

Cash payments to the agriculturists are allowable : ITAT Bangalore

M/s. Bappanalli Brothers (ITA No.251/Bang/2022)

Facts:

1. The assessee contended that payments were made for purchase of ginger (an agricultural produce) from 2 agriculturists in cash and therefore the disallowance made by the AO was unsustainable in view of the provisions of Rule 6DD(e) of the rules. The agriculturists were paid through their authorised representative who encashed the bearer cheques and paid them.
2. As per Sec 40A(3), any payment made for any expenditure to any person otherwise than Account Payee Cheque or Demand Draft or use of electronic clearing system through a bank account or any other mode as may be prescribed of more than Rs. 20,000 in a single day then such expenditure shall be disallowed.
3. Rule 6DD(e) of the Income Tax Rules, 1962, (Rules) provides for circumstances in which disallowance should not be made u/s.40A(3) of the Act, viz., where the payment is made for purchase of agricultural produce to the cultivator, grower or producer of Agricultural produce.
4. Moreover the 2 agriculturists had affirmed in an affidavit, that they had received the payment in cash through their authorised representative.

ITAT Bangalore held as below:

1. The reasons given by the CIT(A) for treating the payment in question not to the Agriculturists but to a representative, who is alleged to be an intermediary, cannot be sustained especially when the two agriculturists have affirmed in an affidavit that they received payment through the representative and when the cheques in question, though bearer cheques, were issued in their names respectively.
2. For a limited purpose, the issue is remanded to the AO who shall consider the evidence on record and other evidence that may be filed to prove the Assessee's case and after affording opportunity of being heard to the Assessee.