

आयकर अपीलीय न्यायाधिकरण में, हैदराबाद 'बी' बेंच, हैदराबाद
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad "B" Bench, Hyderabad

श्री विजय पाल राव, माननीय उपाध्यक्ष एवं श्री मंजूनाथ जी, माननीय लेखा सदस्य
SHRI VIJAY PAL RAO, HON'BLE VICE PRESIDENT
AND
SHRI MANJUNATHA G, HON'BLE ACCOUNTANT MEMBER

आयकर अपील सं./I.T.A.No.424/Hyd/2026
(निर्धारण वर्ष/ Assessment Year: 2022-23)

Good Times Liquor Store Wines, Hyderabad. PAN : AAPFG0097E	Vs.	The Assistant Commissioner of Income-Tax, Central Circle-1(1), Hyderabad.
(अपीलार्थी/ Appellant)		(प्रत्यर्थी/ Respondent)

करदाता का प्रतिनिधित्व/ Assessee Represented by	:	Shri C. Maheshwar Reddy, C.A.
राजस्व का प्रतिनिधित्व/ Department Represented by	:	Dr. Sachin Kumar, Sr. A.R.
सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing	:	24.03.2026
घोषणा की तारीख/ Date of Pronouncement	:	27.03.2026

ORDER

PER MANJUNATHA G., A.M :

This appeal filed by the assessee is directed against the order of the learned Commissioner of Income Tax (Appeals) – 11, Hyderabad (for short "Ld. CIT(A)") dated 10.02.2026, pertaining to the assessment year 2022-23.

2. The brief facts of the case are that, the assessee is a partnership firm engaged in retail trade of liquor business, filed its return of income for AY 2022-23 on 23.09.2022 by declaring total income of Rs. 1,07,50,770/-. The case was selected for scrutiny and the assessment has been completed under Section 143(3) r.w.s. 144B of the Income Tax Act, 1961 dated 15.03.2024 and determined total income of Rs.1,72,89,747/- by inter alia making addition towards income from business and profession of Rs. 11,99,000/-, ad hoc disallowance of 50% of various expenditure and addition of Rs. 25,89,977/- and addition of Rs. 27,50,000/- towards license fee charges paid to State Prohibition and Excise Department on 18.03.2021 and claimed for assessment year under consideration.

3. Aggrieved by the assessment order, the assessee preferred an appeal before the Ld. CIT(A) and challenged additions made by the A.O. towards income from business and profession, 50% ad hoc disallowance of various expenses and disallowance of license fee. The Ld. CIT(A) after considering submissions of the assessee and also taking note of various facts, rejected the explanation of assessee and sustained addition made by the A.O. towards income

from business and profession at Rs. 11,99,000/- on the ground that the assessee has failed to offer any explanation as to how the above income has been accounted for in the books of accounts. The Ld. CIT(A) also rejected the explanation with regard to ad hoc disallowance of expenditure and held that the assessee has failed to furnish relevant supporting evidence in respect of various expenditures like Depot Transport, Hamali charges, Change Commission, Salary expenses and Repairs and Maintenance. The Ld. CIT(A) sustained the addition made by the A.O. towards disallowance of license fee on the ground that the assessee has paid license fee of Rs. 27,50,000/- on 18.03.2021, which pertains to financial year 2021-22 whereas the assessee has claimed deduction for AY 2022-23.

4. Aggrieved by the order of the Ld. CIT(A), the assessee is now in appeal before the Tribunal.

5. The first issue that came up for our consideration from ground Nos. 2 and 3 of assessee's appeal is ad hoc disallowance of 50% of expenditure.

6. The learned counsel for the assessee, Shri C. Maheswhwar Reddy, C.A., referring to various expenditures, submitted that going by the business turnover of the assessee and expenditure incurred under Depot Transport, Hamali charges, Change Commission, Salary expenses, Repairs and Maintenance, which works out to 0.06% to 0.37% and is minimal in nature, but the A.O. without assigning any reasons and without rejecting the books of accounts, made ad hoc disallowance of 50% of said expenditure. Therefore, he submitted that the disallowance made by the A.O. should be deleted.

7. The learned Senior A.R. for the Revenue, Dr. Sachin Kumar, on the other hand, supporting the order of the Ld. CIT(A), submitted that the assessee could not furnish relevant supporting bills and vouchers in respect of various expenditures and in the absence of supporting evidence, the A.O. has rightly disallowed 50% of the said expenditure. Therefore, he submitted that the addition made by the A.O. should be upheld.

8. We have heard both parties, perused the material available on record and had gone through the orders of the authorities below.

We have also considered relevant reasons given by the A.O. to make 50% disallowance of various expenditure on the ground that the assessee has not furnished supporting bills and vouchers. We find that, the A.O. has made 50% disallowance of Depot Transport, Hamali charges, Change Commission, Salary expenses and Repairs and Maintenance. If we consider the total business turnover of the assessee for the year under consideration and the amount of expenditure incurred under the above heads, we find that, the above expenditure works out to 0.06% to 0.37% in different cases and from the above, it is very clear that, the expenditure incurred by the assessee is bare minimum compared to the nature of business of the assessee. Further, the A.O. has disallowed 50% ad hoc expenditure without pointing out any discrepancy in the books of accounts maintained by the assessee or rejecting the books of accounts. In the absence of any finding of incorrectness in the books of accounts maintained by the assessee, ad hoc disallowance cannot be made merely for the reason of not furnishing supporting bills and vouchers. Further, going by the nature of expenditure, all the expenditure incurred by the assessee are in the nature of day-to-day expenses and

incurred in small amounts except salary expenses. In respect of salary expenses going by the quantum of business, it is very minimum and therefore, in our considered view, the A.O. ought not to have disallowed the expenditure. The Ld. CIT(A) without appreciating the relevant facts simply upheld the ad hoc disallowance made by the A.O. Therefore, we direct the A.O. to delete the additions made towards 50% ad hoc disallowance of various expenditure of Rs. 25,89,977/-.

9. The next issue that came up for our consideration from Ground No. 5 to 7 of assessee's appeal is disallowance of Rs. 27,50,000/- towards licence fees charges paid on 18.03.2021. The A.O. disallowed licence fee charges on the ground that payment of Rs. 27,50,000/- made on 18.03.2021 pertains to financial year 2020-21. Hence, the assessee cannot claim deduction for the F.Y. 2021-22 relevant to the assessment year under consideration. It was the explanation of the assessee that the licence issued by the District Prohibition and Excise Officer is for the period from 01.11.2019 to 31.10.2021 and the amount paid on 18.03.2021 is with respect to the two financial years and therefore, the assessee

has rightly claimed deduction on payment basis, because the same has not been claimed for the earlier financial years.

10. We have heard both parties and considered the arguments of the learned counsel for the assessee and counter arguments of learned Sr.A.R. for the Revenue. The A.O. disallowed licence fee charges paid to the District Prohibition and Excise Officer for Rs. 27,50,000/- on 18.03.2021 only on the ground that the above amount pertains to Financial Year 2020-21. The learned counsel for the assessee furnished the relevant evidence, including the licence issued by the authority and proved that the licence issued by the authority is for the period from 01.11.2019 to 31.10.2021 and the assessee is required to make advance payment for every three months. Further, payment made on 18.03.2021 pertains to the period from 01.04.2021 to 30.06.2021. Since the payment made by the assessee pertains to Financial Year 2021-22 relevant to the assessment year 2022-23, in our considered view, the assessee has rightly claimed deduction for the year under consideration which is further supported by the necessary licence issued by the authority and challans. The A.O. and the Ld. CIT(A)

without appreciating the relevant facts simply disallowed the licence fee only on the basis of payment.

11. Insofar as the alternative argument of the learned counsel for the assessee in light of certain judicial precedents, including the decision of ITAT Hyderabad in the case of ITO Vs. M/s. Kanaka Durga Wines in ITA No. 591/Hyd/2011 dated 28.07.2011 that the A.O., in the alternative, rejected books of accounts and estimated 3% net profit on the cost of goods, because the Tribunal has already accepted the estimation of profit @ 3% in similar cases, in our considered view, although the issue has now been settled by the decision of ITAT, Hyderabad in various cases with regard to the estimation of profit on cost of goods sold and depending upon the cases, the Tribunal upheld the estimation of profit ranging from 3% to 5%, but in our considered view, the above arguments of the learned counsel for the assessee is not relevant for deciding the issues on hand, because the issues before us is ad hoc disallowance of various expenses and the license fee charges paid by the assessee and not on estimation of net profit on the cost of goods sold. Therefore, in our considered view, the alternative

arguments of the learned counsel for the assessee do not hold good and thus, are rejected.

12. In this view of the matter and considering the relevant facts and evidences, we direct the A.O. to delete the addition of Rs.27,50,000/- made towards licence fee paid on 18.03.2021.

13. The next issue that came up for our consideration from Ground No. 10 of assessee's appeal is addition of Rs. 11,99,000/- under the head business and profession.

14. The A.O. made addition of Rs. 11,99,000/- towards incentives received by the assessee from certain parties for displaying various brands in front of its shop. The A.O. made addition of Rs. 11,99,000/- on the ground that the assessee has received incentives on which TDS u/s 194C of the Act, has been deducted and the same has not been accounted in the books of accounts of the assessee. It was the argument of the assessee before the A.O. that the incentives received by the assessee has been accounted in the books of accounts under the head "Sales and Incentives" and the same has been offered to tax and further,

the assessee has already claimed deduction for TDS deducted by the payer.

15. We have heard both parties, perused the material available on record, and had gone through the orders of the authorities below. The assessee furnished the relevant evidence including sales registers for the period from 01.04.2021 to 31.03.2022 which includes sales and incentives received by the assessee from various parties for display of brands in front of the shop on which the TDS u/s 194C of the Act has been deducted. Further, the assessee has also considered the TDS deducted by the payer as reflected in the return of income filed for the assessment year under consideration. Since the assessee has already considered the incentives under the head "Sales and Incentives", in our considered view, the further addition made by the A.O. of Rs. 11,99,000/- cannot be upheld. Thus, we direct the A.O. to delete the addition made towards incentives received for Rs. 11,99,000/- under the head 'income from business and profession'.

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

Order pronounced in the Open Court on 27th March, 2026.

Sd/- श्री विजय पाल राव (VIJAY PAL RAO) उपाध्यक्ष /VICE PRESIDENT	Sd/- (मंजूनाथ जी) (MANJUNATHA G.) लेखा सदस्य/ACCOUNTANT MEMBER
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Hyderabad, dated 27.03.2026.
TYNM/sps

आदेशकी प्रतिलिपि अग्रेषित/ Copy of the order forwarded to:-

1.	निर्धारिती/The Assessee	:	Good Times Liquor Store Wines, C/o. B. Narsing Rao and Co. LLP, Plot No.554, Road No.92, Jubilee Hills, Hyderabad – 500096,
2.	राजस्व/ The Revenue	:	The ACIT, Central Circle – 1(1), Hyderabad.
3.	The Principal Commissioner of Income Tax (Central), Hyderabad.		
4.	विभागीयप्रतिनिधि, आयकर अपीलीय अधिकरण, हैदराबाद / DR, ITAT, Hyderabad		
5.	गार्डफ़ाईल / Guard file		

आदेशानुसार / BY ORDER

Sr. Private Secretary
ITAT, Hyderabad