

Cash payments made by assessee to farmers allowed even in absence of names of farmers

Summary – The Bangalore ITAT in a recent case of Krishnasa Bhute, (the Assessee) held that cash payments made by assessee to farmers allowed even in absence of names of farmers

Facts

- The assessee purchased maize from cultivators for which payments were made in cash in excess of Rs. 20,000.
- The Assessing Officer held that since the assessee had not produced complete details of sellers to whom the payments had been made addition u/s section 40A(3) was called for.
- The Commissioner (Appeals) confirmed the action of the Assessing Officer.
- On second appeal:

Held

- The ITAT held if there are entries in the books of account and payment to farmers and receipts are produced, only because assessee could not produce the farmers/list of farmers no addition could be made under section 40A(3).
- Hence, the disallowance made under section 40A(3) deserves to be deleted.