

**IN THE INCOME TAX APPELLATE TRIBUNAL
MUMBAI BENCH "B" MUMBAI**

**BEFORE SHRI OM PRAKASH KANT (ACCOUNTANT MEMBER)
AND
SHRI RAHUL CHAUDHARY (JUDICIAL MEMBER)**

**ITA No. 6490/MUM/2025
Assessment Year: 2022-23**

DCIT Circle-2(3)(1),
552, 5th floor, Aayakar
Bhavan, M.K. Road,
Mumbai-400020.

Appellant

NDX P2P Pvt. Ltd.,
1st floor, B 104, The Qube. CTS No.
1498, A2, M.V. Road, Hasan Pada
Rd. Mittal Industrial Estate,
Andheri East,
Mumbai-400059.
PAN NO. AAFCN 9739 D
Respondent

Assessee by : Mr. S.L. Poddar
Revenue by : Mr. Leyaqt Ali Aafaqui, Sr. DR

Date of Hearing : 02/12/2025
Date of pronouncement : 10/02/2026

ORDER

PER OM PRAKASH KANT, AM

This appeal by the Revenue is directed against order dated 13.08.2025 passed by the Ld. Commissioner of Income-tax (Appeals) – National Faceless Appeal Centre, Delhi [in short ‘the Ld. CIT(A)’] for assessment year 2022-23, raising following grounds:

1. On the facts and in law, the Ld. CIT(A) erred in deleting the disallowance of Rs. 8,82.99.568/- (i.e., 20% of Rs. 44.14.97,840/-) made by the Assessing Officer out of "Other Expenses", without



appreciating that the assessee failed to furnish documentary evidence in support of the expenses claimed, despite specific opportunity provided during assessment proceedings.

2. The Ld. CIT(A) erred in holding that the disallowance was made on an ad-hoc basis without any basis, ignoring the fact that the disallowance was necessitated due to non-submission of verifiable supporting documents by the assessee, and was made on a reasonable and conservative estimation in the absence of proper justification of the expenditure.

2. **Brief facts of the case are that** the assessee is a technology-driven financial intermediary operating a Peer-to-Peer (P2P) lending platform under the brand "Liquiloans." The assessee filed its return of income for the year under consideration on 07.11.2022, declaring a total income of ₹3,29,07,700/-. The return was selected for scrutiny and notice under section 143(2) of the Income-tax Act, 1961 ("the Act") was issued on 02.06.2023. Notices under section 142(1) of the Act were also issued. According to the Assessing Officer, the assessee did not initially respond to the notices.

2.1 The Assessing Officer observed that the assessee was engaged in the business of operating a lending and borrowing platform under the name "Liquiloans", facilitating loans between borrowers and lenders through a technology-based platform. On examination of the profit and loss account, the Assessing Officer noticed "other expenses" amounting to ₹44,14,97,840/-. Holding that the assessee had failed to establish that the said expenditure was incurred wholly and exclusively for the purposes of business as required under **Section 37(1)** of Act , the AO proceeded to disallow 20% of



those expenses on the grounds that the assessee failed to produce the comprehensive ledger account and failed to establish, to the AO's satisfaction. The Assessing Officer also made an addition of ₹77,60,711/- under section 41(1) of the Act.

3. In appeal before the Ld. CIT(A), the assessee contended that all requisite details had been furnished during assessment proceedings, including party-wise break-up of expenses, nature of services availed, copies of ledger accounts, invoices, proof of payment, and details of tax deducted at source wherever applicable. It was submitted that the expenditure comprised, inter alia, collection aggregator charges, service fees, commission, professional and legal fees, rent, and software expenses, all incurred in the ordinary course of business. The assessee further submitted that its books of account were duly audited under section 44AB of the Act and no defect or adverse remark had been recorded by the Assessing Officer.

3.1 It was specifically contended that the disallowance of 20% of total expenditure without rejection of books of account or identification of any specific unverifiable item amounted to an arbitrary ad-hoc disallowance, contrary to settled legal principles.

3.2 The Ld. CIT(A) called for a remand report from the Assessing Officer and, after considering the remand report and the assessee's rejoinder, deleted the disallowance. The Ld. CIT(A) recorded a



categorical finding that the assessee had furnished ledger accounts running into several pages, party-wise details, and TDS particulars, and that the Assessing Officer had not pointed out any specific defect, infirmity, or non-genuine expenditure. It was further noted that the books of account were neither rejected nor was any enquiry conducted to establish that the expenses were not incurred for business purposes. On these facts, the Ld. CIT(A) held that the ad-hoc disallowance was unsustainable and deleted the same. The Ld. CIT(A) deleted the addition of the ad-hoc disallowance of the 20% observing as under:

“

4.4 In the course of appellate proceedings the appellant vehemently contended that the disallowance is uncalled for. The appellant has furnished all the details of the expenses as called for by the AO. The books of accounts are duly audited and the AO has not rejected the books of accounts. The appellant uploaded the reply furnished by it to the AO on 04.03.2024 wherein the ledger account of the other expenses as required by the AO in the show cause notice dated 26.02.2024 was uploaded. The said reply is reproduced as below:

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4.7 From the above facts it is clear that in order to prove the genuineness and the business purpose the appellant has furnished all the details required by the AO. The appellant has furnished the party wise details along with the name, address, PAN etc. of the parties. The appellant has furnished the ledger account copies as well as the details of expenses on which TDS was effected as well as the expenses on which TDS was not effected. Thus, all relevant details have been furnished to the AO as required. No specific infirmity has been pointed out by the AO. The AO has also not doubted the veracity of the expenses. Neither has the AO specified as to on what basis the part expenses on estimated basis were held to be not incurred wholly and exclusively for the purpose of appellant's business. The AO has not required the appellant to furnish any other detail with regard to the claim of these expenses. The books of



account of the appellant are statutorily audited as per section 44AB of the Act and such books of accounts were not rejected by the AO. In view of these facts, the action of AO disallowing 20% of the impugned expenses is found to be devoid of merit and hence, cannot be confirmed. Accordingly, the disallowance of Rs.8,82,99,568/- from out of the other expenses is deleted. AO is directed to delete the same. Ground no. 1 of the appeal is allowed.”

4. We have heard the rival submissions and perused the material available on record. It is a settled principle of tax jurisprudence that if an Assessing Officer intends to disallow a business expenditure, the burden lies on the Revenue to point out specific defects in the vouchers or to demonstrate that a particular expense is personal or capital in nature. In the instant case, the AO has resorted to a "rule of thumb" disallowance of 20% without identifying even a single instance of an unverifiable transaction.

4.1 It is evident that the disallowance made by the Assessing Officer was purely on an ad-hoc basis, without identifying any specific expenditure as non-genuine or not incurred for business purposes. The assessee had furnished detailed ledger accounts, party-wise break-up, and TDS details during assessment as well as remand proceedings. The Assessing Officer has neither rejected the books of account nor pointed out any particular defect in the bills, vouchers, or supporting documents. The Assessing Officer has not doubted the veracity of the expenses and did not point out any specific deficiency or defect in the bills and vouchers.

4.2 It is well-settled that where the assessee maintains audited books of account and furnishes complete details of expenditure, an



ad-hoc disallowance, without pointing out specific defects or discrepancies, cannot be sustained in law. Estimation of expenditure is permissible only where the accounts are found to be unreliable or incomplete, which is not the case here.

4.3 During the appellate proceedings, the matter was remanded to the AO. Even at that stage, the Revenue could not bring forth any evidence to impeach the credibility of the 477-page ledger or the corresponding TDS records. A disallowance under Section 37(1) cannot be sustained on mere suspicion or the subjective dissatisfaction of the AO; it must be rooted in objective evidence. In quasi-judicial proceedings, an assessment must be based on facts and evidence, not on conjectures and surmises.

4.4 The Ld. CIT(A), after examining the remand report and the assessee's rejoinder, has returned a reasoned finding of fact that the expenditure was duly supported and that no basis existed for an estimated disallowance. We find no perversity or infirmity in the said findings.

4.5 Accordingly, we uphold the same. The grounds of appeal of the Revenue are accordingly dismissed.



5. In the result, the appeal of the Revenue is dismissed.

Order pronounced in the open Court on 10/02/2026.

**Sd/-
(RAHUL CHAUDHARY)
JUDICIAL MEMBER**

**Sd/-
(OM PRAKASH KANT)
ACCOUNTANT MEMBER**

Mumbai;
Dated: 10/02/2026
Rahul Sharma, Sr. P.S.

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent.
3. CIT
4. DR, ITAT, Mumbai
5. Guard file.

//True Copy//

BY ORDER,
(Assistant Registrar)
ITAT, Mumbai