

## **Cash payments exceeding Rs. 20,000 by agents to farmers for purchase of food-grain couldn't be disallowed**

**Summary – The High Court of Gujarat in a recent case of Keshvalal Mangaldas, (the Assessee) held that where cash payments exceeding Rs. 20,000 made by assessee to farmers was clearly covered by exemption provided under rule 6DD(e)(i), disallowance made under section 40A(3) was not justified**

### **Facts**

- The assessee, was a Commission Agent for purchase/sale of food-grain and holds the licence issued by the Agricultural Produce Market Committee. The assessee purchased said goods of Rs. 2,83 crores wherein payments exceeding Rs. 20,000/- were made in cash to various farmers. However, the Assessing Officer, made disallowance of Rs. 2,83 crores under section 40A(3).
- On an appeal before the Commissioner (Appeals), the Commissioner (Appeals), relying upon rule 6DD(e)(i), deleted the disallowance under section 40A(3) by observing that as the payment was made for agricultural produces, as per the provision of rule 6DD(e)(i), it was open for the assessee to make the payment in cash above Rs. 20,000.
- On further appeal, the Tribunal confirmed order passed by the Commissioner (Appeals).
- On appeal to the High Court:

### **Held**

- Considering rule 6DD(e)(i) and when the payment was made by cash exceeding Rs. 20,000/-, it was permissible if the same was paid for purchase of agricultural produces. It is required to be noted that in the instant case, in the books of account, the said payment was shown to be paid to various farmers and even the receipts were also produced but the assessee could not produce the farmers/list of farmers for which a reasonable explanation was also given. However, without rejecting the books of account, the Assessing Officer made the addition under section 40A(3) which is rightly deleted by the Commissioner (Appeals) and rightly confirmed by the Tribunal. In the instant case, rule 6DD(e)(i) shall be applicable and the same is rightly applied by the Commissioner (Appeals) as well as the Tribunal. It cannot be disputed and it is not disputed that as such, the assessee was engaged in the business of Commission Agent for purchase/sale of food-grain and is also holding licence issued by the Agricultural Produce Market Committee.
- Considering the aforesaid facts and circumstances of the case, when the disallowance made by the Assessing Officer under section 40A(3) has been deleted by the Commissioner (Appeals) and the same has been confirmed by the Tribunal, it cannot be said that the same is contrary to the provisions of the Act and/or erroneous. No substantial question of law arises. Hence, the instant appeal deserves to be dismissed. Accordingly, it is dismissed.