

**IN THE INCOME TAX APPELLATE TRIBUNAL
“A” BENCH: BANGALORE**

**BEFORE SHRI PRASHANT MAHARISHI, VICE PRESIDENT
AND
SHRI KESHAV DUBEY, JUDICIAL MEMBER**

ITA No. 586/Bang/2025
Assessment Year : 2014-15

Airstate Logistics & Couriers Private Limited No.44, Anglo Indian Block Austin Town Bengaluru Karnataka 560 047 PAN NO : AAFCA0100P	Vs.	ITO Ward 1(1)(3) Bengaluru
APPELLANT		RESPONDENT

Appellant by	:	Sri Thirumala Naidu K., A.R. & Sri Surya Kanta Devadiga, A.R.
Respondent by	:	Sri Shivanad Kalakeri, D.R.

Date of Hearing	:	15.12.2025
Date of Pronouncement	:	27.02.2026

O R D E R

PER KESHAV DUBEY, JUDICIAL MEMBER:

This Appeal at the instance of the assessee is directed against the order of Id. CIT(A)/NFAC dated 16.5.2024 vide DIN and Order No: ITBA/NFAC/S/250/2024-25/1064922646 (1) passed u/s. 250 of the income Tax Act, 1961 (in short “the Act”) for the AY 2014-15.

2. The assessee has raised the following Grounds of appeal: -

1. Erroneous Dismissal of Appeal by CIT(A) for Non-Prosecution

The CIT(A) erred in dismissing the appeal solely on procedural grounds without adjudicating the substantive merits of the case. The dismissal violates principles of natural justice, as the appellant was not afforded a fair opportunity to present its case. Non-compliance with notices was due to the notices issued in 2021 coincided with severe COVID-19 lockdowns in India. The appellant faced:

- Closure of offices and inability to access records.
- Health crises among key personnel, disrupting operations.
- Delays in appointing new representatives due to restrictions

, also appellant company has ceased active business Operations which constitutes "sufficient cause" under Section 253(5) of the Income Tax Act, 1961. The CIT(A) failed to consider the appellant's intent to pursue the appeal diligently.

2. Misapplication of Section 40A(3A) of the Income Tax Act, 1961

The Assessing Officer (AO) and CIT(A) erred in disallowing ₹55,21,568/- under Section 40A(3A). The provision applies only to **single payments exceeding ₹35,000/- per day to a single recipient**, not aggregate payments to multiple parties. The appellant provided vouchers and ledgers proving that no individual transaction exceeded ₹35,000/-. The authorities ignored the bifurcation of payments across hubs (Mumbai, Delhi, etc.) and misinterpreted "per day" to mean cumulative expenses.

3. Failure to Consider Business Exigencies and Evidence

The authorities disregarded the appellant's operational constraints in the courier industry, where small cash payments (₹300-₹5,000) to transporters were unavoidable due to late-night/early-morning operations and refusal by transporters to accept cheques. The CIT(A) mechanically relied on the AO's findings without verifying the appellant's documentary evidence (vouchers, ledgers, audit reports).

4. Arbitrary Initiation of Penalty Proceedings

The AO/CIT(A) erred in initiating penalty proceedings under Section 271(1)(c) for "inaccurate particulars of income." The disallowance was based on a misinterpretation of law, not concealment. The appellant acted in good faith and disclosed all transactions transparently.

5. Incorrect Computation of Tax and Interest

The demand of ₹28,93,760/- includes unjustified additions and erroneous interest under Sections 234A, 234B, and 234D. The computation violates the principles of proportionality and lacks proper verification.

6. Violation of Natural Justice

The CIT(A) dismissed the appeal without addressing the appellant's substantive arguments or granting a final opportunity for compliance. This violates the principles laid down in **CIT vs. Jai Prakash Singh (1996)**, where courts emphasized adjudication on merits over procedural technicalities.

Prayer for Relief

The appellant prays that the ITAT:

- Set aside the CIT(A)'s order dated 16/05/2024 and the AO's order dated 12/12/2019.
- Delete the disallowance of ₹55,21,568/- under Section 40A(3A).
- Quash the demand of ₹28,93,760/- and related penalty proceedings.

Interim Relief

Pending disposal of this appeal, the appellant seeks:

- Stay on the demand of ₹28,93,760/-.
- Restraint on coercive recovery actions under Sections 222-232.

3. Brief facts of the case are that the assessee company is engaged in the business of courier and logistic operations. The assessee filed its return of income for the assessment year 2014-15 on 30.11.2014 declaring total income of Rs.36,91,020/-. The said return was revised on 28.5.2015 declaring income of Rs.43,62,940/-. The case was thereafter selected for scrutiny and order u/s 143(3) of the Act was passed on 16.12.2016 by accepting the returned income. Subsequently, the case was reopened by issuing notice u/s 148 of the Act on 13.3.2019 with the prior approval of Addl CIT vide letter dated 18.2.2019. The main reason for reopening of the assessment was that the assessee had violated the provisions of section 40A(3) of the Act. The AO thereafter completed the assessment proceedings u/s 147 r.w.s. 143(3) of the Act on 12.12.2019 by disallowing the truck expenses amounting to Rs.55,21,568/- as per the provisions contained in section 40A(3A) of the Act and accordingly assessed on a total income of Rs.98,84,500/-.

4. Aggrieved by the assessment completed u/s 147 r.w.s. 143(3) of the Act dated 12.12.2019, the assessee preferred an appeal before the Id. CIT(A)/NFAC.

5. The Id. CIT(A)/NFAC dismissed the appeal of the assessee since in spite of 4 numbers of notices issued to the assessee, the assessee neither submit any documents/records nor responded to any of the notices. Further, the Id. CIT(A)/NFAC held that the assessee is not aggrieved with the assessment order impugned herein and is not interested in pursuing the same and accordingly the additions/disallowances as challenged in the grounds of appeal were dismissed.

6. Aggrieved by the order of Id. CIT(A)/NFAC, the assessee has filed the present appeal before this Tribunal. The assessee has filed

a paper book comprising 60 pages containing therein brief facts and notes on arguments, copy of the order of the AO and Id. CIT(A) as well as case laws relied upon by the assessee.

7. Before us, the Id. A.R. of the assessee vehemently submitted that the assessee could not represent its case before the Id. CIT(A)/NFAC due to the shifting of the registered office of the assessee. Further, the Id. A.R. of the assessee prayed to remit the entire issue to the file of Id. CIT(A)/NFAC for fresh consideration and also undertakes to appear before the Id. CIT(A)/NFAC and submit all the necessary documents/records to substantiate its claim.

8. The Id. D.R. on the other hand, vehemently supported the order of the Authorities below.

9. We have heard the rival submissions and perused the materials available on record. It is an undisputed fact that the assessee company could not represent its case before the Id. CIT(A)/NFAC. Before us, the Id. A.R. of the assessee undertakes to submit all the necessary documents/records/confirmation to substantiate its claim and requested to remit the matter to the file of Id. CIT(A)/NFAC to decide a fresh. This being so, in the interest of justice and fair play, we deem it fit and proper to remit the entire issue in dispute to the file of Id. CIT(A)/NFAC to decide afresh in accordance with law. Needless to say, a reasonable opportunity of being heard must be granted to the assessee. The assessee is also directed to produce all the relevant documents/records/information/explanation before the Id. CIT(A)/NFAC in support of its claim. It is ordered accordingly.

10. In the result, appeal filed by the assessee is partly allowed for statistical purposes.

Order pronounced in the open court on 27th Feb, 2026

Sd/-
(Prashant Maharishi)
Vice President

Sd/-
(Keshav Dubey)
Judicial Member

Bangalore,
Dated 27th Feb, 2026.
VG/SPS

Copy to:

1. The Applicant
2. The Respondent
3. The CIT
4. The DR, ITAT, Bangalore.
5. Guard file

By order

Asst. Registrar,
ITAT, Bangalore.