

आयकर अपीलीय अधिकरण पुणे न्यायपीठ एक-सदस्य मामला पुणे में

**IN THE INCOME TAX APPELLATE TRIBUNAL
PUNE BENCH "SMC", PUNE**

सुश्री सुषमा चावला, न्यायिक सदस्य के समक्ष
BEFORE MS. SUSHMA CHOWLA, JM

आयकर अपील सं. / ITA No.960/PUN/2016
निर्धारण वर्ष / Assessment Year : 2007-08

Auto Steel & Rubber Industries Pvt. Ltd.,
C-21, Technician Block,
Bhosari, Pune – 26

.... अपीलार्थी/Appellant

PAN: AABCA4523D

Vs.

The Dy. Commissioner of Income Tax,
Circle – 8, Pune

.... प्रत्यर्थी / Respondent

अपीलार्थी की ओर से / Appellant by : Shri Pramod Shingte
प्रत्यर्थी की ओर से / Respondent by : Shri Mukesh Jha

सुनवाई की तारीख / Date of Hearing : 14.02.2018	घोषणा की तारीख / Date of Pronouncement: 28.02.2018
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आदेश / ORDER

PER SUSHMA CHOWLA, JM:

The appeal filed by the assessee is against the order of CIT(A)-6, Pune, dated 01.03.2016 relating to assessment year 2007-08 against order passed under section 143(3) of the Income-tax Act, 1961 (in short 'the Act').

2. The assessee has raised the following grounds of appeal:-

1. *On the facts and in the circumstances of the case and in law, the Lower Authorities erred in making an addition of Rs.11,11,480/- on account of difference in closing balance of some of the sundry creditors by disregarding the fact that these accounts are reconciled in subsequent years and necessary accounting entries are passed in the books of account, so therefore making such addition will result into double addition of the same amount, your appellant prays for appropriate relief.*
2. *On the facts and in the circumstances of the case and in law, the Lower Authorities erred in making an addition of Rs.6,35,267/- on account of non-moving balance in case of M/s. Deviki Enterprises being one of the sundry creditor by disregarding appellant's contention that this amount is genuinely payable, accordingly your appellant prays for deletion of entire amount.*

3. The issue raised in the present appeal vide ground of appeal No.1 is against addition of ₹ 11,11,480/- being the difference in closing balance of some of sundry creditors.

4. Briefly, in the facts of the case, the assessee was engaged in the manufacturing of high quality rubber products. The case of assessee was picked up for scrutiny and for verification of genuineness of sundry creditors, notices were issued under section 133(6) of the Act on random basis. The Assessing Officer noted variation in the closing balance of four of sundry creditors and the assessee was asked to explain the difference. Further, in respect of three of the parties, notices were returned by the postal authorities with remarks 'not known / left / incomplete address'. The assessee was asked to reconcile the difference in closing balance and also to produce three parties from whom the notices were returned unserved. The assessee filed an explanation in this regard. The Assessing Officer noted that the assessee had booked purchases in double during the year. The tabulated details of same are available at page 3 of the assessment order totaling ₹ 11,11,480/-. The explanation of assessee that the same were reversed back in the succeeding year was not accepted. In respect of Bhavik Enterprises, where closing balance was ₹ 6,35,267/-, the Assessing Officer observed that the factory

premises of said concern had closed and in view thereof, as per the Assessing Officer, the said amount was not payable by the assessee, therefore, the same was added to the income of assessee.

5. The CIT(A) confirmed both the additions, against which the assessee is in appeal.

6. The learned Authorized Representative for the assessee stressed that total turnover for the year was ₹ 15.25 crores, against which the assessee has shown purchases of ₹ 6.27 crores. He pointed out that excess bills were wrongly booked by the assessee and the same have been reversed in the succeeding year. Attention was drawn to the copies of account of individual parties at pages 38 to 49, 27 and 6 of the Paper Book. In respect of Bhavik Enterprises, the learned Authorized Representative for the assessee referred to the copy of account at page 82 of the Paper Book and pointed out that there were purchases for the year against opening balance.

7. The learned Departmental Representative for the Revenue on the other hand, placed reliance on the orders of authorities below.

8. On perusal of record and after hearing both the learned Authorized Representatives, the appeal is decided as under:

9. The first issue raised in the present appeal is with regard to the addition of ₹ 11,11,480/-. The assessee had shown the credit balances against the said parties at a figure which was higher than the figure shown by the said parties in their books of account. The Assessing Officer had issued notices under section

133(6) of the Act on random basis and noted variation in closing balances which were as under:-

Sr. No.	Name	Balance as per creditors	Balance as per Assessee
1	Bhavik Enterprises	Rs.5,81,948/-	Rs.6,95,038/-
2	B.C. Chemicals	Rs.12,87,702/-	Rs.15,29,552/-
3	Robinsons Air Services	Rs.12,31,927/-	Rs.14,58,085/-
4	Unisol Corporation	Rs.6,02,511/-	Rs.11,28,882/-

10. The assessee was asked to explain it. The claim of assessee was that by an error, purchases were excess booked and on realizing the mistake, same were reversed in next year. The copy of account of reconciliation of Bhavik Enterprises is placed at page 38 of the Paper Book along with copies of account of said party in assessee's account and also in the said parties account. The addition made on account of non-reconciliation of closing balance of Bhavik Enterprises was ₹ 2,75,948/-, which constituted of two bills as under:-

- (i) Bill No.127, dated 24.05.2006 - ₹ 1,21,030/-
- (ii) Bill No.128, dated 26.05.2006 - ₹ 1,54,918/-

11. Admittedly, the said bills were booked by the assessee against no purchases made from the said party. Similarly, at page 49 of Paper Book placed the reconciliation of B.C. Chemicals, wherein also series of bills totaling ₹ 3,50,851/- were excess booked by the assessee. The copy of reconciliation is placed at page 49 of Paper Book. Reconciliation of Trident Polychem Pvt. Ltd. is placed at page 27 of the Paper Book, wherein five bills of different amounts were excess booked by the assessee totaling ₹ 1,78,970/-. In respect of Unisol Corporation, again four bills totaling ₹ 3,05,711/- on different dates were booked by the assessee. It may be pointed out that in respect of Unisol

Corporation and Trident Polychem Pvt. Ltd., purchase bills which excessively claimed relating to the year under consideration were to the extent of ₹ 1,78,405/- and for Trident Polychem Pvt. Ltd. ₹ 1,02,336/-, balance bills relate to the financial year 2005-06 i.e. preceding year. It is not clear as to the date of booking of those bills.

12. The case of Revenue is that the assessee had excess booked the purchases which came to light on verification of closing balance of sundry creditors and such excess booking resulted in lower tax liability. However, the assessee claims that by mistake, it had booked the said purchases which were reversed in the succeeding year and hence, no difference in tax liability. There is no merit in the plea of assessee in this regard. The assessee on its own motion had excess booked the purchases which came to light only on verification. Hence, the addition on account of excess claim of purchases is to be made in the hands of assessee. However, the same is restricted to the purchases booked during the year and no addition has to be made on account of bills booked in the financial year 2005-06. The Assessing Officer is directed to verify the same in the case of Trident Polychem Pvt. Ltd. and Unisol Corporation and compute the addition. However, the following additions are upheld in the hands of assessee.

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|------|--------------------|--------------|
| (i) | Bhavik Enterprises | ₹ 2,75,948/- |
| (ii) | B.C. Chemicals | ₹ 3,50,851/- |

13. Thus, the ground of appeal No.1 raised by the assessee is partly allowed.

14. The issue raised vide ground of appeal No.2 is against closing balance of Bhavik Enterprises, copy of account of which is placed at page 82 of the Paper Book. The perusal of copy of account reflects that the assessee had written off the amount which was due from the said party amounting to ₹ 6,35,268/- as on 31.03.2007. Once the amount has been written back by the assessee, then the same is to be added in the hands of assessee. The Assessing Officer is also directed to verify nature of entry and decide the addition to be made in the hands of assessee. The ground of appeal No.2 raised by the assessee is thus, allowed for statistical purpose.

15. In the result, appeal of assessee is partly allowed as indicated above.

Order pronounced on this 28th day of February, 2018.

Sd/-
(SUSHMA CHOWLA)
न्यायिक सदस्य / JUDICIAL MEMBER

पुणे / Pune; दिनांक Dated : 28th February, 2018.
GCVSR

आदेश की प्रतिलिपि अग्रहित/Copy of the Order is forwarded to :

1. अपीलार्थी / The Appellant;
2. प्रत्यर्थी / The Respondent;
3. आयकर आयुक्त(अपील) / The CIT(A)-6, Pune;
4. The Pr.CIT-5, Pune;
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, पुणे, एक-सदस्य
मामला / DR 'SMC', ITAT, Pune;
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

सत्यापित प्रति //True Copy//

वरिष्ठ निजी सचिव / Sr. Private Secretary
आयकर अपीलीय अधिकरण ,पुणे / ITAT, Pune