

IN THE INCOME TAX APPELLATE TRIBUNAL “G” BENCH, MUMBAI

**BEFORE SHRI SAKTIJIT DEY, VICE PRESIDENT AND
SHRI ARUN KHODPIA, ACCOUNTANT MEMBER**

ITA No. 5310/Mum/2025
(Assessment Year: 2022-23)

ITO, Ward-1(3)(4) 5 th Floor, Aayakar Bhavan, M. K. Road, Mumbai-400 020	Vs.	Wizcraft Entertainment Agency Private Limited 1103, Morya Blue Moom Premises, Link Road, Andheri (W), Mumbai-400 053
PAN/GIR No. AAACW 1107 H		
(Revenue)	:	(Assessee)

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CO No. 36/Mum/2026
(Arising out of ITA No. 5310/Mum/2025)
(Assessment Year: 2022-23)

Wizcraft Entertainment Agency Private Limited 1103, Morya Blue Moom Premises, Link Road, Andheri (W), Mumbai-400 053	Vs.	ITO, Ward-1(3)(4) 5 th Floor, Aayakar Bhavan, M. K. Road, Mumbai-400 020
PAN/GIR No. AAACW 1107 H		
(Assessee)	:	(Revenue)

Assessee by	:	Shri Siddharth Srivastava, CA
Revenue by	:	Shri Arun Kanti Datta – CIT DR

Date of Hearing	:	29.01.2026
Date of Pronouncement	:	05.02.2026

ORDER

Per Saktijit Dey, Vice President:

Captioned appeal by the Department and cross objection by the assessee, arise out of order dated 30.06.2025 passed by National Faceless Appeal Centre (‘NFAC’ for short), Delhi, pertaining to the assessment year (A.Y. for short) 2022-23.

2. At the outset, we will take up departments appeal, being ITA No. 5310/Mum/2025. In ground no. 1, the department has challenged the deletion of addition of Rs.15,77,52,570/-.

3. Briefly the facts relating to this issue are, the assessee is a resident corporate entity stated to be engaged in the business of organizing and executing entertainment-based events, concerts and theatrical productions. For the assessment year under dispute, the assessee filed its return of income on 25.10.2022, declaring income of Rs.23,04,51,260/-. The return of income filed by the assessee was selected for scrutiny.

4. In course of assessment proceeding, the Assessing Officer (A.O. for short), while verifying the return of income and the financial statements of the assessee, noticed that as against gross receipts of Rs.248,67,04,940/, the assessee had claimed expenses of Rs.238,00,00,613/-. Whereas, he observed, as against gross receipts of Rs.239,37,99,322/-, in A.Y. 2023-24, the assessee had claimed expenses of Rs.215,16,31,304/-. While comparing the head-wise expenses in both the assessment years, he found that in the impugned assessment year, expenses under the head advertisement, professional fee, media purchase, leave travel allowance and bonus are substantially higher than similar expenditure in A.Y. 2023-24. Thus, he called upon the assessee to justify such higher expenditure in the impugned assessment year. Though, the assessee furnished its explanation justifying the expenditure, however, the A.O. remained unconvinced. Ultimately, he disallowed 10% out of the expenses incurred towards advertisement, professional fee, media purchase, leave travel allowance and bonus. Thus, ultimately, he worked out the net disallowance at Rs.15,77,52,270/-.

5. The assessee contested the aforesaid disallowance before Id. first appellate authority.

6. After considering the submissions of the assessee, in the context of facts and materials on record, Id. First appellate authority being convinced that the adhoc disallowance made at 10% of the expenses incurred by the assessee is without any basis, deleted the disallowance.

7. Before us, Id. Departmental Representative (Id. DR for short) submitted that in course of assessment proceeding, the A.O. after verifying the details had found that expenditure incurred in the impugned assessment year under certain heads are substantially higher than similar expenditure incurred in the subsequent assessment year. He submitted, since the assessee could not furnish any justifiable reason for incurring such higher expenditure, the A.O. in absence of valid evidence disallowed 10% of such expenses. He submitted, Id. First appellate authority relying upon additional evidences, which were not before the A.O., had deleted the disallowance, which is in violation of Rule 46A.

8. Per contra, Id. Counsel appearing for the assessee submitted that though the assessee had furnished supporting evidences to justify the claim of expenses, without pointing out any deficiency in them, the A.O. has selectively disallowed certain expenses purely on adhoc basis without any valid reasons. Thus, he submitted, the decision of Id. first appellate authority on the issue should be upheld. In support of such contention, he relied upon the following decisions:

1) *ACIT vs. M/s. Merchant Agri Global Private Limited* (in ITA No.1493/Mum/2023)

2) *PCIT vs. R. G. Buildwell Engineers Ltd.* [2018] 99 taxmann.com 283 (Del)

9. We have considered the rival submissions and perused the materials on record. A careful reading of the assessment order clearly reveals that the A.O. has made adhoc disallowance out of expenses made under certain heads merely for the reason that expenditure under similar heads in A.Y. 2023-24 is lesser compared to the gross receipts. Whereas, the overall position of receipts and expenditures in A.Ys. 2022-23 and 2023-24 provides a completely contrasting scenario. As observed by Id. First appellate authority, expenditure incurred under the head salary and wages, co-ordination charges, artistes fees, venue charges, rent, phone in A.Y. 2022-23 is substantially lower than the expenditure incurred under similar heads in A.Y. 2023-24. In fact, under the head salary and wages, there is an exponential increase of 179.93%, under the head co-ordination charges there is an increase of 93.31%, in artiste fees there is an increase of 166.96%, in venue charges there is increase of 154.93%. Thus, the aforesaid facts and figures clearly demonstrate that the A.O. has selectively picked up the figures where the expenses are higher in A.Y. 2022-23 compared to A.Y. 2023-24, while conveniently overlooking the heads of expenditure under which there is substantial increase in A.Y. 2023-24.

10. On a reading of the assessment order, we have not noticed any adverse observation of the A.O. regarding the deficiency in supporting evidences furnished by the assessee *qua* the expenses. Merely because in respect of some items of expenditure there is increase in quantum in the impugned assessment year, that by itself cannot be a reason to disallow a part of such expenses, that too, on purely adhoc basis without establishing on record that such expenses were non genuine or have not been incurred for the purpose of business. In view of the aforesaid, we do not find any reason to interfere with the decision of Id. First appellate authority in deleting the disallowance. Ground no.1 is dismissed.

11. In ground no. 2, the department has challenged deletion of disallowance of Rs.5,77,79,000/- paid to M/s. B Vijaykumar & Co.

12. Briefly the facts are, in course of assessment proceeding, the A.O. noticed that by virtue of an order passed by Nagpur Bench of Hon'ble Bombay High Court in Writ Petition No. 2685 in the case of *Mr.Mohan Tripathi vs Estate of Maharashtra*, an amount of Rs.3,33,76,000/- was lying with the Hon,ble Bombay High Court since 1997. The litigation ultimately ended in the year 2021 and by virtue of an order passed by Hon'ble Bombay High Court on 07.05.2021, the principal amount of Rs.3,33,76,000/- along with the interest of Rs.12,37,11,144/-, aggregating to Rs.15,70,87,144/- was directed to be paid to the assessee. Whereas, in the return of income, under the head 'income from other sources', the assessee had not offered the entire interest income of Rs.12,37,11,144/- and claimed that an amount of Rs.5,77,79,000/- was paid to M/s. B.Vijaykumar & Co. The assessee explained that the assessee had entered into a loan agreement with M/s. B.Vijaykumar & Co. in terms of which M/s. B.Vijaykumar & Co had advanced loan to the assessee to meet various expenses like Advertisement and Publicity, Venue Higher Charges, Sound Expenses, Lighting Expenses, Décor Expenses, Catering Expenses etc. for organizing the event of Michel Jacson on 1st November 1996 at Mumbai. After examining the submissions of the assessee, the A.O. observed that since the event was organized in A.Y. 1997-98 and loan was taken in F.Y. 1996-97, the assessee cannot claim the interest expenditure in the impugned assessment year. Accordingly, he disallowed assessee's claim.

13. The assessee contested the disallowance before Id. First appellate authority.

14. After considering the submissions of the assessee, in the context of facts and materials on record, Id. First appellate authority being convinced, deleted the disallowance.

15. We have considered rival submissions and perused the materials on record. So far as the factual position relating to the issue in dispute is concerned, there is no dispute that the interest amount was received by the assessee in the impugned assessment year by virtue of an order of Hon'ble High Court. Thus, the interest expenditure accrued to the assessee in the impugned assessment year. It is also a fact on record that the assessee had to pay an amount of Rs.5,77,79,000/- to M/s. B.Vijaykumar & Co. who had advance the loan. The A.O. has not disputed the fact of payment made to M/s. B.Vijaykumar & Co. Thus, when the assessee has offered the income in the impugned assessment year, the corresponding expenditure related to such income has to be allowed. Therefore, we do not find any deficiency in the order of the first appellate authority. Ground raised is dismissed.

16. Ground no. 3 being general ground, does not require adjudication.

17. In view of our decision in the department's appeal, grounds raised in the cross objection having become academic, do not require adjudication at present. Hence, are kept open.

18. In the result, both the appeal and cross objection are dismissed.

Order pronounced in the open court on 05.02.2026

Sd/-

(Arun Khodpia)
Accountant Member

Mumbai; Dated : 05.02.2026

Roshani, Sr. PS

Sd/-

(Saktijit Dey)
Vice President

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent
3. The CIT(A)
4. CIT - concerned
5. DR, ITAT, Mumbai
6. Guard File

BY ORDER,

(Dy./Asstt. Registrar)
ITAT, Mumbai