

आयकर अपीलीय अधिकरण, अहमदाबाद न्यायपीठ "बी", अहमदाबाद ।
IN THE INCOME TAX APPELLATE TRIBUNAL
"B" BENCH, AHMEDABAD

श्री संजय गर्ग, न्यायिक सदस्य एवं
अन्नपूर्णा गुप्ता, लेखा सदस्य के समक्ष।

Before Shri Sanjay Garg, Judicial Member And
Annapurna Gupta, Accountant Member

आयकर अपील सं./ITA No.1692/Ahd/2025
निर्धारण वर्ष /Assessment Year : 2020-21

Raghani Tradelink B-239, 2 nd Floor, Sumeel Business Park-3 Sarangpur B/h. New Cloth Market Ahmedabad - 380 002	<u>बनाम/</u> <u>v/s.</u>	The Income Tax Officer Ward-1(3)(1) Ahmedabad
स्थायी लेखा सं./PAN: AAVFR 9778 D		

(अपीलार्थी/ Appellant)		(प्रत्यर्थी/ Respondent)
Assessee by :	Shri Sunil Surana, AR	
Revenue by :	Shri Abhijit, Sr.DR	

सुनवाई की तारीख/Date of Hearing : 08/01/2026
घोषणा की तारीख /Date of Pronouncement: 16/03/2026

आदेश/ORDER

Per Sanjay Garg, Judicial Member:

The present appeal has been preferred by the assessee against the order of the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi [hereinafter referred to as 'CIT(A)'] dated 20/08/2025 passed u/s.250 of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') for the Assessment Year (AY) 2020-2021.

2. The assessee, in this appeal, has taken the following grounds of appeal:

"1. For that the notice u/s 143(2) issued was against the Instructions issued by CBDT and therefore the entire assessment is liable to be quashed.

2. For that the Ld. CIT(A) erred in confirming the action of AO in completing the assessment without giving any proper show cause notice for various additions made by him."

3. For that the Ld. CIT(A) erred in confirming the disallowances of expenses made on ad-hoc basis when the audited books of accounts were not rejected.

4. For that the Ld. CIT(A) erred in confirming the disallowance of 10% of the Sub-brokerage expenses on ad hoc basis simply on the basis of suspicion and surmises when all the details were submitted and the onus that lay on assessee was discharged but the AO failed to make enquiry of his own.

5. For that the Ld. CIT(A) erred in disallowing Rs 46,261/- (30% of Rs 1,54,206) being the Sub brokerage expenses on which allegedly no TDS was deducted when proper TDS as per law was deducted and even otherwise the payee had paid taxes on the income and filed its return of income.

6. For that the Ld. CIT(A) erred in confirming the disallowance of 10% of the total administrative expenses i.e. Rs 20,56,298/- on ad hoc basis on total suspicion and surmises without pin pointing specific items of expenses.

7. For that the additions and disallowances made by the AO and confirmed by the Ld. CIT(A) are nor in accordance with law and the same are liable to be deleted."

3. A perusal of the aforesaid grounds of appeal would reveal that the assessee has mainly contested the action of the Ld. CIT(A) in confirming the disallowance of 10% of the sub-brokerage expenses and also 10% of the total administrative expenses which was made by the Assessing Officer (AO) purely on adhoc basis.

4. Brief facts of the case are that the assessee-firm is a Collection cum Commission agent for Sarees, suits & other ladies readymade garments and introduce the buyers/purchasers of the goods to the manufacturing / trading houses all over India with branches at Kolkata, Varanasi and Ahmedabad. The assessee Firm earn Commission income on the basis of collection

proceeds against the sales made by the sellers. The assessee filed its return of income on 15/02/2021 declaring an income of Rs.91,74,530/-. The case was selected for Complete Scrutiny Assessment under CASS for the issue regarding Business expenses including large Commission expenses and showing low net profit.

4.1. During the assessment proceedings, in response to the notice u/s 142(1) issued by the AO, the assessee made the following submissions:

"1. We are a Collection cum Commission agent for Sarees, suits & other ladies readymade items on Del-credere basis. We introduce buyers/purchasers of the above goods to the manufacturing / trading houses PAN India. Buyers place orders and the goods are dispatched to them by sellers on our goodwill with intimation to us. On due date, we pursue the buyers for payments. On such collection, we raise bills on suppliers as Collection cum Commission agent which ranges between @ 0.5% to 2%. We have branches in Kolkata, Varanasi and Ahmedabad.

2. The copy of audited financial statements were submitted against notice u/s 143(2) however, they are again submitted with tax audit report and computation of income.

3. Copies of all the bank statements are enclosed herewith.

4. While carrying out our business activities PAN India as stated above, we have also appointed three sub-agents for collection of orders, pursuing despatch of goods from suppliers, collection of payments from buyers and other sort of help as may be required by the buyers and/or suppliers. For these services, we pay them Sub-brokerage as has been debited in the P/L account.

The details such as Name, PAN and address of the parties to whom sub-brokerage is paid is enclosed herewith.

5. The copy of agreements entered into with two of the above sub-parties are enclosed herewith.

6. We are not engaged in any trading activities. We earn commission income on the basis of collection of sale proceeds of the sales made by the sellers to their customers through our persuasion. There are 5000-6000 sellers with whom we deal. The modus

operandi is that we collect the ledger copies of the buyers from the sellers on a periodic basis and accordingly pursue for collection of the outstanding dues. After collection, we raise our commission bills to the sellers. We do not retain the details of sales made by them once our commission bill is made. **However, the name, address and PAN of the sellers with whom we deal and charge commission are enclosed herewith along with the amount of collection made. Your honour may verify the facts from the parties as per law.** The sellers shall be able to give all the details. They also deduct TDS on our payments wherever applicable as evident from 26AS on the portal.

7. As stated above, we do not maintain the details of sale made by the sellers to the buyers viz. Date of sale, Nature of item, Quantity and value of such sale or any these information related to the transportation of the goods. We are not engaged in any trading activities. We are commission agents and are not supposed to maintain details. We are middleman only to search customers so that the seller get the orders for sale. However, your honour can verify the same from the sellers, the name, PAN and addresses of which are submitted in point no. 6 above.

8. In respect of the commission expenses paid by us to sub brokers, the entire details as required are enclosed herewith in the required format along with the ledger copies of the sub-brokers and commission payments. TDS has been deducted on all payments made and the sub-brokers are our regular sub-brokers.

9.”

4.1. On further queries by the AO, the assessee also explained as under:

“Point no. 1

The sub-brokers assist in bringing in new customers for the suppliers, collection of orders, pursuing despatch of goods from suppliers, collection of payments from buyers and other sort of help as may be required by the buyers and/or suppliers.

a. There are only three sub-brokers to whom sub-brokerage of Rs.25363362 has been paid during the year as given in the table format below:

Sub-broker	Sub-brokerage paid (Rs)
Apama Mishra	469292
Deepam Silk Retail Pvt Ltd	22769336
Vijay V Amar	2124734

Total	25363362
-------	----------

b. The agreement has been made in writing. The copies of agreement with Deepam Silk Retail Pvt Ltd and Vijay V Amar were submitted to your honour earlier. of agreement with Aparna Mishra is enclosed herewith as Now, the copy required.

c. They help in co-ordinating with the buyers and suppliers for dispatch of goods, collection of payments etc as stated above.

d. The orders are placed by the customers with the suppliers either with an intimation to us or the suppliers intimate us about any supply made by them to the customers

e. All the payment of sub-brokerage is paid by banking channel after deducting TDS the details of which has already been given to your honour.

f. This is a regular business practice that the suppliers make sales and grow their business with the help of brokers and pay commission to them relying on the credibility and goodwill of the broker that the payment will be received. Similarly, we rely on the goodwill, credibility and past track record of the sub-brokers for assurance that the payment will be received.

g. As already submitted, we are a broker i.e. middleman and we do not maintain and are not required to maintain the details of orders placed by the customers with the suppliers once the collection is completed and our bill is raised on the supplier. Your honour can get the details of the orders received from the suppliers, the details of which has already been given to in our earlier reply.

h. Documentary evidence in support of TDS deducted i.e. Form 16A is enclosed herewith.

Point no. 3

The intention behind the clause in the sub-broker agreement that the sub-brokers will manage with our office is that the sub-broker shall co-ordinate with our office staff along with their own staff for facilitating the services to the suppliers as well as buyers. This does not imply that they will bear our office expenses. They are simply sub- brokers and charge us sub- brokerage for their services and do not bear our office expenses. They will simply ordination manage their orders with the suppliers from our office in co- with our office

staff and it was to that extent the word "manage" was used. This does not mean that the said broker will manage our office.

Point no. 9

The copy of form 26AS is enclosed herewith.

Point no. 10

The copy of all the TDS returns filed by us for the relevant asst year are enclosed herewith along with the copy of Form 16 and 16A.

The remaining details and documents are under preparation and shall be submitted to your honour within 15 days. Kindly adjourn the hearing till then and oblige."

4.2. The assessee also furnished details of addition to fixed assets, expenses debited in P/L account, details of loans and advances, details of sundry creditors, details of current liabilities and copy of partnership deed was furnished by the assessee.

5. However, the AO observed that though the assessee had claimed that the assessee had been consistently following the aforesaid business module for the last three years since its incorporation, however, the AO observed that there was no scrutiny assessment in earlier years and comparison of expenses cannot be made with previous years. He, though accepting that the assessee-firm had made business expenses during the year under consideration, however, was of the view that the same seem to be exaggerated. He, observed that though the assessee had earned commission income of Rs.10,39,21,921/- , whereas, the net profit was shown at Rs.88,13,803/- only. He observed that out of the total expenditure of Rs.9,56,05,747/-, the assessee had claimed a sum of Rs.2,53,63,362/- on sub-brokerage. He observed that the assessee had failed to furnish the documentary evidence as to how the sub-brokerage helped in coordinating with the buyers and suppliers for despatch of goods,

collection of payment, etc. Further, no documentary evidence was provided regarding the intimation by the customers/suppliers; no documentary evidence regarding surety/assurance was provided by the assessee for receiving the payments/delivery of the goods/material promised by the sub-brokerage; no agreement with the suppliers was provided by the assessee. The AO considering the aforesaid discrepancies observed that the assessee had failed to prove the genuineness of the brokerage expenses and observing that the same was exaggerated, he disallowed 10% of the sub-brokerage expenses at Rs.25,36,336/- .

5.1. Further, in respect of administrative expenses, the AO observed that the assessee had claimed administrative expenditure of Rs.2,05,62,989/- and an amount of Rs.3,28,67,666/- on account of salary and remuneration. He observed that as per the agreement furnished by the assessee with the sub-broker, the sub-broker was supposed to manage the office and whereas the assessee itself had claimed such huge expenses. On being asked to explain in this respect, the assessee gave the bifurcation of the administrative expenses as under:

	Rs.
Business Promotion	22,42,762/-
Conveyance	41,22,996/-
Office Maintenance	30,80,471/-
Parking Expenses	57,204/-
Printing & Stationery	4,33,635/-
Rent	16,95,390/-
Vehicle Upkeep	36,26,783/-

Other Expenses	53,03,746/-
Total	2,05,62,989/-

5.2. On being asked to produce bills and vouchers the assessee also produced the same. The AO, further observed that the assessee had provided bills/vouchers of business promotion amounting to Rs.22,42,762/-, however, on some of the bills, no GST number was mentioned. That two bills of the same person of different dates were bearing same bill number. He, therefore, noting that there were certain discrepancies in the bills and vouchers. The AO further observed that the assessee had also not furnished documentary evidence relating to conveyance expenses. He observed that such expenditure was exaggerated, disallowed 10% of the total administrative expenses claimed and made the addition of Rs.20,56,298/-.

5.3. He also observed that the assessee had claimed an amount of Rs.3,28,67,666/- on account of salary and remuneration expenses. He observing that the said salary and remuneration was also exaggerated, disallowed 10% of the same at Rs.32,86,766/-.

6. In appeal, the Ld. CIT(A) confirmed the adhoc disallowance made by the AO @10% of the expenditure claimed in respect of sub-brokerage expenses and administrative expenses. He, however, deleted the disallowance made by the AO relating to salary and remuneration expenses observing that the assessee had duly furnished the requisite documents to prove the incurring of the said expenditure.

7. Being aggrieved by the aforesaid order of the Ld. CIT(A) confirming the adhoc disallowance @10 % of the total expenditure claimed on account of sub-brokerage and on account of administrative expenditure.

8. We have heard the Ld. Representatives of the parties and perused the material on record. We note that, in this case, the AO had asked the assessee to furnish various details relating to the claim of the expenditure which the assessee duly furnished. The assessee also explained the modus operandi of his business operations. It was explained that the assessee was not engaged in any trading activities; the assessee earns commission income on the basis of collection of sale proceeds of the sales made by the sellers to their customers through their persuasion; that there were 5000-6000 sellers with whom the assessee deals; the modus operandi was that the assessee collects the ledger copies of the buyers from the sellers on a periodic basis and accordingly pursue for collection of the outstanding dues. It was also explained that the assessee do not retain the details of sales made by the manufacturers after receipt of its commission. However, assessee duly furnished the names, addresses and PANs of the sellers along with the amount of collection made. It was also requested to the AO that he may verify the facts from the parties as per law. It was also explained that the sellers also deduct TDS on the payments wherever applicable as evident from 26AS on the portal. The assessee also furnished the entire details of the sub-brokerage paid along with the ledger copies of the sub-brokers and commission payments. TDS had been deducted on all payments made. The assessee also furnished the details such as Name, PAN and address of the parties to whom sub-brokerage was paid. The assessee also furnished the copy of agreements entered into with two of the above sub-brokers. The

assessee also explained even before the Ld. CIT(A) that all the communication, such as, intimation by the customers/suppliers, etc. takes place over telephone and there was no documentary evidence maintained in this respect. Moreover, the goods were directly despatched by the sellers to the buyers and the assessee was not required to maintain any record in this respect. It was also submitted that the assessee's gross commission earned was more than Rs.10.39 cores, whereas, the assessee had paid sub-brokerage of Rs.2.54 crores only. It was submitted that the disallowance @ 10% on adhoc basis was not justified. We note that despite furnishing of the extensive details and evidence, the AO without pointing out any specific discrepancy in the same and by making general and vague observations held that the claim of sub-brokerage expenditure was exaggerated. The books of accounts of the assessee are duly audited. The assessee has duly mentioned the names, PANs and addresses, etc. not only of the sub-brokers but also of the sellers and also requested the AO to verify the transactions or other details from the concerned persons. In view of the above, we do not find justification on the part of the lower authorities in making/confirming the impugned disallowance @10% of the sub-brokerage paid purely on adhoc basis. The said action of the lower authorities is not sustainable in the eyes of law. The impugned disallowance made by the AO is ordered to be deleted.

9. Similar is the position regarding the adhoc disallowance on account of administrative expenses. The assessee had duly given the details of each and every expenditure. There were 8 heads of administrative expenses, however, the AO noting that in some of the bills the concerned party had not mentioned its GST number and in respect of one party two bills of different dates contained the same bill number and further noting that documentary

evidences relating to conveyance expenses, etc. has not been furnished, made the disallowance @10% out of the entire administrative expenses without any head-wise discussion. We note that if some of the concerned parties did not have GST number or did not mention the GST number or there was some discrepancy regarding the serial number of two bills issued by one party, no fault can be attributed on the part of the assessee in this respect. The assessee has been doing business on large scale and has been dealing with 5000 to 6000 sellers and if there was any minor discrepancy in some of the bills submitted by any party, no justification is made out in making the disallowance @10% of the entire expenditure. The assessee had duly furnished all the details along with bills and vouchers and the AO has failed to point out any noticeable defect in the same. Therefore, we do not find justification on the part of the lower authorities in making/confirming 10% adhoc disallowance of the expenditure by making general and vague observations. The impugned disallowance on this issue is also ordered to be deleted.

10. In view of the observations made above, the impugned additions made/confirmed by the lower authorities are hereby ordered to be deleted.

11. In the result, the appeal of the assessee stands allowed.

Order pronounced in the Open Court on 16/03/2026.

**Sd/-
(Annapurna Gupta)
Accountant Member**

**Sd/-
(Sanjay Garg)
Judicial Member**

अहमदाबाद/Ahmedabad, दिनांक/Dated 16/03/2026

टी. सी. नायर, व. नि. स. / T.C. NAIR, Sr. PS

आदेश की प्रतिलिपि अग्रेषित/Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त (अपील) / The CIT(A) -
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण , अहमदाबाद/DR, ITAT, Ahmedabad.
6. गार्ड फाईल /Guard file.

आदेशानुसार/ BY ORDER,

सत्यापित प्रति //True Copy//

सहायक पंजीकार (Asstt. Registrar)
आयकर अपीलीय अधिकरण, ITAT, Ahmedabad