the claim, the A.O. has rightly disallowed the cash discount. The Ld. CIT(A), after considering the relevant facts, has rightly sustained the addition made by the A.O. and therefore the order of the Ld. CIT(A) should be upheld.

36. We have heard both the parties, perused the material available on record, and had gone through the orders of the authorities below. The assessee is in the business of trading in agri-seeds,

which is highly competitive in nature. The assessee mainly purchases seeds from farmers and sells them after processing through agents. The business of the assessee is seasonal in nature and therefore requires working capital for carrying out business operations. In the process, the assessee has allowed various discounts to customers including cash discounts for timely payment of dues. The assessee has furnished the ledger accounts of customers to whom cash discounts were allowed and claimed that, the discounts were given for early payment of dues. We have perused a few ledger accounts and find that, in certain cases the assessee has received advances from traders for supply of seeds and wherever the assessee has received money in advance, it has provided cash discounts. From the evidence filed, it appears that, the discount allowed by the assessee to customers is commensurate with the volume of business and timely payment of dues. Although the assessee has furnished the details, the A.O. made the addition only on the ground that, the assessee has not discharged the onus by filing documentary evidence. The Ld. CIT(A), without appreciating the relevant facts, simply sustained the addition made by the A.O. Thus, we set aside the order of the

Ld. CIT(A) on this issue and direct the A.O. to delete the addition made towards cash discount of Rs. 1,53,67,316/-.

37. The next issue that, came up for our consideration from ground nos. 7 and 8 of the assessee's appeal is confirming the additions made towards disallowance of seed purchases of Rs. 13,00,57,930/-.

38. The facts with regard to the impugned dispute are that, during the course of assessment proceedings, the A.O. noticed that, the assessee has claimed to have purchased seeds worth of Rs. 28,13,75,221/-. The A.O. asked the assessee to furnish name, address, PAN and e-mail of the parties from whom the purchases were made, nature of seeds purchased, copies of bills, ledger accounts, proof of payment along with bank statements highlighting the payments made, etc. In response, the assessee submitted that, it has purchased the seeds from farmers and seed growers for which the assessee has furnished the list of purchases along with bills and vouchers and also filed bank statements indicating the payment through banking channels. The assessee has also furnished PAN numbers in a few cases. The A.O., after

considering the relevant submissions of the assessee, observed that, although the assessee has furnished bills of purchases and PAN details in a few cases, the same were furnished after the show-cause notice and draft assessment orders were issued. The A.O. further noted that, although the assessee was having the above details, but purposefully the assessee has not provided the details till the fag end of the assessment proceedings so that necessary confirmations and investigations could not take place. The A.O. further noted that, in a few cases, the addresses provided by the assessee were incomplete and PAN numbers furnished were not matching. Therefore, the A.O. rejected the explanation of the assessee and disallowed purchases of seeds to an extent of Rs. 13,00,57,930/- and added the same to the total income of the assessee.

39. Aggrieved by the assessment order, the assessee preferred appeal before the Ld. CIT(A). Before the Ld. CIT(A), the assessee submitted that, the A.O. erred in disallowing the said purchases to an extent of Rs. 13,00,57,930/- even though the assessee had furnished details of purchases and claimed that, the assessee made purchases of seeds. The assessee mainly purchases seeds

from farmers and seed growers and in a few cases the farmers do not have PAN numbers. The assessee further submitted that, wherever the farmers are having PAN numbers, the same were submitted before the A.O. The assessee further submitted that, the discrepancies in PAN numbers furnished on earlier occasions were clarified by filing corrected PAN numbers along with the names and addresses of the parties. The assessee further furnished bank statements indicating payment through proper banking channels and claimed that, the assessee has disallowed the purchase of seeds to an extent of Rs. 13,00,57,930/-, which is almost 46% of the total purchases. The A.O. submitted that, if the disallowance made by the A.O. is considered, then the trading results show a distorted picture, and it is impossible to achieve in this kind of business.

40. The Ld. CIT(A), after considering the relevant submissions of the assessee and also taking note of the reasons given by the A.O. to disallow purchases, observed that, although the payments are mostly made through banking channels against the purchases, the discrepancies pointed out by the A.O. in case of parties relating to an amount of Rs. 13,00,57,930/- have not been

clarified by the assessee. The A.O. in the assessment order specifically pointed out and listed the purchases and the parties whose bills are incomplete and whose PAN numbers are not matching. It is seen that, the assessee has not replied to those queries either in the assessment proceedings, remand proceedings or appellate proceedings. It is worthwhile to mention that the assessee was offered opportunity to clarify and substantiate the same even during the remand proceedings. It is pertinent to note that, the assessee has not filed any new evidence or supporting documentary evidence in the form of purchase invoices or confirmation letters from the parties, apart from the copies of ledger accounts of the parties and bank statements of the assessee. Thus, it is clear that, the assessee has failed to substantiate its claim of expenditure incurred for purchase of seeds. Therefore, the Ld. CIT(A) rejected the explanation of the assessee and upheld the additions made by the A.O. towards disallowance of purchase of seeds.

41. Aggrieved by the order of Ld. CIT(A), the assessee is now in appeal before the Tribunal.

42. The learned counsel for the assessee submitted that, the Ld. CIT(A) erred in confirming the additions made by the A.O. towards disallowance of purchases even though the assessee has substantiated the purchases by filing relevant details including names and addresses of the persons from whom purchases were made and PAN numbers wherever available and further submitted bank statements indicating payment through proper banking channels. The assessee is in the business of trading in seeds, and the purchase of seeds is mainly from farmers and seed growers who are residing in villages. Most of the farmers do not have PAN numbers and the assessee has furnished PAN numbers wherever available and however filed complete details of purchases along with bills for purchase of seeds and also payments made through proper banking channels. Although all these evidences have been filed, the A.O. disallowed purchases to an extent of 46% of total purchases and if such disallowance is added to the gross profit declared by the assessee, the financial results for the year under consideration show a distorted figure which is highly impossible in this line of business. The Ld. CIT(A), without appreciating the relevant facts, simply sustained the addition made by the A.O.

Therefore, he submitted that, the order of the Ld. CIT(A) should be set aside and the addition made by the A.O. should be deleted.

43. The Ld. CIT-DR, on the other hand, supporting the order of the Ld. CIT(A), submitted that, the assessee itself admitted the fact that, it had furnished incorrect PAN numbers at the time of assessment proceedings, which is evident from the list of persons from whom the assessee has purchased seeds furnished by the assessee. The assessee claimed that, incorrect PAN numbers were furnished and the same were rectified by filing correct PAN numbers and PAN numbers obtained at a later stage. From this, it is clear that, the assessee was not having sufficient details to substantiate the genuineness of purchases of seeds from the farmers. Since the assessee has not furnished relevant details, the A.O. has rightly disallowed the purchases of seeds. The Ld. CIT(A), after considering the relevant facts, has rightly sustained the additions made by the A.O. Thus, the order of the Ld. CIT(A) should be upheld.

44. We have heard both parties, perused the material available on record, and had gone through the orders of the authorities below.

We have also carefully considered the relevant evidence furnished by the assessee, which is available in the paper book in Volume No. 3. The assessee has furnished relevant ledger accounts of seed purchases from farmers. We have gone through a few ledger accounts furnished by the assessee and find that, the assessee has purchased seeds against payment through banking channels. The assessee has also furnished relevant bank statements indicating payment by cheque, RTGS and NEFT. The assessee has also furnished PAN numbers wherever applicable and explained that, in few cases PAN was not available, because the farmers are not having PAN Nos. The assessee also explained the discrepancies noticed by the A.O. in the assessment order by filing a corrected list of parties and PAN numbers and stated that, on earlier occasions when PAN numbers were not available with the farmers, they have furnished PAN numbers belonging to others, which is the reason for the discrepancies noticed by the A.O.

45. We find that, the assessee's business mainly deals with farmers and seed growers and in many cases, farmers do not possess PAN numbers, because they do not have any taxable income. Therefore, merely because PAN numbers are not

furnished, the genuineness of purchases made by the assessee cannot be doubted, more particularly, when the other evidence furnished by the assessee, including the bills for purchases and banking payments clearly shows that, the purchases are genuine. Further, the assessee had made total purchases for the year under consideration at Rs. 28,13,75,221/- and out of the above purchases, the A.O. had disallowed purchases to an extent of Rs. 13,00,57,930/-, which works out to about 46% of the total purchases of the assessee. If the disallowance of purchases of Rs. 13,00,57,930/- is added to the gross profit declared by the assessee, the gross profit for the year works out to more than 60%, which is impossible to achieve in this line of business. Since the A.O. has disallowed purchases merely for not furnishing PAN numbers and after such disallowance the financial figures show a distorted picture, in our considered view, the A.O. has erred in disallowing purchases to an extent of 46% merely on the ground of not furnishing PAN numbers. Since the assessee is in the business of trading in seeds and purchase of seeds mainly from farmers, which is an unorganised sector, in our considered view, the evidence furnished by the assessee to substantiate the claims

of purchases needs to be accepted. The A.O., without appreciating the relevant facts, disallowed the purchases of seeds to an extent of Rs. 13,00,57,930/-. The Ld. CIT(A), without appreciating the relevant facts, simply confirmed the additions made by the A.O. Thus, we set aside the order of the Ld. CIT(A) on this issue and direct the A.O. to delete the addition made by the A.O. towards the disallowance of purchase of seeds of Rs.13,00,47,930/-.

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

Order pronounced in the Open Court on 21<sup>st</sup> January, 2026.

<p>Sd/- (श्री रवीश सूद) <b>(RAVISH SOOD)</b> न्यायिक सदस्य/JUDICIAL MEMBER</p>	<p>Sd/- (मंजूनाथ जी) <b>(MANJUNATHA G.)</b> लेखा सदस्य/ACCOUNTANT MEMBER</p>
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Hyderabad, dated 21.01.2026.  
**TYNN/sps**

**आदेशकी प्रतिलिपि अग्रेषित/ Copy of the order forwarded to:-**

1.	निर्धारिती/The Assessee	:	Sri Rama Agri Genetics (India) Private Limited, 11-68, GF-2, Siddeswara Apartments, Krishna Nagar, Kurnool – 518002.
2.	राजस्व/ The Revenue	:	The Deputy Commissioner of Income Tax, Circle – 1, Kurnool.
3.	The Principal Commissioner of Income Tax, Kurnool.		
4.	विभागीयप्रतिनिधि, आयकर अपीलीय अधिकरण, हैदराबाद / DR, ITAT, Hyderabad		
5.	गार्डफ़ाईल / Guard file		

आदेशानुसार / BY ORDER

Sr. Private Secretary  
ITAT, Hyderabad