

C.S. DATAMATION RESEARCH SERVICES PVT. LTD. vs. INCOME TAX OFFICER

IN THE ITAT DELHI BENCH 'B'

R. K. PANDA, AM & AMIT SHUKLA, JM.

ITA No. 3668/Del./2017

Jul 27, 2021

(2021) 62 CCH 0359 DelTrib

(2021) 190 ITR (Trib) 0002 (Delhi) (SN)

Case pertains to

Asst. Year 2012-2013

Decision in favour of:

Assessee

Business expenditure — Computer expenses — Assessee-company engaged in business of services in shape of manpower supply, data entry and business support filed its return of Income which was revised — A.O. noted that assessee has debited an amount for computer expenses under head "Administrative Expenses" — According to A.O, assessee could not produce proper bills for which he disallowed an amount being 20% of such expenses and completed assessment — CIT(A) confirmed addition — Held, a perusal of letter addressed by assessee to A.O., shows that assessee has filed details of computer expenses — Computer printing and stationery expenses computer hire charges and computer repairs and maintenance — Assessee had given bills and vouchers of all expenses under above three items — Most of payments have been made through banking channel after deduction of TDS — When 77% of expenses related to printing and stationery i.e., OMR sheets since assessee is engaged in conducting exams for various Government bodies and repair and maintenance charges are meager amount and computer hire charges, therefore, without going through all these details, lower authorities have disallowed amount on adhoc basis which is not sustainable in Law — Lower authorities have not pointed-out any defect in various details filed by assessee — Lower authorities have not gone through details that pertain to major amount of computer, printing and stationery expenses — CIT(A) also without going through details filed before A.O. has simply rejected details filed by assessee before him on ground that assessee has not filed any application for

admission of additional evidences — When all these details are already on record of A.O, therefore, there is no necessity on part of assessee to file any application for admission of additional evidence — Assessee's appeal allowed.

Held

A perusal of letter addressed by the assessee to the A.O., shows that the assessee has filed the details of computer expenses. Computer printing and stationery expenses computer hire charges and computer repairs and maintenance. Assessee had given the bills and vouchers of all the expenses under the above three items. Most of the payments have been made through banking channel after deduction of TDS. When 77% of the expenses related to printing and stationery i.e., OMR sheets since the assessee is engaged in conducting exams for various Government bodies and the repair and maintenance charges are meager amount and the computer hire charges, therefore, without going through all these details, the lower authorities have disallowed the amount on adhoc basis which is not sustainable in Law. The lower authorities have not pointed- out any defect in the various details filed by the assessee. Lower authorities have not gone through the details that pertain to the major amount of the computer, printing and stationery expenses. CIT(A) also without going through the details filed before the A.O. has simply rejected the details filed by the assessee before him on the ground that assessee has not filed any application for admission of additional evidences. When all these details are already on the record of the A.O, therefore, there is no necessity on the part of the assessee to file any application for admission of additional evidence. Assessee's appeal allowed.

(para 7)

Conclusion

Lower authorities have disallowed the amount on adhoc basis which is not sustainable in Law.

In favour of

Assessee

Counsel appeared:

Piyush Baranwal, C.A for the Assessee.: Mahesh Thakur, Sr. DR for the Revenue

R. K. PANDA, AM.

1. This appeal by the Assessee is directed against the Order Dated 31.03.2017 of the Ld. CIT(A)-2, New Delhi, relating to the A.Y. 2012-2013.
2. The facts of the case, in brief, are that the assessee-company is engaged in the business of services in the shape of manpower supply, data entry and business support. It filed its original return of Income on

20.03.2013 declaring total income of Rs. 34,83,290/-, which was revised on 31.03.2014 declaring total income of Rs.1,29,51,570/-. During the course of assessment proceedings, the A.O. noted that assessee has debited an amount of Rs.40,20,897/- for computer expenses under the head "Administrative Expenses". On being questioned by the A.O, it was explained by the assessee that these expenses are on account of hiring of computers for the day- to-day working of the company. According to the A.O, the assessee could not produce proper bills for which he disallowed an amount of Rs.8,04,179/- being 20% of such expenses and completed the assessment determining the total income at Rs.1,37,55,750/-.

3. In appeal, the Ld. CIT(A) confirmed the addition made by the A.O. by observing as under :

"5. Grounds nos. 3, 4 and 5 of the appeal :- These grounds of appeal are against the disallowance of 20% of computer expenses. The appellant has incurred a sum of Rs.40,20,897/- under this head during the year. During the course of assessment proceedings, no details were furnished and the AO accordingly disallowed a sum of Rs.8,04,179/-, being 20% of the total expenditure. In appellate proceedings, the appellant has filed copy of relevant ledger a/c of the expenses along with copy of the major bills. These details were not produced before the Assessing Officer and constitute additional evidence but the appellant has not filed any application under rule 46A for admission of additional evidence. Without prejudice to the aforesaid, the submissions of the appellant have been perused and it is found that there are certain cash payments under this head. Besides, most of the entries are through the ledger accounts of vendors/suppliers and in the absence of copies of their ledger accounts, the modes of payment as well as their outstanding balances could not be verified. Under these circumstances, the disallowance of 20% is hereby confirmed and these grounds of appeal stand dismissed."

4. Aggrieved with such Order of the Ld. CIT(A), the assessee is in appeal before the Tribunal by raising the following grounds :

1. That the CIT (A) has not provided us the reasonable opportunity to produce the ledger accounts for confirmation, details of modes of payment to vendor resulting to 20% disallowances of Computer Expenses.

2. That The disallowance was made on arbitrary basis by the Assessing Officer and the same disallowance was affirmed by CIT(A).

3. That the CIT(A) never asked the third party confirmation from those parties whose Name and PAN was provided with whom Computer Expenditure has been incurred with for the AY 2012-13. Moreover, the CIT(A) has also not provided us the opportunity to produce any third party confirmation of those vendor.

4. For that the appellant craves leave to add / or alter, amend the Grounds of Appeal taken hereinbefore, if necessary at the time of hearing of the Appeal. The additional grounds shall be taken at the time of hearing."

5. Learned Counsel for the Assessee, at the outset, referring to Page-6 of the paper book i.e., reply given before the A.O. on 25.11.2014, drew the attention of the Bench to the same and submitted that the assessee has given the details of computer printing and stationery of Rs.40,20,897/-, the details of which, are at page-10 of the paper book. She submitted that the assessee has given the details of break-up of Rs.40,20,897/- with vendor-wise break-up of amount, TDS deducted thereof and PAN wherever applicable. She submitted that as per the said details, 77% of the expenses related to printing and stationery i.e, OMR sheets as the assessee-company is engaged in conducting exams for various Government bodies. She submitted that two invoices pertain to Rational Business Corporation for Rs.17 lakhs approximately. She submitted that from November, 2014 till March, 2015 the A.O. never

asked any other question to the assessee regarding the said expenses and, therefore, in absence of any query pertaining to the same and other expenses, her satisfaction was understood. Referring to the Order of the Ld. CIT(A), she submitted that the Ld. CIT(A) in her Order Dated 31.03.2017 has questioned the mode of payment i.e, ledger confirmation from vendor, whereas in the whole proceedings not a single query was raised on the details already submitted. She submitted that since the Ld. CIT(A) herself has asked to submit all bills pertaining to computer expenses, therefore, application for additional evidence was not put before her and not required by her at that point of time. She submitted that in another case for the same assessee, she had asked the assessee to furnish application for additional evidence which was done. She submitted that even otherwise also when the assessee had already filed all the details before the A.O, therefore, filing of the said details before the Ld. CIT(A), cannot amount to furnishing of additional evidences. Referring to various decisions, she submitted that when no defect was pointed-out by the lower authorities in the details filed, the lower authorities cannot make adhoc disallowance according to their wishes. She accordingly submitted that the grounds raised by the assessee should be allowed.

6. The Ld. D.R. on the other hand, relied on the Order of the A.O. and the Ld. CIT(A).

7. We have heard the rival arguments made by both the sides, perused the Orders of the A.O. and the Ld. CIT(A) and the paper book filed on behalf of the assessee. We have also considered the various decisions cited before us. We find the A.O. in the instant case has made addition of Rs.8,04,179/- being 20% of the expenses debited under the head "Computer Expenses" on the ground that assessee did not produce proper details. We find the Ld. CIT(A) upheld the addition made by the A.O, the reasons of which, have already been reproduced in the preceding paragraph. It is the submission of the Learned Counsel for the Assessee that assessee had filed the requisite details before A.O. and the A.O. without pointing out any defect in the details filed before him has made the disallowance on adhoc basis. Further it is also her submission that the Ld. CIT(A) without verifying the details already filed before the A.O, has simply rejected the claim of the assessee on the ground that assessee has not filed any application for admission of the additional evidence. A perusal of the letter addressed by the assessee to the A.O. on 25.11.2014, copy of which is placed at page-6 onwards, shows that the assessee has filed the details of computer expenses. A perusal of page-10 of the paper book shows that the computer printing and stationery expenses amounts to Rs.31,44,007/-, computer hire charges amounts to Rs.5,60,558/-, and computer repairs and maintenance amounts to Rs.3,16,332/-, totaling to Rs.40,20,897/-. The assessee had given the bills and vouchers of all the expenses under the above three items. Most of the payments have been made through banking channel after deduction of TDS. We find force in the arguments of Learned Counsel for the Assessee that when 77% of the expenses related to printing and stationery i.e., OMR sheets since the assessee is engaged in conducting exams for various Government bodies and the repair and maintenance charges are meager amount of Rs.3,16,332/- and the computer hire charges amount to Rs.5,60,558/- only, therefore, without going through all these details, the lower authorities have disallowed the amount of Rs.8,04,179/- on adhoc basis which according to us is not sustainable in Law. The lower authorities have not pointed- out any defect in the various details filed by the assessee. It also appears to us that the lower authorities have not gone through the details that pertain to the major amount of the computer, printing and stationery expenses of Rs.31,44,007/-. The Ld. CIT(A) also without going through the details filed before the A.O. has simply rejected the details filed by the assessee before him on the ground that assessee has not filed any application for admission of additional evidences. When all these details are already on the record of the A.O, therefore, there is no necessity on the part of the assessee to file any application for admission of additional evidence. The Ld. CIT(A), in the instant case has neither perused the details filed before the A.O. nor applied her mind. We, therefore, set aside the Order of the Ld. CIT(A) and direct the A.O. to delete the addition. Grounds raised by the assessee are accordingly allowed.

8. In the result, appeal of the Assessee is allowed.

Order pronounced in the open Court on .07.2021.

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