

Disallowance Made on the Ground that the Assessee Failed to Furnish all the Documentary Evidence is not Acceptable

The Delhi Bench of the Income Tax Appellate Tribunal (ITAT) has held that the AO cannot make an ad hoc disallowance of expenses for want of support for each expense, without pointing to defects in vouchers on a sample basis furnished by the assessee. The bench of Yogesh Kumar US (Judicial Member) and B. R. R. Kumar (Accountant Member) has observed that the assessee has furnished copies of invoices and vouchers on a sample basis, and it is stated that the assessing officer did not find any defects therein after carrying out the examination.

During the course of assessment proceedings, the AO raised queries with respect to details of various expenses. The assessee had duly furnished the the ledger account of all the expenses during the course of assessment proceedings. During the course of the assessment proceedings, no specific query was raised by AO to furnish vouchers. After receipt of the draft assessment order disallowing 10% of the expenses on an ad hoc basis, the evidence of expenses has been furnished under Rule 4 of the DRP Rules, 2009. The DRP, after calling the remand report, confirmed the action of the AO.

The ITAT held that, without pointing out specific defects in the documents furnished by the assessee, disallowance made on the ground that the assessee failed to furnish all the documentary evidence is not acceptable.

Case Title: TPF Getinsa Euroestudios S.L. Versus ACIT

Case No.: ITA No. 2400/Del/2022

Date: 19.04.2023