**HIGH COURT OF JUDICATURE AT ALLAHABAD**
**LUCKNOW**

**INCOME TAX APPEAL No. - 13 of 2025**

Pr. Commissioner Of Income Tax-1

.....Appellant(s)

Versus

Mohd Ayaz

.....Respondent(s)

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Counsel for Appellant(s) : Kushagra Dikshit, Neerav Chitravanshi

Counsel for Respondent(s) :

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**Court No. - 3**

**HON'BLE SHEKHAR B. SARAF, J.**
**HON'BLE RAJEEV BHARTI, J.**

1. Heard learned counsel appearing on behalf of the parties.

2. The appeal is admitted on the following substantial questions of law :-

"1. Whether, on the facts and in the circumstances of the case, the Ld. Income Tax Appellate Tribunal was justified in law in deleting the addition made under section 40A(3) of the Income-tax Act, 1961, solely on the alleged ground that the Assessing Officer had not identified specific instances of cash payments in violation of section 40A(3), despite the assessee's failure to produce corroborative documentary evidence to substantiate its claim.

2 Whether the finding of the Ld. ITAT that the Ld. AO during the assessment proceedings did not carry out the exercise of identifying violations of section 40A (3) is perverse and contrary to the categorical findings recorded by the Ld. AO in the assessment order.

3. Whether on the facts and in the circumstances of the case, the Ld. ITAT was justified in law in deleting the addition of Rs.6,68,97,549/- made under section 40A (3) by the Assessing Officer, ignoring the failure of the assessee to produce confirmations, invoices, and documentary evidence to establish that its case was covered under Rule 6DD.

4. Whether the Ld. ITAT erred in law in holding that an addition

under section 40A(3) cannot be made on an estimated basis, even where the assessee failed to discharge the onus cast upon it to prove that no payments in contravention of section 40A(3) were made, and whether such finding is contrary to the ratio laid down by the Hon'ble Supreme Court in Attar Singh Gurmukh Singh v. ITO (1991) 191 ITR 667 (SC).

5. Whether, in view of the judgment of the Hon'ble Supreme Court in Attar Singh Gurmukh Singh v. ITO (1991) 191 ITR 667 (SC) and Choudhary Transport Company v. ITO [2020] 426 ITR 289 (SC), the Ld. ITAT was correct in law in deleting the disallowance without appreciating that the object of section 40A(3) is to curb the circulation of unaccounted money and ensure transparency in business transactions, and that such provisions must be strictly applied."

3. **List this matter on January 29, 2026**.

4. Counsel appearing on behalf of the parties are directed to file the paper book within six weeks.

**December 10, 2025**
cks/-

**(Rajeev Bharti,J.)  (Shekhar B. Saraf,J.)**

Digitally signed by :-
CHANDRA KANT SINGH
High Court of Judicature at Allahabad,
Lucknow Bench