

**IN THE INCOME TAX APPELLATE TRIBUNAL CUTTACK 'SMC' BENCH,
CUTTACK**

BEFORE SHRI N.S SAINI, ACCOUNTANT MEMBER

ITA No.357/CTK/2016
Assessment Year : 2012-13

| | | |
|---|-----|----------------------------------|
| Kalinga Jute Products (P) Ltd., Anand Bazar, Dhenkanal. | Vs. | ITO, Ward -1(3), Bhubaneswar. |
| PAN/GIR No. AAACK 7212 M | | |
| (Appellant) | .. | (Respondent) |

Assessee by : Shri M.Udayapuria/Binod Agarwal, AR
Revenue by : Shri D.K.Pradhan, DR

Date of Hearing : 18 /01/ 2017
Date of Pronouncement : 18/01/ 2017

ORDER

This is an appeal filed by the assessee against the order of CIT(A)-1, Bhubaneswar, dated 4.7.2016, for the assessment year 2012-13.

2. In Ground No.1 of the appeal, the grievance of the assessee is that the CIT(A) is wholly unjustified to confirm the disallowance of 10% of expenses under seven different heads.

3. I have heard the rival submissions and perused the orders of lower authorities and materials available on record. In the instant case, the

Assessing Officer observed that during the year under consideration, the assessee company has debited an amount of Rs.90,111/- under the head "general expenses" in the profit and loss account under the major head "administrative expenses". The assessee could not produce bills and vouchers and also could not furnish details of the expenses. He observed that some of the expenses are not properly vouched and some of the vouchers are self-made, for which, there was no satisfactory explanation by the assessee. Therefore, the Assessing Officer disallowed 10% out of total expenses of Rs.90,911/- and added Rs.9091/- to the income of the assessee.

4. On appeal, Id CIT(A) confirmed the action of the Assessing Officer observing that no material evidence was filed before him in support of the contention that the entire amount of expenses claimed as general expenses under the major head "administrative expenses" should have been allowed in full as the entire amount of expenses were properly vouched and verifiable, duly supported by bills and vouchers and incurred wholly and exclusively for the purpose of business only and not for any other purposes.

5. Before me, the submission of Id A.R. of the assessee is that disallowance out of general expenses is excessive.

6. On the other hand, Id D.R. supported the orders of lower authorities.

7. I find that the disallowance out of general expenses claimed of Rs.90,911/- has been made by the Assessing Officer @ 10% on the ground that supporting bills and vouchers were not produced by the assessee. Before me, though Id A.R. of the assessee reiterated the submissions made before the Assessing Officer and Id CIT(A) but has not denied that in some of the cases, bills and vouchers are not available for the expenses claimed under the head "general expenses" of Rs.90,911/-. I find that it would meet the ends of justice if the disallowance is sustained at 5% out of the total expenses claimed by the assessee. I, therefore, modify the order of Id CIT(A) and restrict the disallowance to 5% out of total expenses claimed by the assessee and the assessee gets relief of Rs.4545/-. Thus, this ground of appeal is partly allowed.

8. In Ground No.2 of the appeal, the grievance of the assessee is that the Id CIT(A) was wholly unjustified to confirm partial disallowance of Rs.26,872/- on adhoc basis being 1% of total expenses of Rs.26,87,126/- claimed under the head "packing material expenses".

9. I have heard the rival submissions and perused the orders of lower authorities and materials available on record. In the instant case, the Assessing Officer observed that in the profit and loss account, the assessee has debited Rs.26,87,126/- under the head "packing material expenses". During the course of assessment proceedings, Id A.R. of the assessee was

asked to produce the ledger copies and bills/vouchers in support of the expenses. Ld A.R. of the assessee could not produce the bills and vouchers nor could he furnish details for such expenses. Therefore, the Assessing Officer made an estimated disallowance of 2% out of the total expenses of Rs.26,87,126/- and added Rs.53,743/- to the income of the assessee.

10. On appeal, Id CIT(A) restricted the disallowance to 1% out of total expenses of Rs.26,87,126/- claimed by the assessee.

11. Before me, Id A.R. of the assessee submitted that the disallowance of expenses under the head "packing materials" claimed by the assessee is excessive.

12. On the other hand, Id D.R. supported the order of Id CIT(A).

13. I find that Id A.R. has not brought any material to controvert the findings of lower authorities that some of the bills are not produced by the assessee for verification. However, I also find that there is no mention in the orders of lower authorities that which of the bills and vouchers are not produced. Hence, to meet the ends of justice, I set aside the order of Id CIT(A) and restrict the disallowance under the head "packing expenses" to 0.5% of the total expenses of Rs.26,87,126/- claimed by the assessee. The order of Id CIT(A) is modified accordingly. Thus, this ground of appeal is partly allowed.

14. In the result, the appeal filed by the assessee is partly allowed.

Order pronounced in the open court on 18/01/2017 in the presence of parties.

Sd/-

(N.S Saini)

ACCOUNTANT MEMBER

Cuttack; Dated 18/01 /2017

B.K.Parida, SPS

Copy of the Order forwarded to :

1. The Appellant : Kalinga Jute Products (P) Ltd., Anand Bazar, Dhenkanal.
2. The Respondent. ITO, Ward -1(3), Bhubaneswar.
3. The CIT(A)-1, Bhubaneswar.
4. Pr.CIT-1, Bhubaneswar.
5. DR, ITAT, Cuttack
6. Guard file.
//True Copy//

BY ORDER,

ASST.REGISTRAR,
ITAT, Cuttack