IN THE INCOME TAX APPELLATE TRIBUNAL
SURAT BENCH, SURAT

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

ITA No.880/Srt/2025
(Assessment Year: 2014-15)

Deputy Commissioner of Income Tax, Surat	Vs.	Haywood Hospitality(India) Pvt. Ltd., 1st Floor, Gujarat JHM Hotels Ltd., Near Bharti Park, Athwalines, Surat. [PAN : AABCJ9651 N]
(**Appellant**)	..	(**Respondent**)

Appellant by :	Shri Mukesh Jain, CIT(DR)
Respondent by:	Shri Hiren R Vepari, AR

Date of Hearing	22.01.2026
Date of Pronouncement	26.02.2026

O R D E R

PER SUCHITRA KAMBLE, JUDICIAL MEMBER:-

This appeal has been filed by the Revenue against the order dated 10.06.2025 passed by the Ld. Commissioner of Income-Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi ("the CIT(A) in short), under Section 250 of the Income-tax Act, 1961 ("the Act"), relating to the Assessment Year 2014-15.

2. The Revenue has raised the following grounds of appeal:

(1) On the facts and circumstances of the case and in law the Ld.CIT has erred in deleting the addition of Rs.5,13,33,549/ made on account of disallowance of salary expenses even though the disallowance was made after detailed verification of profit & loss account and related submissions filed by the assessee as well as considering the disproportionate quantum of salary to the revenue and in absence of cost allocation or justification linking the employee salaries directly to income earned and the assessee failed to prove that entire salary expenses were incurred for its business purpose.

(ii) On the facts and circumstances of the case and in law the Ld. CIT has erred in deleting the addition of Rs.64, 19,433/made u/s 40a(i) of the Act, as no TDS was deducted on the same, even though the expenses are falling within the scope of "fees for Technical Services" and the assessee failed to deduct TDS on the same.

(iii) On the facts and circumstances of the case and in law, the Ld. CIT(A) has erred in deleting the addition of Rs.62,80,779/- made on account of undisclosed receipts even though the assessee claimed credits for TDS on these receipts without taking into consideration for computation of total income for the year.

(iv) On the basis of the facts and circumstances of the case and in law, the Ld.CIT(A) ought to have upheld the order of the Assessing officer.

(v) It is therefore prayed that the order of the Ld.CIT(A) may kindly be set aside and that of the Assessing Officer be restored.

(vi) The appellant craves leave to add, alter, amend and/or withdraw any ground of appeal either before or during the course of hearing of the appeal.

3. The assessee is engaged in the business of Hotel Management. The assessee filed return of income on 30.09.2014 declaring total loss of Rs(-) 5,91,45,979/-. The statutory notices were issued and the assessee filed the details before the AO. The AO noticed that the assessee has claimed provision for bad debts of Rs.1,48,62,987/- and after considering, the same was disallowed. The AO also disallowed salary expenses of Rs,5,13,33,549/-. Further, the AO made disallowance of foreign expenses u/s.40(a) of the Act, legal and professional expenses, relocation expenses and computer expenses totaling to Rs.64,19,433/. The AO also made addition of Rs.62,80,779/- towards undisclosed receipts.

4. The assessee filed appeal before the Ld.CIT(A). The Ld.CIT(A) partly allowed the appeal of the assessee.

5. The Ld.DR submitted that the Ld.CIT(A) erred in deleting the addition of Rs.5,13,33,549/- made on account of disallowance of salary expenses even

though the disallowance was made after detailed verification of profit and loss accounts which was the disproportionate quantum of salary and in the absence of cost allocation or justification linking employee salaries directly to income earned. The Ld.DR submitted that the assessee failed to prove the entire salary expenses which were incurred for its business purposes. As regard to ground no.2 the Ld.DR submitted the addition of Rs.64,19,433/- made u/s.40(a)(i) of the Act as the expenses are falling within the scope of "fees for technical services" and failed to deduct TDS on the same. The Ld.DR as relates to ground no.3 submitted the Ld.CIT(A), erred in deleting addition of Rs.62,80,779/- made on account of undisclosed receipt even though the assessee claimed credits for TDS on the receipt when taking into consideration computation of total income for the year.

6. The Ld AR relied on the order of the Ld.CIT(A)

7. We have heard both the parties and perused the material available on record. Regarding ground no.1, the Ld.CIT(A) has categorically mentioned that assessee provide details related to salary expenses including employee-wise breakdown designation and location. In para 3.3.13 of the order of the Ld.CIT(A) it was categorically observed that there was no allegation or evidence presented by the AO to suggest that salary payment were not genuine or any diversion of funds. From the perusal of the records it is evident that the assessee has given the details of the employee-wise breakdown, designation and their location including their salary expenditure. Thus, the contention of the Ld.DR that the assessee has incurred disproportionate quantum salary expenses is not right and therefore ground no.1 of Revenue's Appeal is dismissed.

8. As regards to ground no.2 related to addition of Rs.64,19,433/-. The assessee before the AO has categorically mentioned that the expenses related to foreign expenses are approved outside India and has demonstrated that the AO's own description reveals that interstate USA was a mere mediator and

categorically support its characterization as pure reimbursement for facilitating the USA company. Therefore the Ld.CIT(A) has rightly held that these reimbursements do not attract TDS. As related to legal and professional expenses, re-location and travelling expenses as well as computer and IT funds expenses/BI platform charges, the assessee has given all the details and has categorically indicated that the characterization of these expenses/payment as reimbursement of foreign expenses will not attract TDS u/s.195 and non deduction of TDS cannot be the sole criteria for making disallowance u/s.40(a)(i) of the Act. The Ld.DR could not point out that these expenses were never incurred by the assessee at any point of time. Thus, there is no need to interfere with the findings of the Ld.CIT(A). Hence, the ground no.2 of the Revenue's appeal is dismissed. As relates to ground no.3, regarding addition of undisclosed receipts. The assessee has given all the evidences related to 4 parties also receipt and the corresponding TDS amount of Rs.6,28,122/-. In the present assessment year i.e AY 2014-15, it was totally ignored by the Assessing Officer. Thus, the details findings given by the Ld.CIT(A) while deleting the addition are justifiable. Hence, ground no.3 of the revenue's appeal is dismissed.

9. In the result, the appeal of the Revenue is dismissed.

The order is pronounced in the open Court on 26 .02.2026.

Sd/-		**Sd/-**
(DR. B.R.R. KUMAR)		**(SUCHITRA KAMBLE)**
VICE-PRESIDENT		**JUDICIAL MEMBER**

(True Copy)

Surat; Dated 26.02.2026

**mv*

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

आदेशानुसार/ BY ORDER,

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