

आयकर अपीलीय अधिकरण, 'सी' न्यायपीठ, चेन्नई।  
IN THE INCOME TAX APPELLATE TRIBUNAL  
'C' BENCH: CHENNAI

श्री एबी टी. वर्की, न्यायिक सदस्य एवं सुश्री पदमावती यस, लेखक सदस्य के समक्ष  
BEFORE SHRI ABY T. VARKEY, JUDICIAL MEMBER AND  
MS. PADMAVATHY.S, ACCOUNTANT MEMBER

आयकर अपील सं./ITA No.2958/Chny/2025  
निर्धारण वर्ष /Assessment Year: 2018-19

Vimal Trading Company,  
24/2, Vengalakadai Street,  
I lane, Madurai – 625 001.  
PAN: AAAFV 7777R

The Income Tax Officer,  
Vs. Non Corporate Circle-1,  
Madurai.

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/ Appellant by  
प्रत्यर्थी की ओर से /Respondent by

: Mr. R. Venkata Raman, C.A  
: Mr. R. Anitha, Addl. CIT

सुनवाई की तारीख/Date of Hearing  
घोषणा की तारीख /Date of Pronouncement

: 12.02.2026  
: 04.03.2026

**आदेश / ORDER**

**PER PADMAVATHY.S, A.M:**

This appeal by the assessee is against the order of the Commissioner of Income Tax (Appeals)/National Faceless Appeal Centre (NFAC), Delhi, (in short "CIT(A)") passed u/s. 250 of the Income Tax Act, 1961 (in short "the Act") dated 18.09.2025 for Assessment Year (AY) 2018-19. The assessee raised the following ground of appeal:

*"1. That the Ld. CIT(A), NFAC is not justified in sustaining the disallowance of Rs. 1,47,08,788/- made by the Assessing Officer on account of sales promotion expenses incurred for distribution of stainless steel vessels, without giving proper consideration to the evidence submitted by the appellant including ledgers, stock registers, invoices, and banking proofs.*

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2. *That the Ld. CIT(A) is not justified in confirming the addition by relying on the AOs arbitrary calculation of allowable expenses based on assumptions regarding the number of vessels issued, without appreciating the actual business records and the documented promotional scheme followed by the appellant.*

3. *That the Ld. CIT(A) has failed to appreciate that all sales promotion expenses were incurred wholly and exclusively for business purposes, are supported by verifiable bank payments, and pertain fully to the relevant year, and hence are allowable under Section 37(1) of the Income Tax Act.*

4. *That the Ld. CIT(A) and the Ld. AO have erred in not considering the practical business reality where incurring such expense is the core requirement to run the business.*

5. *That the Ld. CIT(A) and the Ld. AO failed to appreciate that the appellant has consistently followed the same promotional policy year on year, in proportion to turnover, reflecting normal and reasonable business practice, and that penalizing the appellant for such expenditure is unjust and contrary to the principles of tax law.*

6. *That for these grounds and other reasons that may be adduced at the time of hearing, the Honble ITAT may delete the disallowance of Rs. 1,47,08,788/- made by the learned AO and sustained by the Learned CIT(A) and thus render justice.”*

2. The assessee is a partnership firm engaged in the business of trading Asafoetida Hing. The assessee filed a return of income for AY 2018-19 on 23.8.2018 declaring total income of Rs.22,42,990/-. The assessee had claimed sales promotion expenses to the tune of Rs. 2,37,55,120/- towards providing stainless steel vessels to customers as part of promotional scheme whereby vessels are given free for purchase of Asafoetida. The A.O during the course of assessment called on assessee to furnish details of parties from whom the assessee has purchased the stainless steel vessels and based on the submissions noticed certain discrepancies. The A.O also called on the assessee to furnish proof of advertisements published on behalf of the promotional scheme. The assessee submitted that the promotional scheme of giving stainless steel vessel along with the Asafoetida sale runs throughout the year and the stainless steel vessel bears the logo of the brand as a measure

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of sales promotion. The assessee further stated that the stainless steel vessel is given for every kilo gram of Asafoetida sold. The A.O did not accept the submissions of the assessee and held that without advertisement of promotional scheme, the customers would not have known about the promotional scheme. The A.O calculated the quantum of Asafoetida sold and compared the same with the number of stainless steel vessel issued to various parties. The AO based on the working arrived at the allowable sales promotion expenses proportionate to the Asafoetida sold and accordingly made a disallowance of Rs. 1,47,08,788/-. Aggrieved, the assessee filed further appeal before the CIT(A), who confirmed the addition made by the A.O. The assessee is in appeal before the Tribunal against the order of the CIT(A).

3. The Ld. Authorized Representative (AR) submitted that the A.O did not reject the books of accounts and has not questioned the genuineness of the impugned expenses. The Ld. AR further submitted that the discrepancy noticed by the A.O in the purchase figure confirmed by the vendors is actually arising out of GST and in this regard drew our attention to the table reconciling the balance. The Ld. AR further submitted the said reconciliation along with the details of Asafoetida sold against which the vessels are given were submitted before the CIT(A) (page 10 of CIT(A) order) which have not been considered by the CIT(A). The Ld. AR argued that the assessee has been giving gifts against the sale of Asafoetida for the last three years and it is a yearlong activity which does not warrant any specific marketing or advertisement. The Ld. AR further submitted that the assessee has inadvertently submitted that the stainless steel vessels have given as gift for purchase of a Kilo (KG) of asafoetida sold whereas the assessee actually gives gift for every sale irrespective of the quantum. The Ld. AR in this regard drew our attention to the breakup of sales with gifts (page 47 to 69 of page

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book). Accordingly, the Ld. AR submitted that the calculation of proportionate amount for the purpose of disallowance by the A.O is not correct since the A.O has applied the proportion based on the number of Kilos of asafoetida sold by the assessee.

4. The Ld. DR on the other hand, submitted the A.O has disallowed the expenses based on the proportionate calculation based on the submission of the assessee that the free gift is given per KG of asafotida sold. The Ld. DR accordingly supported the orders of the lower authorities.

5. We have heard the parties and perused the materials available on record. During the course of assessment, the A.O noticed that the assessee has claimed substantial amount towards sales promotion as compared to the total sales of the assessee. The A.O called for the details of the expenses whereby the assessee submitted the breakup of purchase of stainless steel vessels from three parties. The A.O noticed certain discrepancies in the purchases of stainless steel vessels as per assessee's books and as per data available with the Department. Based on the submissions of the assessee that the stainless steel vessels given as free gifts per KG asafoetida sold, the A.O calculated the proportionate amount of sales promotion expenses and disallowed the balance. With regard to the difference in the purchase figure of stainless steel vessels, we have perused the table submitted by the Ld. AR reconciling the balances and noticed that the difference is mainly arising out of the GST. Further from the perusal of the details of sales where stainless steel vessels are given as gift, we notice that the assessee has distributed the gift for every sale not for every KG of asafoetida sold but for every sale irrespective of the quantity. We also notice that the assessee is maintaining a detailed list of the vessels received and issued to parties (page 1 to 36 of paper

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book). The Ld. AR during the course of hearing also drew our attention to the invoices towards purchase of stainless steel vessels and also sample invoices of sale of asafoetida. From the perusal of the materials on record, we see merit in the submission of the assessee that gifts are given to parties for every sale irrespective of the quantity and that the assessee has inadvertently stated that the gifts are given per KG of asafoetida sold. From the perusal of detailed breakup of the quantity of asafoetida sold and the quantity of vessels given as gifts, we notice that the assessee has reconciled the balances and that the said the reconciliation which is submitted before the CIT(A) has not been considered. In the overall facts and circumstances of the case, we are of the considered view that the lower authorities are not correct in making the disallowance merely based on the statement made by the assessee mentioning that stainless steel vessels gifts are given per KG of asafoetida sold without considering the other details and breakup of sales promotion expenses submitted by the assessee. Further, from the perusal of the records and the reconciliations submitted before us we are convinced of the fact that the entire sales promotion expenses incurred by the assessee towards purchase of stainless steel vessels is properly substantiated. Accordingly, we direct the A.O to delete the addition made in this regard.

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

*Order pronounced on 04<sup>th</sup> day of March, 2026 at Chennai.*

Sd/-  
(एबी टी. वर्की)  
(ABY. T. Varkey)

न्यायिक सदस्य / Judicial Member

Sd/-  
(पदमवती यस)  
(Padmavathy.S)

लेखा सदस्य / Accountant Member

चेन्नई/Chennai, दिनांक/Dated: 04<sup>th</sup> March, 2026.

EDN, Sr. P.S

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**आदेश की प्रतिलिपि अग्रेषित/Copy to:**

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT, Chennai/Madurai/Coimbatore/Salem
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF