

**INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH "A": NEW DELHI
BEFORE SHRI M. BALAGANESH, ACCOUNTANT MEMBER
AND
SHRI RAJ KUMAR CHAUHAN, JUDICIAL MEMBER**

ITA No. 4/Del/2025
(Assessment Year: 2020-21)

Shri Sultan Singh, M/s. Haryana Rice Trader, 780, Gali No. 2, Behind Sector- 6, Durga Colony, Haryana- 132001	Vs.	Income Tax Officer, Ward-1, Karnal
(Appellant)		(Respondent)
PAN: BUUPS6518L		

Assessee by :	Shri Somil Agarwal, Adv Shri Saksham Agarwal, CA
Revenue by:	Shri Nitin Kumar Jaiman, Sr. DR
Date of Hearing	23/12/2025
Date of pronouncement	11/03/2026

ORDER

PER M. BALAGANESH, A. M.:

1. The appeal in ITA No.4/Del/2025 for AY 2020-21, arises out of the order of the Id National Faceless Appeal Centre (NFAC), Delhi [hereinafter referred to as 'Id. CIT(A)', in short] dated 15.03.2024 against the order of assessment passed u/s 143(3) r.w.s. 144B of the Income-tax Act, 1961 (hereinafter referred to as 'the Act') dated 27.09.2022 by the Assessing Officer, Assessment Unit, Income Tax Department (hereinafter referred to as 'Id. AO').
2. At the outset, we find that there is a delay in filing of appeal by the assessee before us by 232 days. Considering the reasons adduced in the condonation petition, in the interest of substantial justice, we hold that the assessee was prevented from sufficient cause in not filing the appeal in time

before us and hence we are inclined to condone the delay and admit the appeal of the assessee for adjudication.

3. The Ground Nos. 1 & 2 raised by the assessee are challenging the confirmation of addition made by the learned CITA of Rs. 1,51,36,000 on account of salaries and wages paid by the assessee to his employees .

4. We have heard the rival submissions and perused the materials available on record. The Assessee filed his return of income for the assessment year 2020-21 on 5-11-2020 declaring total income of Rs. 30,40,300. The Assessee was engaged in the business of commission agent / brokerage of agricultural produces i.e. paddy and rice at Karnal District, Haryana under the name and style of "Haryana Rice Traders, Karnal". During the course of scrutiny assessment proceedings, the assessee was asked to provide the details with regard to salaries paid to various parties in a tabular form. The assessee filed his reply stating that the books of accounts were duly maintained by him in Tally package and provided the entire details of all the expenses debited to the profit and loss account along with their respective vouchers before the learned AO. The assessee submitted that the salaries and wages are payable only to the staff employed by the assessee for field and office work and that there are more than 40 people working for him for field and operation work. The assessee furnished the salaries and wages ledger and also the entire cash book for the whole financial year 2019-20. The learned AO noted from the cash book that assessee has made payments in cash in excess of Rs 20,000 which is in violation of provisions of section 40A(3) of the Act and proceeded to disallow the salary payments of Rs 1,51,36,000 in the assessment. This action of the learned AO stood upheld by the learned CITA.

5. Before us, the learned AO argued that in the Tally package which is a computer software package maintained by the assessee for maintenance of books of accounts, only the first name would get reflected and that no employee has been paid more than Rs. 20,000/- in cash on any day and that the total salary payments reflected in the cash account represent salary paid to all the employees on a single day and in Tally package only first name stood reflected which lead to the confusion in the mind of the assessing officer that assessee had violated the provisions of section 40A(3) of the Act. He submitted that there was absolutely no violation committed by the assessee in contravention of section 40A(3) of the Act. We have examined the same and we are in complete agreement with the contentions of the learned AR and hold that there was no violation of provisions of section 40A(3) of the Act with regard to salary payments made by the assessee to his employees. Accordingly, the Ground Nos. 1 and 2 raised by the assessee are hereby allowed.

6. The Ground Nos. 3 and 4 raised by the Assessee are challenging the confirmation of disallowance of Rs. 8,19,199/- under Section 40A(3) of the Act.

7. We have heard the rival submissions and perused the materials available on record. The Learned AO noted from the cash book submitted by the Assessee that Assessee had made certain payments in cash in excess of Rs. 20,000 which is in violation of provisions of Section 40A(3) of the Act. The details of the said expenditure are tabulated in pages 37 and 38 of the assessment order which is reproduced here under:-

S.No.	Nature of expenses	Amount	Nature of payment
1	Accounting Charges	144000	Cash
2	Festival Celebration Expenses	98521	Cash
3	Miscellaneous Expenses	30217	Cash

4	Petrol/Diesel	204100	Cash
5	Rent	240000	Cash
6	Repair & Maintenance	66105	Cash
7	Travelling Expenses	36256	Cash
	Total	819199	

This sum of Rs. 8,19,199/- was disallowed by the Learned AO under Section 40A(3) of the Act in the assessment. The action of the Learned AO was upheld by the Learned CITA. On examination of the cash book placed on record for the whole financial year 2019-20, we find that the same does not contain any narration of the transactions. Hence, we direct the Learned AO to obtain the expanded cash book with detailed narrations from the Assessee and examine whether there was any violation of provisions of Section 40A(3) of the Act with regard to the aforesaid expenditure listed in the table. If Assessee does not provide the said details, then the Learned AO would be justified in making the disallowance under section 40A(3) of the Act. This in our considered opinion, would meet the ends of justice. With these directions, we restore the Ground Nos. 3 and 4 raised by the Assessee to the file of Learned AO and the said grounds are allowed for statistical purposes.

8. The Ground No. 5 raised by the Assessee is with regard to chargeability of interest under Section 234A and 234B of the Act. If the return of income has been filed beyond the due date prescribed under Section 139(1) of the Act or the extended date from time to time by the CBDT, then the interest under Section 234A of the Act shall be liable on the Assessee. The Learned AO is directed to examine the said due date and decide this chargeability of interest under Section 234A of the Act accordingly. The chargeability of interest under Section 234B of the Act is consequential in nature.

9. The Ground No. 6 raised by the Assessee is general in nature and does not require any specific adjudication.

10. In the result, the appeal of the Assessee is allowed for statistical purposes.

Order pronounced in the open court on 11/03/2026.

-Sd/-
(RAJ KUMAR CHAUHAN)
JUDICIAL MEMBER

-Sd/-
(M. BALAGANESH)
ACCOUNTANT MEMBER

Dated: 11/03/2026
A K Keot

Copy forwarded to

1. Applicant
2. Respondent
3. CIT
4. CIT (A)
5. DR:ITAT

ASSISTANT REGISTRAR
ITAT, New Delhi