

**AO can't invoke sec. 40A(2)(b) without having conclusive evidence that assessee made excessive salary payment**

Where assessee-company paid salary to its two directors and also paid salary to daughter-in-law of a director for providing consultancy services and Assessing Officer partly disallowed salary payments by invoking provisions of section 40A(2)(b), as Assessing Officer had only compared salary payments made by assessee in year under consideration with that of earlier year to come to conclusion of excessive salary payment and said conclusion was not based on any material on record as contemplated under section 40A(2)(b), Assessing Officer was not justified in partly disallowing salary payments

**For Judgment, pl. click below link:**

<https://www.taxmann.com/research/direct-tax-laws/top-story/10101000000327621/ao-cant-invoke-sec-40a2b-without-having-conclusive-evidence-that-assessee-made-excessive-salary-payment-caselaws>

*(Source: Taxmann.com)*