

**IN THE INCOME TAX APPELLATE TRIBUNAL
“B” BENCH, AHMEDABAD**

**BEFORE: SMT. ANNAPURNA GUPTA, ACCOUNTANT MEMBER
AND
Ms. SUCHITRA KAMBLE, JUDICIAL MEMBER**

आयकर अपील सं./I.T.A. No. 376/Ahd/2026
(निर्धारण वर्ष / Assessment Year : 2022-23)

Pallavi Nileshbhai Shah 303/A, Rushabh Darshan Apartment, Shilpi Nagar Kala Nala, Bhavnagar, Gujarat- 364001	बनाम / Vs.	The Income Tax Officer Circle -1, Bhavnagar
स्थायी लेखा सं./जीआइआर सं./PAN/GIR No. : BBGPS7249F		
(Appellant)	..	(Respondent)

अपीलार्थी ओर से /Appellant by :	Shri Chetan Agarwal, AR
प्रत्यर्थी की ओर से/Respondent by :	Shri Abhijit, SR.DR

Date of Hearing	18/03/2026
Date of Pronouncement	22/05/2026

ORDER

PER ANNAPURNA GUPTA, AM:

The present appeal has been filed by the assessee against the order of the Ld. Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (hereinafter referred to as “NFAC”), Delhi (hereinafter referred to as “CIT(A)”) dated 28.01.2026 passed under Section 250 of the Income Tax Act, 1961 (hereinafter referred to as the “Act”) and relates to Assessment Year (A.Y.) 2022-23.

2. Grounds No.1 raised by the assessee reads as under:

“1. The Ld. CIT(A) erred in law as well as on fact in upholding an addition of Rs. 3,21,675/- made by Ld. AD on account of lower withdrawal by Incorrect analysis of earlier years data and ignoring explanation and facts submitted to clarify the same.”

3. The issue involved in the above ground relates to addition made to the income of Rs.3,21,675/- on account of low household withdrawal.

4. Briefly stated, the AO noted the assessee to have declared withdrawal of Rs.98,935/- during the year for household expenses as compared to the drawings for immediately preceding year i.e. A.Y. 2021-22 shown as Rs.4,43,507/-. Therefore, considering the previous year drawings, the AO estimated amount of Rs.35,000/- per month totaling to Rs.4,20,000/- as needed for household purposes and noting the assessee to have shown withdrawal of only Rs.98,935/-,therefore, balance of Rs.3,21,065/- was added to the income of the assessee.

5. Ld. CIT(A) confirmed the addition holding at para 6.4(i) of his order as under:

“(i) Regarding issue of addition on account of low household withdrawals:

The AO observed that the assessee declared withdrawals of only Rs.98,325/-during the year as against significantly higher withdrawals in the earlier year and considering the returned income of Rs.22.46,554/-, estimated household expenses at Rs.4,20,000/- per annum. The assessee failed to furnish cogent documentary evidence to substantiate that household expenses were met by the spouse. No conclusive evidence such as spouse's household expense

details or correlation of withdrawals with actual expenditure was produced. The explanation furnished remains unsubstantiated. Considering the income level and overall facts, the estimation made by the Assessing Officer is reasonable and based on sound logic. I find no infirmity in the action of the Assessing Officer. Accordingly, the addition of Rs.3,21,675/-.”

6. We have heard both the parties. The Revenue authorities below have consistently noted the fact of the assessee having shown withdrawals of only Rs.98,325/- for household purposes in the impugned year as opposed to Rs.4,43,507/- in the immediately preceding year. The assessee's contention that household expenses were made by his spouse had been noted by the authorities below to have not been substantiated with documentary evidence by way of evidences being filed of expenses by spouse. The above facts have remained uncontroverted before us. In the light of the same, the fact remains that the assessee has shown unreasonably low household withdrawals as compared to the preceding year and has given no cogent reasons for the same also. He has also not furnished any evidence of household expenses having been incurred by his spouse. We, therefore, confirm the order of the Ld. CIT(A) upholding the addition made by the AO of Rs.3,21,675/- on account of low household withdrawal.

7. Ground of appeal no.1 is, therefore, dismissed.

8. Ground No.2 raised by the assessee reads as under:

“2. The Ld. CIT(A) erred in law as well as on fact in upholding an addition of Rs. 28,92,227/- made by Ld. AO being outstanding creditors u/s 68 of the Act.”

9. The assessee has challenged the addition made to its income on account of outstanding credits u/s.68 of the Act amounting to Rs.28,92,227/-.

10. Facts on record reveal that the said amount pertained to the following creditors :

- i. AS Industries 14,40,198/-
- ii. Esskay Steel Industries 14,14,549/-
- iii. M. J. Rana & Co. 37,000/-

While the outstanding balance of the first two creditors related to Waste & scrap purchase, the outstanding balance of M.J. Rana & Co. pertained to legal expenses. The assessee had submitted following details to the AO with respect to the said creditors:

NAME	O/B	CREDIT	DEBIT	CLOSING	NATURE
1 AS Industries	0	3593770	2153572	1440198	Waste & scrap
2 Esskay steel industries	0	14513250	13098701	1414549	Waste & scrap
3 M.J Rana & Co.	37000	0	0	37000	Legal

The assessee had further submitted to the AO that all the outstanding balance as at the end of the year had been paid of in the subsequent years through banking transactions, the details of which, are reproduced in page 23 & 24 of the assessment order itself. The copy of the bank statement of the assessee in HDFC Bank showing the outstanding amounts to have been paid in the succeeding year was also filed. The AO, however, disregarded all the contentions of the assessee and made addition of the outstanding balance noting that the assessee failed to submit any

confirmation from the sundry creditors, their copies of ITR, and that the assessee did not submit the details of copies and bills in support of purchases made. The Ld. CIT(A) confirmed the order of the AO holding that the assessee had failed to establish identity, creditworthiness and genuineness of the transaction and that mere filing of ledger accounts was insufficient in discharge of the onus case on the assessee.

11. We are not in agreement with the findings of the authorities below. The case of the Revenue, we have noted, is that the assessee had failed to discharge its onus of proving the genuineness of the credits invoking the provisions of Section 68 of the Act. In the present case this fails completely on account of the fact that the AO has not made addition of the entire credits on account of transaction carried out that the said parties, but, only of the outstanding balance of credit as at the end of the year, which means that he has partly accepted as genuine the credit which was repaid during the year while the balance he has treated ingenuine without assigning any reason for this distinctive treatment and by making only general observation of the assessee having not discharged its onus of proving the genuineness of the transaction. By this logic of the Revenue, the entire credits needed to be added back and not only a part of it. Even otherwise, we have noted that the assessee had demonstrated to have paid off the entire outstanding balance in the succeeding year which fact the Revenue had failed to controvert either in their orders below or even before us. In the light of the above, we see no reasons to treat the amount of

Rs.28,92,227/-, being outstanding sundry creditors as at the end of the year, as unexplained credits as per Section 68 of the Act. The orders of the authorities below holding so we hold are not sustainable in law and the addition so made to the income of the assessee of Rs.28,92,227/-is directed to be deleted.

12. Ground of appeal no.2 is allowed.

13. Ground No.3 raised by the assessee reads as under:

“3. The Ld. CIT(A) erred in law as well as on fact in upholding disallowance of transportation/freight expense @ 30%, Rs. 1,47,605/-made by Ld. AO u/s 40(a) (ia) of the Act.”

14. The issue involved in the above ground relates to addition made to the income of the assessee on account of non-deduction of tax at source on expenses incurred by the assessee by way of transportation/freight expenses u/s 40(a)(ia) of the Act. The disallowance being made @30% of the expenses so incurred without TDS resulting in a disallowance of Rs.1,47,605/-.

15. The facts relating to the case are that the assessee was found to have made payment to the following transporters in excess of Rs.35,000/- without deducting tax at source:

S.No	Description	Amount paid in rupees
1	Chudesara Irtanbhai Kalubhai	1,93,182
2	Mahadev Roadlines	40,500
3	M/s Harbhole Transport Co.	2,65,154
	Total	4,92,018

The assessee contended that the said creditors had submitted declaration under Section 194C(6) of the Act for non-deduction of tax at source. However, the AO perused the said declarations found that they did not contain place, date, period and to whom it was addressed. The AO, accordingly, held that the declarations appear to be after thought and the same was, therefore, rejected by him. The AO, thereafter, noting that the assessee had failed to deduct TDS on freight expense of Rs.4.92 Lakhs disallowed 30% of the said expenditure amounting to Rs.1,47,605/- by invoking the provisions of Section 40(a)(ia) of the Act.

16. Ld. CIT(A) confirmed the disallowance finding the assessee to have been unable to controvert the facts noted by the AO as above.

17. Before us, Ld. Counsel for the assessee was unable to controvert the facts noted by the Revenue authorities that the assessee had failed to deduct TDS on freight payment of Rs.4.92 Lakhs and the declarations allegedly furnished by the transporters u/s.194C(6) of the Act were incomplete and did not contain the place, date, period and to whom had been addressed. We, therefore, concur with the authorities below that the declaration appears to be after thought and the assessee having not deducted tax at source on the freight payment of Rs.4.92 Lakhs. The disallowance u/s.40(a)(ia) of the Act of 30% of the said expense was warranted. The disallowance, therefore, made of Rs.1.47 lakhs u/s.40(a)(ia) of the Act is confirmed.

18. Ground of appeal no.3 is, accordingly, dismissed.

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

This Order pronounced on 22/05/2026

Sd/-
(SUCHITRA KAMBLE)
JUDICIAL MEMBER

Ahmedabad; Dated 22/05/2026

S. K. SINHA

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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,

उप/सहायक पंजीकार (Dy./Asstt. Registrar)
आयकर अपीलीय अधिकरण, अहमदाबाद / ITAT, Ahmedabad