

**IN THE INCOME TAX APPELLATE TRIBUNAL CUTTACK 'SMC' BENCH,  
CUTTACK**

**BEFORE SHRI N.S SAINI, ACCOUNTANT MEMBER**

**ITA No. 392/CTK/2016**  
Assessment Year : 2010-2011

Smt. Sujata Ray, W/O. Shri Subrat Kumar Ray, At-Badadanda Sahi, Talcher Town, Dist: Angul.	Vs.	ITO, Ward-2, Dhenkanal.
PAN/GIR No. ALXPR3854 K		
<b>(Appellant)</b>	..	<b>( Respondent)</b>

Assessee by : Shri P.K.Mishra, AR

Revenue by : Shri D.K.Pradhan, DR

**Date of Hearing : 05 /01/ 2017**

**Date of Pronouncement : 05/01/ 2017**

**ORDER**

This is an appeal filed by the assessee against the order of CIT(A)-2, Bhubaneswar dated 24.8.2016 for the assessment year 2010-2011.

2. The only grievance of the assessee is that the Id CIT(A) erred in confirming the order of the Assessing Officer in making addition of Rs.3,67,689/-.

3. I have heard the rival submissions and perused the orders of lower authorities and materials available on record. In the instant case, the Assessing Officer observed that the assessee has claimed freight expenses of Rs.3,18,78,780/-. The assessee could not furnish the list of vehicle numbers and freight charges. The ledger account produced shows only the total amount paid towards freight charges on a particular date but does not have the details of payee of freight charges. The net profit disclosed by the assessee is around 3.4% of gross receipts which is too low in the line of trade. Also, the expenditure claimed towards freight charges is considered excessive. He, therefore, disallowed 1% of gross freight charges claimed and debited to the profit and loss account and, thereby made an addition of Rs.3,67,689/-.

4. On appeal before the Id CIT(A), the assessee argued that the disallowance of one percentage is excessive and should be restricted to 0.5%. Ld CIT(A) did not accept the contention of the assessee and confirmed the action of the Assessing Officer.

5. Before me, Id A.R. reiterated the submission made before the Id CIT(A).

6. Ld D.R. relied on the order of the Id CIT(A).

7. In the above facts and circumstances of the case, I am of the considered view that the Tribunal in many cases of many assesses in transport business has held net profit @ 3% of gross receipts as reasonable. If transport

expenses claimed by the assessee is disallowed @ 0.5% of gross transport expenses claimed by the assessee, then the net profit of the assessee from transport business will work out at 4% will be quite reasonable. Therefore, the disallowance made by the Assessing Officer out of freight charges is excessive and it would meet the ends of justice if the same is restricted to 0.5% of the total freight charges claimed by the assessee. I, therefore, modify the order of Id CIT(A) to this extent and partly allow the ground of the appeal.

8. In the result, the appeal filed by the assessee is partly allowed.

Order pronounced in the open court on 05/01/2017 in the presence of parties.

Sd/-

(N.S Saini)

**ACCOUNTANT MEMBER**

Cuttack; Dated 05/01 /2017  
B.K.Parida, SPS

**Copy of the Order forwarded to :**

1. The Appellant : Smt. Sujata Ray, W/O. Shri Subrat Kumar Ray, At-Badadanda Sahi, Talcher Town, Dist: Angul.
  2. The Respondent. ITO, Ward-2, Dhenkanal
  3. The CIT(A)-2, Bhubaneswar.
  4. CIT, Bhubaneswar.
  5. DR, ITAT, Cuttack
  6. Guard file.
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BY ORDER,

ASST.REGISTRAR,  
**ITAT, Cuttack**