

**IN THE INCOME TAX APPELLATE TRIBUNAL  
SURAT BENCH, SURAT**

**BEFORE DR. B.R.R. KUMAR, VICE-PRESIDENT  
MS. SUCHITRA KAMBLE, JUDICIAL MEMBER**

I.T.A. No. 714/SRT/2025  
(Assessment Year: 2022-23)

Shankarlal Prayagchand Purohit, 519, Goodluck Textile Market, Ring Road, Surat-395002 [PAN : ABEPP 8081 B]	Vs.	Income Tax Officer, Ward 1(2)(1), Surat
<b>(Appellant)</b>	..	<b>(Respondent)</b>
<b>Appellant represented by :</b>	Shri Kiren K. Shah, AR	
<b>Respondent represented by:</b>	Shri Ajay Uke, Sr DR	
<b>Date of Hearing</b>	23.01.2026	
<b>Date of Pronouncement</b>	18.02.2026	

**ORDER**

**PER DR. B.R.R. KUMAR, VICE-PRESIDENT:-**

**Delay condoned.**

This appeal has been filed by the assessee against the order dated 11.03.2025 passed by the Ld. Commissioner of Income-tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi (hereinafter referred to as the "Ld. CIT(A)" for short), under Section 250 of the Income-tax Act, 1961 (hereinafter referred to as the "Act" for short) for Assessment Year 2022-23.

2. The assessee has raised following grounds of appeal :-

*"1. The learned CIT(A) grossly erred in confirming addition for Rs.1,90,36,240/- by applying section 40A(3) of the Act as discussed in para 4 of the appeal order.*

*2. The learned CIT(A) grossly erred in not appreciating the various documents filed which prove that the appellant was commission agent in the Krushi Upad Mandali Samittee, Bikaner and also evidence regarding payment to the farmers having agricultural land thereof."*

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3. The briefly stated facts of the case are that the assessee is engaged in the business of selling agricultural produce on commission basis. During the assessment proceedings, the Assessing Officer observed that the assessee had made cash payments exceeding the prescribed limit to various persons in a day, aggregating to Rs. 1,90,36,240/-. The Assessing Officer held that such payments violated the provisions of section 40A(3) of the Act and accordingly disallowed the same. The assessee contended before the Assessing Officer that he was acting as a commission agent and the impugned amounts represented payments made to farmers against **sale proceeds of agricultural produce** collected on their behalf. The Assessing Officer was not satisfied with the explanation of the assessee and made addition of Rs. 1,90,36,240/- u/s 40A(3) of the Act.

4. Aggrieved by the order of the Assessing Officer, the assessee filed an appeal before the Ld. CIT(A), who confirmed the addition holding that the assessee failed to substantiate that the payments were covered under the exceptions provided in Rule 6DD.

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

6. Before us, the Ld. AR submitted that the assessee holds valid licence from Krushi Upaj Mandi Samittee, Shridungargarh, Bikaner. The Ld. AR contended that the assessee is a commission agent and not a trader purchasing goods on his own account. The Ld. AR produced before us copies of mandi parchi (receipts), cash book, affidavits of farmers and revenue records were placed on record. The Ld. AR also submitted the copy of CBDT Circular No. 452 dated 17.03.1986, which clarifies distinction between kachha arhatia and pacca arhatia. The Ld. AR, thus, submitted that the payments made to cultivators of agricultural produce are covered under Rule 6DD. For this proposition, Ld. AR relied upon following judicial precedents :

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- (a) CIT vs. Keerthi Agro Mills (P) Ltd. (Kerala HC)
- (b) Kantilal Purshottam & Co. vs. CIT (155 ITR 519) (Raj.)
- (c) Sri Krishnasa Bhute vs. ITO (ITAT Bangalore)

7. The Ld. DR supported the orders of the lower authorities.

8. We have heard the rival submissions and perused the material available on record. It is not in dispute that the assessee holds a valid licence from the Krushi Upaj Mandi Samittee and is engaged in commission agency business, for which the assessee has placed on record the documents such as (i) Mandi licence, (ii) Mandi parchi (receipts) showing name of farmer (seller), (iii) buyer and commission earned, (iv) Affidavits of farmers, and (v) Revenue records evidencing agricultural land holding. The Revenue has not brought any material on record to disprove the genuineness of these documents. The evidences placed before us clearly demonstrate that the assessee was acting as a commission agent and that the agricultural produce belonged to the farmers. The assessee merely facilitated the sale and received commission thereon. Hence, keeping in view the Rule 6DD and the CBDT Circular No. 452 dated 17.03.1986, we hold that provisions of Section 40A(3) of the Act are not attracted in this case.

9. In the result, the appeal of the assessee is allowed.

**The order is pronounced in the open Court on 18.02.2026**

**Sd/-**

**(SUCHITRA KAMBLE)  
JUDICIAL MEMBER**

**Sd/-**

**(DR. B.R.R. KUMAR)  
VICE-PRESIDENT**

Ahmedabad; Dated 18/02/2026

*btk*

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आदेश की प्रतिलिपि □ ग्रेषित/**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)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण ,/DR,ITAT, Surat,
6. गार्ड फाईल /Guard file.

आदेशानुसार/ **BY ORDER,**

**TRUE COPY**

सहायक पंजीकार (**Asstt. Registrar**)  
आयकर अपीलीय अधिकरण