

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

सुश्री पद्मावती एस, लेखा सदस्य के समक्ष
श्री मनु कुमार गिरि, न्यायिक सदस्य एवं

BEFORE MS. PADMAVATHY S, ACCOUNTANT MEMBER AND
SHRI MANU KUMAR GIRI, JUDICIAL MEMBER

आयकर अपील सं./ITA Nos. 3100 & 3101/Chny/2025
निर्धारण वर्ष/Assessment Years: 2008-09 & 2013-14

M/s. E2E Supply Chain Solutions Limited, 4 th Floor, East Coast Centre, 534, Anna Salai, Teynampet, Chennai – 600 018.	v.	Assistant Commissioner of Income Tax, Corporate Circle -1(1), Chennai.
[PAN: AABCE 7932 P]		
(अपीलार्थी/ Appellant)		(प्रत्यर्थी/ Respondent)
अपीलार्थी की ओर से/ Appellant by	:	Mr. S. Dwarakesh, C.A.
प्रत्यर्थी की ओर से /Revenue by	:	Ms. R. Anitha, Addl. CIT
सुनवाईकीतारीख/Date of Hearing	:	02.03.2026
घोषणाकीतारीख /Date of Pronouncement	:	09.03.2026

आदेश / ORDER

PER MANU KUMAR GIRI, JM:

These appeals by the assessee are filed against the separate orders of the Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi, for the assessment years 2008-09 & 2013-14 both dated 07.10.2025.

2. The assessee has raised the following grounds for AY 2013-14:



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The grounds of appeal listed below are without prejudice to each other.

1. The orders of the Assistant Commissioner of Income Tax, Corporate Circle 2(1), Chennai ('Learned AO') and Commissioner of Income Tax (Appeals), National Faceless Appeal Centre ['Learned CIT(A)'] are erroneous & bad in law and contrary to the provisions of the Income Tax Act, 1961 ('the Act').

2. The Learned CIT(A) ought to have quashed the assessment order, which is based solely on surmises, conjectures, and unfounded assumptions, without any supporting material or evidentiary basis, and therefore unsustainable both on facts and in law. The Learned CIT(A) has erred in upholding the action of the Learned Assessing Officer in disallowing almost the entire expenditure amounting to Rs. 40,63,56,656 (comprising 94% of the Assessee's turnover for the year under assessment).

Ground No. 3 to 7 Disallowance of expenditure amounting to Rs.35,51,32,556 alleging that the vendors are fictitious

3. The Learned CIT(A) has erred in upholding the action of the Learned Assessing Officer in disallowing the expenditure amounting to Rs. 35,51,32,556 almost entirely made through banking channels, solely on the ground that confirmations were not received from the vendors or that the letters issued to such vendors were returned undelivered, which finding is untenable both on facts and in law.

4. The Learned CIT(A) has erred in not appreciating the fact that the Learned Assessing Officer has disallowed the expenditure without affording an opportunity of being heard to the Appellant by way of issuance of a specific show-cause notice, thereby violating the principles of natural justice. The Learned Assessing Officer has erred in not communicating the fact that letters had been sent to vendors and responses were not received during the course of the assessment proceedings.

5. The Learned CIT(A) and the Learned Assessing Officer ought to have appreciated that no disallowance can be made once the Appellant has duly discharged the primary onus of proving the genuineness of the expenditure and the identity of the parties.

5.1 The Learned Assessing Officer erred in disallowing the expenditure merely based on the remarks of the postal authorities without undertaking any further verification to ascertain the genuineness of the transactions/vendors, and the Learned CIT(A) failed to appreciate the same.



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5.2 The Learned CIT(A) and the Learned Assessing Officer ought to have appreciated that the Appellant had furnished complete particulars of the vendors, including their names, addresses, PAN, and bank account details, and therefore the disallowance was wholly unwarranted.

5.3 The Learned CIT(A) and Learned Assessing Officer further failed to appreciate that payments made through recognized banking channels cannot be treated as fictitious in the absence of any contrary evidence or merely on account of non-receipt of confirmations from the vendors.

6. The Learned CIT(A) has erred in not considering the additional evidences furnished by the Appellant, including confirmation letters from transporters, lorry hire slips, goods consignment notes, invoices, and other supporting documents, which clearly substantiate the availing of such services by the Appellant.

6.1 The Learned CIT(A) has further erred in not appreciating the principles laid down by the Hon'ble Tribunal in the Appellant's own case for the preceding assessment years [ITA No. 2116 to 2120 of 2019] wherein identical issues were decided in favour of the Appellant.

7. The Learned CIT(A) has erred in upholding the action of the Learned Assessing Officer in disallowing substantially all the expenditure, despite the fact that the Learned Assessing Officer has accepted the Appellant's turnover of Rs. 43.31 crores, which is illogical, perverse, and untenable, as such income could not have been earned without incurring corresponding expenditure.

Ground No. 8 to 10 Disallowance under section 40A(3) of the Act amounting to Rs. 5,12,24,100

8. The Learned CIT(A) has erred in upholding the action of the Learned Assessing Officer in disallowing a sum of Rs. 5,12,24,100/- (being almost the entire cash payment made during the year under assessment) under section 40A(3) of the Act, by reason of an erroneous reading of that section.

9. The Learned CIT(A) has erred in upholding the action of the Learned Assessing Officer, which is based on an incorrect application of the threshold limit of Rs. 35,000/- on the aggregate payments made during the year, instead of on a per-day, per-transaction basis, despite the Appellant having specifically raised this submission.

10. The Learned CIT(A) and the Learned Assessing Officer have erred in not appreciating that no payment exceeding Rs. 35,000/- was made by the Appellant in respect of any transaction on any single day.



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Consequently, the Appellant has fully complied with the provisions of Section 40A(3) of the Act during the year.

Ground No. 11-Levy of interest under section 234B of the Act

11. The learned AO has erred in levying consequential interest under section 234B of the Act which is consequential

The Appellant craves leave to add, alter, vary, omit, substitute or amend the above grounds of appeal, before commencement of/ during proceedings before the Hon'ble Tribunal.

3. The assessee has raised the following grounds for AY 2008-09:

The grounds of appeal listed below are without prejudice to each other.

1. The orders of the Assistant Commissioner of Income Tax, Corporate Circle 2(1), Chennai ('Learned AO') and Commissioner of Income Tax (Appeals), National Faceless Appeal Centre ['Learned CIT(A)'] are erroneous & bad in law and contrary to the provisions of the Income Tax Act, 1961 ('the Act').

2. The orders of the Learned CIT(A) and Learned Assessing Officer are invalid, having been concluded on erroneous facts, conjectures, and unfounded assumptions, without any supporting material or evidentiary basis, and therefore unsustainable both on facts and in law.

Ground No. 3 to 5 - Validity of the re-assessment proceedings

3. The Learned CIT (A) ought to have quashed the reassessment order, as the Learned Assessing Officer initiated the proceedings without any tangible material or cogent basis linking the information forming the basis for reopening the assessment.

4. The Learned CIT(A) ought to have quashed the reassessment order, as the Learned Assessing Officer initiated the proceedings merely on the basis of borrowed satisfaction, without independent application of mind, thereby vitiating the assumption of jurisdiction under section 147 of the Act.

5. The Learned CIT(A) ought to have quashed the underlying reassessment proceedings, as the Appellant had made a true and full disclosure of all material facts during the course of the first reassessment proceedings, rendering the subsequent reassessment bad in law.



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Ground No. 6 to 10 Disallowance of expenditure amounting to Rs. 6,55,68,400 alleging that payment to Twinkle Vanijaya Private Limited is non-genuine

6. The Learned CIT(A) ought to have quashed the order of the Learned Assessing Officer, as the reassessment was completed without furnishing to the Appellant a copy of the statement obtained from Mr. Abhishek Chokhani, either in whole or on in part, which was the sole and only basis of the proceedings, thereby violating the principles of natural justice and rendering the reassessment order void-ab-initio.

7. The Learned CIT(A) ought to have deleted the addition, in the absence of any evidence to support the contention that the purported statement of Mr. Abhishek Chokhani even refers to or implicates the Appellant, and therefore, the disallowance of expenditure is unjustified and unsustainable in law.

8. The Learned CIT(A) ought to have deleted the disallowance on the ground that the Learned Assessing Officer failed to produce Mr. Abhishek Chokhani for cross-examination, despite relying upon his purported statement which appears to be non-existent in the records of the Learned Assessing Officer to make the addition.

8.1 The Learned CIT(A) ought to have appreciated that it is trite law that if any statement of a third party is relied upon, then the statement must be produced to the Appellant for rebuttal and the person who issued the statement must be produced for cross examination. The onus rests squarely on the Revenue to produce the alleged statement of Mr. Abhishek Chokani and offer him for cross-examination. Having failed to do either, constituted an independent procedural infirmity vitiating the assessment proceedings.

9. Without prejudice to the above, the Learned CIT(A) and the Learned Assessing Officer ought to have appreciated that no disallowance can be made once the Appellant has duly discharged the primary onus of proving the genuineness of the expenditure.

10. The Learned CIT(A) and Learned Assessing Officer ought to have considered the evidences furnished by the Appellant, including confirmation letters from vendor, invoices, goods consignment notes, and other supporting documents, which clearly substantiate the availing of such services by the Appellant.

11. The Learned CIT(A) has further erred in not appreciating the principles laid down by the Hon'ble Tribunal in the Appellant's own case for the preceding assessment years [ITA No. 2117 of 2019] wherein identical



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issues were decided in favour of the Appellant, in principle. That the Learned CIT(A) has erred in stating that the decision is distinguishable for the subject AY.

11.1 That the reasons cited by the Learned CIT(A) to distinguish the order of the Hon'ble ITAT are based on incorrect and unfounded facts. The observations regarding independent verification by the Learned Assessing Officer, alleged ledger inconsistencies, and absence of vehicle logs are non-existent and hence the conclusion drawn therefrom is perverse and untenable in law.

12. The Learned CIT(A) has erred in upholding the action of the Learned Assessing Officer in disallowing the expenditure, despite the fact that the Learned Assessing Officer has accepted the underlying turnover. The Learned CIT(A)'s finding is illogical, perverse, and untenable, as such income could not have been earned without incurring corresponding expenditure.

Ground No. 13-Levy of interest under section 234B of the Act

13. The learned AO has erred in levying consequential interest under section 234B of the Act which is consequential.

The Appellant craves leave to add, alter, vary, omit, substitute or amend the above grounds of appeal, before commencement of/ during proceedings before the Hon'ble Tribunal.

4. Brief facts of the case are that the assessee, E2E Supply Chain Solutions Limited, ('the Company' or 'the Appellant') is engaged in the business of transportation of goods, stevedoring, port handling, warehousing and allied services. The subject appeal is against the assessment order passed by the Assistant Commissioner of Income Tax, Corporate Circle 2(1), Chennai ('Learned AO') dated 31.03.2016. The assessee filed an appeal before the Commissioner of Income Tax (Appeals) - 6, Chennai on 30.04.2016 and the subject appeal has been transferred to the National Faceless Appeal Centre. For the subject AY, the turnover of the Company amounts to Rs.43.31 Crores and expenditure towards freight, stevedoring and port handling amounts to Rs. 41.74 Crores. The following additions have been made by the AO:



S. No.	Particulars	Amount (Rs)
1	Disallowances under Section 40A(3)	5,12,24,100
2	Disallowances on account of payment made to fictitious transporters	35,51,32,556
3	Interest on statutory dues	1,30,000
4	Disallowance under section 36(1)(va) - delayed remittance of employees contribution to PF & ESI	129,340
	Total	40,66,15,996

5. Aggrieved assessee filed appeal before the Id.CIT(A). The Id.CIT(A) sustained both disallowances on account of payment made to fictitious transporters and disallowances u/s.40A(3).

6. The assessee further challenged the order of the CIT(A) before this Tribunal.

7. The Id.AR submitted that the AO has erred in disallowing a sum of Rs.5,12,24,100/- u/s.40A(3) of the Act by erroneously treating the aggregate annual cash payments made to certain transporters as if such amounts were paid on a single day. It is submitted by Id.AR that no payment exceeding Rs.35,000/- per day per vendor was made during the relevant financial year. The assessee had furnished a list of transporters along with total annual payments, as called for by the AO. The Id.AR submitted that AO misinterpreted the data provided and mechanically applied the statutory threshold prescribed u/s.40A(3) on annual aggregates instead of verifying daily payment details. The detailed daily break-up of payments, subsequently furnished, clearly establishes that no violation of Section 40A(3) has occurred. He furthermore submitted that the disallowance is founded on a



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fundamental factual and mathematical misconception and is liable to be deleted in toto.

8. Regarding disallowance of Freight and Allied Expenses the AO has disallowed a sum of Rs.35,51,32,556/- solely on the ground that certain vendors did not respond to notices issued u/s.133(6) of the Act. The Id.AR for the assessee submitted that such disallowance is legally untenable for the reasons that the notices were issued indiscriminately to all parties, including government and quasi-government authorities, without any specific adverse material against the assessee. The notices were issued in mid-March 2016, affording an unreasonably short period for compliance. The assessee was never informed during assessment proceedings that such notices had been issued or that there was alleged non-compliance by vendors. No show cause notice or opportunity of rebuttal was provided prior to making the disallowance. Furthermore, the Id.AR submitted that the payments in question were made through banking channels, and complete particulars including PAN, addresses, confirmations, lorry receipts, work orders, bank statements, and other supporting documents were furnished. Hence he pleaded that in the absence of any material demonstrating that the transactions were bogus or fictitious, the mere non-response of third parties cannot justify wholesale disallowance of genuine business expenditure. He further added that the AO has not disputed the revenue earned by the assessee.

9. The assessee places reliance on the order of the Tribunal in its own case for earlier assessment years, wherein it was held that if vendor confirmations are not forthcoming, the AO ought to verify the



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transactions through the respective Assessing Officers of such vendors. Only in case of discrepancies should adverse inference be drawn. The Appellant submits that it has furnished all requisite vendor details including PAN and transaction summaries. In transport contracts falling under Section 194C(6), no TDS obligation arises subject to statutory conditions. The Assessee has discharged its primary onus by placing complete documentary evidence on record. It is further submitted that for AY 2014-15, the same AO completed the assessment without making any comparable disallowance. This reinforces the assessee's submission that the impugned assessment for AY 2013-14 is a high-pitched assessment completed in haste, without due inquiry or application of mind.

10. The Id.AR for the assessee submitted that assessee in the course of the appellate proceedings, already placed on record exhaustive and voluminous documentary evidence comprising 35 volumes of paper books in physical form during the year 2017. These paper books contain comprehensive supporting materials in relation to the impugned disallowances, including but not limited to copies of PAN cards of the vendors, payment confirmation letters from transporters, memo slips/lorry hire slips, goods consignment notes, bank statements evidencing payments through banking channels, invoices, bills, and corresponding work orders. He furthermore submitted that the aforesaid documents collectively establish the identity of the payees, the genuineness of the transactions, and the factum of actual payment, thereby fully discharging the onus cast upon the Appellant under the provisions of the Act. The assessee further submitted that owing to technical constraints and file size limitations on the income



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tax e-filing portal, it was not feasible to upload the entirety of the said voluminous documentation electronically. Consequently, the same were furnished in physical form before the appellate authority. In this regard, the assessee had also filed a petition under Rule 46A before the Commissioner of Income Tax (Appeals)-6, Chennai on 04.07.2017 seeking admission of the additional evidence. He pleaded that the Id.CIT(A) has not considered the additional evidence in both the years for the additions challenged supra.

11. Per contra, the Id.DR relied upon the impugned orders and pleaded for the dismissal of the appeals.

12. We have carefully considered the rival submissions, perused the orders of the lower authorities and examined the material placed on record.

13. For Assessment Year 2013-14, the principal issues involved in this appeal relate to disallowance of Rs.35,51,32,556/- towards freight and allied expenses on the allegation that the transporters/vendors were fictitious and disallowance of Rs.5,12,24,100/- u/s.40A(3) of the Act. It is an undisputed fact that the Assessing Officer (AO) has accepted the turnover declared by the assessee at Rs.43.31 crores. However, substantial expenditure constituting the major component of the operational cost has been disallowed primarily on the ground that notices issued under section 133(6) were either not complied with or returned unserved. From the records, it is evident that the assessee had furnished complete particulars of the transporters including names, addresses, PAN, bank details, invoices, lorry receipts,



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consignment notes and proof of payments made through banking channels. The disallowance has been made solely on the basis of non-response by third parties, without bringing any positive material on record to demonstrate that the transactions were bogus or that the payments had come back to the assessee. Further, the assessee has contended that no effective opportunity was granted before drawing adverse inference and that additional evidences filed during appellate proceedings were not duly considered. In our considered view, mere non-response to notices u/s.133(6), without conducting further independent verification particularly when complete primary evidences were furnished, cannot justify wholesale disallowance of nearly the entire expenditure. When turnover is accepted, corresponding business expenditure cannot be disallowed in toto unless it is shown that the transactions are sham or fictitious through cogent material evidence. Moreover, where the assessee has discharged its primary onus, the burden shifts to the Revenue to make further enquiry, including verification through jurisdictional Assessing Officers of the concerned parties, if required. Such exercise has not been demonstrably carried out in the present case. Therefore, considering that certain notices were returned unserved and in the interest of justice, we deem it appropriate to set aside this issue to the file of the Assessing Officer for fresh examination. The Assessing Officer shall verify the documentary evidences already furnished, conduct necessary enquiries in accordance with law, and grant adequate opportunity of hearing to the assessee. The assessee shall also cooperate and furnish requisite details.



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14. Further, the disallowance u/s.40A(3) has been made by aggregating annual cash payments and applying the threshold limit, whereas the statutory requirement is to examine payments exceeding the prescribed limit per person per day. The assessee has submitted that no single payment exceeding Rs.35,000/- per day per transporter was made and that the disallowance arose due to misinterpretation of annual aggregates. If the contention of the assessee is factually correct, the disallowance would not survive. However, since this requires verification of daily payment details, we restore this issue also to the file of the Assessing Officer for limited verification of daily cash payments in accordance with section 40A(3). If no payment exceeds the prescribed limit per day per person, no disallowance shall be made. The levy of interest u/s.234B being consequential is to be recomputed, if necessary.

15. In the result, the appeal for AY 2013-14 is treated as allowed for statistical purposes in terms of above order.

16. For AY 2008-09, grounds relate to the disallowance of expenditure amounting to Rs.6,55,68,400/- incurred by the assessee towards payments made to M/s. Twinkle Vanijaya Private Limited, which has been treated by the Assessing Officer as non-genuine. The Assessing Officer made the impugned disallowance primarily on the basis of an alleged statement recorded from one Mr. Abhishek Chokhani. The Id. AR for the assessee submitted that the reassessment proceedings were initiated and concluded on the basis of the alleged statement of Mr. Abhishek Chokhani. However, neither during the assessment proceedings nor during the appellate proceedings was a



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copy of such statement furnished to the assessee. It was further contended that the said person was not produced for cross-examination despite specific requests made by the assessee. The Id. AR submitted that reliance on an undisclosed statement without affording an opportunity of rebuttal amounts to a violation of the principles of natural justice. The Id. AR further submitted that the assessee had discharged the primary onus cast upon it by furnishing various evidences in support of the impugned expenditure, including confirmation letters from the vendor, invoices, goods consignment notes and other supporting documents evidencing the services rendered. It was contended that despite the assessee furnishing such documentary evidence, the Assessing Officer (AO) proceeded to disallow the entire expenditure without conducting proper verification. It was also contended that the AO has accepted the turnover declared by the assessee and therefore the corresponding expenditure incurred for earning such income cannot be disregarded in the absence of cogent material establishing that the expenditure is bogus. The Id.AR further submitted that in the assessee's own case for earlier assessment years, the Tribunal had considered a similar issue and had decided the matter in favour of the assessee in principle.

17. The Id. Departmental Representative (DR), on the other hand, supported the orders of the Assessing Officer and the Id.CIT(A).

18. We have considered the rival submissions and perused the material available on record. It is an admitted position that the disallowance has been made primarily on the basis of an alleged statement of a third party, namely Mr. Abhishek Chokhani. However, it



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is also evident from the record that the said statement was not furnished to the assessee and the assessee was not afforded an opportunity to cross-examine the said person. It is a settled principle of law that where any material or statement of a third party is sought to be relied upon against the assessee, the same must be confronted to the assessee and an opportunity of cross-examination must be provided. At the same time, we note that the assessee has placed on record certain documentary evidences such as confirmations from the vendor, invoices, goods consignment notes and other supporting documents in support of the claim of expenditure. The veracity and correctness of these documents require proper verification at the level of the Assessing Officer. In the interest of justice and fair play, we deem it appropriate to set aside the impugned order on this issue and restore the matter to the file of the Assessing Officer for fresh examination. The Assessing Officer shall verify the evidences furnished by the assessee in support of the expenditure claimed to have been incurred towards payments made to M/s. Twinkle Vanijaya Private Limited. If the Assessing Officer proposes to rely upon any statement or material of a third party, including the alleged statement of Mr. Abhishek Chokhani, the same shall be furnished to the assessee and an effective opportunity of cross-examination shall be granted in accordance with law if assessee wishes to cross examination. The assessee shall also be afforded adequate opportunity of being heard and shall be at liberty to file such additional evidences as may be considered necessary in support of its claim. The Assessing Officer shall thereafter decide the issue afresh in accordance with law after considering all relevant materials. Accordingly, Ground raised by the assessee are allowed for statistical purposes. Other grounds raised



ITA Nos.3100 & 3101/Chny/2025
(AYs: 2008-09 & 2013-14)
E2E Supply Chain Solutions Limited

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were not pressed. The levy of interest under section 234B of the Income-tax Act is consequential.

19. In the result, the appeal for AY 2008-09 is treated as allowed for statistical purposes in terms of above order.

20. While setting aside of the above appeals to AO for AYs 2013-14 and 2008-09, we expect the AO to expedite the matters.

21. In the result, the appeals in ITA Nos.3100 & 3101/Chny/2025 are allowed for statistical purposes.

Order pronounced in the open court on 09th day of March, 2026 at Chennai.

Sd/-
(पद्मावती एस)
(PADMAVATHY S)

लेखा सदस्य/**ACCOUNTANT MEMBER**
चेन्नई/Chennai,

दिनांक/Dated:09th March, 2026.

SP

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT, Chennai / Madurai / Salem / Coimbatore.
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF

Sd/-
(मनु कुमार गिरि)
(MANU KUMAR GIRI)
न्यायिक सदस्य/**JUDICIAL MEMBER**