

IN THE INCOME TAX APPELLATE TRIBUNAL
“B” BENCH, CHANDIGARH**PHYSICAL HEARING****BEFORE HON’BLE SHRI RAJPAL YADAV, VICE PRESIDENT
AND
HON’BLE SHRI MANOJ KUMAR AGGARWAL, AM****आयकरअपीलसं./ ITA No.1068/CHANDI/2025
(निर्धारणवर्ष / Assessment Year: 2023-24)**

DCIT Circle-1(1) R. No.214, 2 nd Floor, Aaykar Bhawan Sector 17E, Chandigarh	बनाम/ Vs.	Theon Pharmaceuticals Limited Plot No.29/4, Industrial Area Phase-1, Chandigarh 160002
स्थायीलेखासं./जीआइआरसं./PAN/GIR No. AACCT-2692-J		
(अपीलार्थी/ Appellant)	:	(प्रत्यर्थी / Respondent)

अपीलार्थीकीओरसे/ Appellant by	:	Sh. Nikhil Goyal (Advocate) and Sh. Ashok Goyal (CA) – Ld. ARs
प्रत्यर्थीकीओरसे/ Respondent by	:	Dr. Ranjit Kaur (Addl. CIT) - Ld. Sr. DR

सुनवाईकीतारीख/ Date of Hearing	:	05.02.2026
घोषणाकीतारीख / Date of Pronouncement	:	09-02-2026

आदेश / O R D E R**Manoj Kumar Aggarwal (Accountant Member)**

1. Aforesaid appeal by revenue for Assessment Year (AY) 2023-24 arises out of an order of learned Commissioner of Income Tax (Appeals), NFAC [CIT(A)] dated 03-07-2025 in the matter of an assessment framed by Ld. Assessing Officer [AO] u/s 143(3) of the Act on 21-03-2025. The sole grievance of the revenue is deletion of adhoc disallowances of expenses as made by Ld. AO in the

assessment order. Having heard rival submissions and upon perusal of case records, the appeal is disposed-off as under.

Assessment Proceedings

2.1 The assessee declared income of Rs.14.60 Crores which was subject to scrutiny. In the course of assessment proceedings, Ld. AO questioned various expenditure as claimed by the assessee. The assessee furnished complete audited financial statements. The major expenditure as claimed by the assessee was on account of Sales Commission, Marketing & Distribution expenditure, clearing & forwarding expenses, carriage & freight inward and Sales discount which has been tabulated in the assessment order. The assessee duly furnished party-wise details, amount, addresses etc. The PAN details, wherever available, was also furnished. However, Ld. AO alleged that the assessee did not submit all invoices, bills, ledger, purpose of expenses, mode of payment along with bank statement highlighting the said transactions, copies of agreement / contract etc. The assessee failed to follow the provision of Tax deduction at source. The assessee, in reply, dated 10-03-2025, explained that due to bulky nature of records and limited time availability, the assessee could not provide scanned copies of these documents with respect to each of the parties. However, these documents, on sample basis, were duly furnished by the assessee. It was contended that the stated expenses were incurred for business purposes and duly accounted for in the regular books of accounts. However, finding minor discrepancies in

these documents viz. non-mentioning of vehicle numbers, e-way bills and mode of payment etc., Ld. AO concluded that the genuineness as well as reasonableness of the expenses could not be ascertained. Finally, adhoc 30% of these expenditure aggregating to Rs.11.52 Crores was disallowed by Ld. AO as unexplained expenditure which resulted into disallowance of Rs.345.66 Lacs in the hands of the assessee.

2.2 The assessee also claimed Travelling & Conveyance expenditure for export activities for Rs.40.02 Lacs. The same were stated to be incurred on sales operations for export and foreign auditors' expenses for quality control purposes. The assessee furnished ledger account of the said expenditure. It was contended that the assessee earned sales turnover of more than Rs.457 Crores out of which approx. 78% was local sales and the remaining was export sales. However, Ld. AO disallowed these expenses and framed the assessment. Aggrieved as aforesaid, the assessee preferred further appeal and made elaborate written submissions assailing the twin disallowances as made by Ld. AO.

Appellate Proceedings

3. The adjudication of Ld. CIT(A) is contained from Page No.25 onwards. The Ld. CIT(A) concurred that by simple assertion that the assessee failed to provide truck numbers or e-way bill details for the majority of invoices was not adequate enough to conclude that the assessee had incorrectly claimed expenses. The Ld. AO was required

to distinguish the invoices which did not have these specific details viz. Truck Numbers or e-way bill etc. No efforts were made to segregate such invoices and further, no verification was done by issuing notices u/s 133(6) from the relevant parties. The disallowance was without considering the submissions of the assessee that the transportation details / services would not be required in Marketing & Distribution Expenses, Clearing and Forwarding Expenses, Logistic Expenses, Designing Expenses, Auxiliary Service Expenses, Sales Discount, Sales Commission etc. No detailed examination was carried out by Ld. AO and therefore, adhoc disallowance of 30% had no merits. The assessee submitted ledgers of mode of payments and made due TDS compliance. Therefore, the adhoc disallowance of 30% was deleted.

4. Similarly, Travelling and conveyance expenses mostly related to export sales of the assessee which necessitated a quality control audit of production facilities before the sales could be exported to foreign countries. The expenditure was incurred for business purposes. Therefore, this addition was also deleted against which the revenue is in further appeal before us.

Our findings and Adjudication

5. From the facts, it emerges that the assessee is a corporate entity having turnover of more than Rs.457 Crores. The assessee has declared income of more than Rs.14.60 Crores. The books of accounts are duly audited and the tax audit report contain details of

TDS default, if any, as made by the assessee. No such default has been highlighted by Ld. AO in the assessment order. The assessee has claimed expenditure under various heads as enumerated in earlier paragraphs which aggregated to Rs.11.52 Crores. Considering the scale of business, the relevant bills, invoices and related documents would certainly be voluminous one. Nevertheless, the assessee has duly furnished complete details of such expenditure and copies of invoices on sample basis. The majority of the expenditure would not require transportation details considering the nature of expenditure. The allegation of Ld. AO that the reasonableness and genuineness of the expenditure could not be ascertained is mere bald allegation. No specific violations have been pointed out in the assessment order. As rightly pointed out by Ld. CIT(A), no efforts have been made to segregate the discrepant documents / invoices and no verification has been done by issuing notices u/s 133(6) from the relevant parties. The transportation details / services would not be required in Marketing & Distribution Expenses, Clearing and Forwarding Expenses, Logistic Expenses, Designing Expenses, Auxiliary Service Expenses, Sales Discount, Sales Commission etc. No detailed examination has been carried out by Ld. AO to bolster its allegations. Further, Travelling and conveyance expenses mostly related to export sales of the assessee which necessitated a quality control audit of production facilities before the sales could be exported to foreign countries. The expenditure is certainly incurred for business

purposes since the assessee is engaged in export activities. On these facts. The adjudication of Ld. CIT(A), in our considered opinion, could not be faulted with. We order so.

6. The appeal stands dismissed.

Order pronounced on 9th February, 2026.

-Sd-
(RAJPAL YADAV)
VICE PRESIDENT

-Sd-
(MANOJ KUMAR AGGARWAL)
ACCOUNTANT MEMBER

Dated: 09-02-2026

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

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF

ASSISTANT REGISTRAR

ITAT CHANDIGARH