

आयकर अपीलीय अधिकरण, अहमदाबाद न्यायपीठ "सी", अहमदाबाद ।  
IN THE INCOME TAX APPELLATE TRIBUNAL  
"C" BENCH, AHMEDABAD

श्री संजय गर्ग, न्यायिक सदस्य एवं  
अन्नपूर्णा गुप्ता, लेखा सदस्य के समक्ष।

Before Shri Sanjay Garg, Judicial Member And  
Annapurna Gupta, Accountant Member

आयकर अपील सं./ITA No.1879/Ahd/2025  
निर्धारण वर्ष / Assessment Year : 2015-16

Indutch Composites Technology Private Limited Plot No.187/P/1B-1 GIDC Waghodia, Next to Munjal Auto Industries Ltd. Vaghodia, Vadodara - 391 760	<u>बनाम/</u> <u>v/s.</u>	The Dy. CIT Circle-1(1)(1) Vadodara - 390 007
स्थायी लेखा सं./PAN: AACCI 2331 P		
(अपीलार्थी/ Appellant)		(प्रत्यर्थी/ Respondent)
Assessee by :	Shri Nishit Shah, AR	
Revenue by :	Shri Abhijit Sr.DR	

सुनवाई की तारीख/Date of Hearing : 27/01/2026  
घोषणा की तारीख /Date of Pronouncement: 29/01/2026

आदेश/ORDER

Per Sanjay Garg, Judicial Member:

The present appeal has been preferred by the assessee against the order of Office of the Commissioner of Income Tax, Appeal, ADDL/JCIT (A)-1, Nashik, National Faceless Appeal Centre (NFAC), Delhi [hereinafter referred to as 'CIT(A)'] dated 04/08/2025 passed u/s.250 of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') for the Assessment Year (AY) 2015-16.

2. The assessee, in this appeal, is aggrieved by the action of the lower authorities on account in making disallowance of 5% of the expenditure claimed by the assessee under the head “Other Expenses” on adhoc basis. The assessee claimed total expenditure of Rs.5,34,58,482/- out of which the Assessing Officer (AO) allowed expenditure relating to fuel, rent, rates and taxes and payment to auditors. However, he disallowed 5% of the expenses claimed under the head “Miscellaneous Expenditure” details of which are as under:

***“Miscellaneous Expenditure***

<i>Annual Maintenance Charges</i>	12,079.00	0.00
<i>Custom Clearing Charges</i>	128,766.00	128,106.00
<i>Fabrication Expenses</i>	1,536,404.00	690,845.00
<i>Factory Expenses,</i>	1,001,725.00	563,683.00
<i>Freight &amp; Forwarding Charges</i>	2,050,708.00	1,053,981.00
<i>Labour Hiring Charges</i>	10,190,755.00	2,967,827.00
<i>Testing Charges – Material</i>	19,956.00	40,816.00
<i>Calibration Expenses</i>	59,619.00	5,450.00
<i>Consultancy Charges</i>	1,140,250.00	622,617.00
<i>Electricity Expenses-Office</i>	31,896.00	4,270.00
<i>Foreign Exchange Loss</i>	22,974.00	0.00
<i>Hiring Charges</i>	225,000.00	370,098.00
<i>Incentive Expenses</i>	399,839.00	433,619.00
<i>ISO Expenses</i>	82,389.00	0.00
<i>Conveyance Expenses</i>	1,489,894.00	673,737.00
<i>Courier Charges</i>	75,631.00	24,776.00
<i>Job Work Charges</i>	13,467,472.00	7,607,367.00
<i>Legal Expenses</i>	112,510.00	71,400.00
<i>Membership Fees</i>	3,933.00	7,118.00
<i>Miscellaneous Expenditure</i>	71,613.00	60,241.00
<i>Office Expense</i>	194,186.00	231,883.00
<i>Packing Expenses</i>	73,109.00	17,145.00
<i>Service Tax/TDS Interest &amp; Charges</i>	108,450.00	0.00
<i>Printing &amp; Stationery</i>	204,407.00	79,175.00
<i>Repairing &amp; Maintenance Expenses</i>	93,913.00	174,776.00
<i>Repairing Expense of Vehicle</i>	129,781.00	27,463.00
<i>Security Services</i>	775,656.00	686,526.00

<i>Software Maintenance Expenses</i>	0.00	12,500.00
<i>Sales Promotion Expenses</i>	302,700.00	47,391.00
<i>Telephone Expenses</i>	238,041.00	130,051.00
<i>Travelling Expenses</i>	1,636,612.00	1,530,038.00
<i>Vehicle Hire Charges</i>	184,300.00	860,914.00
<i>Preliminary and pre-operative expenses w/off</i>	354,907.00	354,907.00"

2.1. The AO made the disallowance @ 5% out of the above expenditure on adhoc basis, observing that the assessee had incurred this expenditure in cash and, therefore, the same is not verifiable.

3. In appeal, the Ld. CIT(A) confirmed the addition, so made by the Assessing Officer (AO).

4. Before us, the Ld. Counsel for the assessee has submitted that the observation of the AO that the expenditure under the head "Miscellaneous Expenditure" were made in cash, was factually incorrect, rather almost 99% of the above stated expenditure under the head "Miscellaneous Expenditure" were incurred through banking channel and the TDS was duly deducted thereupon, wherever applicable. He has submitted that the AO, without verification of the details and evidences submitted by the assessee in the shape of bills and vouchers, ledger and audited financial report, simply disallowed the 5% of these expenditure on adhoc basis without assigning any justifiable reason. He has further submitted that even the net profit rate of the assessee for the year under consideration has increased considerably and there was no reason for the lower authorities to make/confirm the aforesaid disallowance.

5. The Ld. DR, on the other hand, has relied upon the findings of the lower authorities.

6. Considering the rival submissions and also the details and nature of the expenses and also the fact that the assessee had incurred the said expenditure through banking channel and further considering that the AO had made the disallowance on adhoc basis without making any effort to verify the aforesaid expenditure, the said disallowance, in our view, is not justified. Therefore, the impugned disallowance and corresponding addition made by the AO is not sustainable and the same is, accordingly, ordered to be deleted.

7. In the result, the appeal of the assessee stands allowed.

**Order pronounced in the Open Court on 29 /01/2026.**

**Sd/-  
(Annapurna Gupta )  
Accountant Member**

**Sd/-  
( Sanjay Garg)  
Judicial Member**

अहमदाबाद/Ahmedabad, दिनांक/Dated 29/01/2026

*टी. सी. नायर, व. नि. स. / T.C. NAIR, Sr. PS*

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)/ADDL/JCI (A)-1 Nashik
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण , अहमदाबाद/DR, ITAT, Ahmedabad.
6. गार्ड फाईल /Guard file.

आदेशानुसार/ BY ORDER,

सत्यापित प्रति //True Copy//

सहायक पंजीकार (Asstt. Registrar)  
आयकर अपीलीय अधिकरण, ITAT, Ahmedabad