

**IN THE INCOME TAX APPELLATE TRIBUNAL
JODHPUR BENCH (SMC), JODHPUR**

BEFORE SHRI R.C. SHARMA, ACCOUNTANT MEMBER

ITA No. 194/Jodh/2018
(ASSESSMENT YEAR-2014-15)

Smt. Rekha Singh, 6A-42, Chandra Shekhar Azad Nagar, Bhilwara (Appellant)	Vs	The Income Tax Officer, Ward-4, Bhilwara (Respondent)
PAN: JDHR06554C		

Assessee By	Shri Hemant Chhajer (CA)
Revenue By	Shri Shri A. K. Das (JCIT) DR
Date of hearing	17/07/2018
Date of Pronouncement	20/07/2018

ORDER

PER: R.C. SHARMA, AM

This is an appeal filed by the assessee against the order of the CIT(A), Ajmer dated 28/02/2018 for the A.Y. 2014-15 in the matter of order u/s 143(3) of the Income-tax Act, 1961 [hereinafter referred to as 'the Act', for short]. The grounds raised by the assessee in appeal are reproduced as under:

- "1. The impugned additions and disallowances made in the order u/s 143(3) dated 28.02.2018 are bad in law and on facts of the case, for want of jurisdiction and various other reasons and hence the same kindly be deleted.*

2. *Rs. 1,20,270/-: The Id. CIT(A) erred in law as well as on the facts of the case in confirming addition of Rs. 1,20,270/- as a trading additions towards disallowances of expenses without knowing the substantiation of transactions, is contrary to the provisions of law and facts of the case. Hence, the same kindly be deleted in full.*
3. *Rs. 4,87,881/- The Id. CIT(A) erred in law as well as the facts of the case in confirming addition of Rs. 4,87,881/- for Travelling Expenses without knowing the substantiation of transactions and ignoring evidences, is contrary to the provisions of law and facts of the case. Hence, the same kindly be deleted in full.*
4. *Rs. 75,000/- The Id. CIT(A) erred in law as well as on the facts of the case in confirming addition of Rs. 75,000/- for Deemed Rental income without knowing the substantiation of the facts that the actual property situated at Kamla Cristle at Kamla Vihar, Bhilwara but wrongly understood as Kamla enclave, a posh colony at Bhilwara, is contrary to the provisions of law and facts of the case. Hence, the same kindly be deleted in full.*
5. *The appellant prays your honour indulgence to add, amend or alter of or any of the grounds of the appeal on or before the date of hearing."*

2. Rival contentions have been heard and record perused. The facts in brief are that the assessee is engaged in manufacturing and trading of finished cloths. During the course of scrutiny assessment. The Assessing Officer rejected the books of accounts and made trading addition of Rs. 6,58,398/-.

3. By the impugned order, the Id CIT(A) has upheld the addition of Rs. 1,20,270/- and deleted the addition of Rs.

5,38,128/-. Against this trading addition of Rs. 1,20,270/-, the assessee is in appeal before me.

4. I have heard the rival contentions and carefully gone through the orders of the authorities below as well as the remand report and the reply of the assessee so filed during remand proceeding. From the record, I found that the reason for declining the GP ratio from 19.89% in (A.Y. 2013-14) to 18.2% in A.Y. 2014-15 is due to increasing sales by 19.21%. It is normal phenomenon of any business industry, higher the sale lower the margin and vice versa. I found that comparisons of Gross profit (GP): The Comparison of G.P. and N.P for the last three Assessment years are as under:

	(Rs. In lacs)		
	2012-13	2013-14	2014-15
Gross Turn-over	467.48	434.19	517.63
Gross Profit	47.76	86.38	96.37
Gross profit(%)	10.21%	19.89%	18.62%
Net Profit	9.90	9.34	10.30

It is clear that N.P ratio is higher in the A.Y. 2014-15 in comparison to A.Y. 2012-13 & 2013-14.

6. I also found that the Assessing Officer has not found that purchase and sales recorded in the books are inflated or bogus. Further the Books of accounts are audited u/s 44AB of the income tax act. Without pointing out any defects in the books of accounts the learned A.O's conclusion to possible leakage of revenue is hypothetical and not tenable.

7. In view of the above discussion, it is very clear that there is increase N.P. rate during the year under consideration as compared to the earlier two years. Under these facts and circumstances of the case, there is no justification for making any trading addition. Accordingly entire trading addition so made by the Assessing Officer is directed to be deleted.

8. Next grievance of assessee relate to disallowance of foreign travelling of expenditure of Rs. 4,87,881/-. From the records, I found that the assessee was engaged in business of manufacturing and trading of finished clothes in India and export abroad mainly Jeddah out of the travelling expenditure of Rs. 8,54,292/-. The Assessing Officer disallowed foreign expenditure of Rs. 4,87,881/-. From the record, I found that actual foreign travelling was at Rs. 115,000/- incurred by B.P. Singh on tour to Jeddah on behalf of the assessee. Rest of the expenses Rs. 3,72,881/- were payment to one of the staff Mr. Puneetsingh for inland travelling which inadvertently

displayed as a foreign travelling in the income tax return. All expenses were paid to him by cheques as per his submission of bank statement for online payment to IRCTC and Airlines and Hotels. Since the assessee was having export sales to Jeddah and Bahrain, travelling to this country was for the purpose of business. Under these facts and circumstances of the case, I do not find any merit for disallowance foreign travelling expenditure, having been incurred by the assessee for the purpose of this business. Assessing Officer is directed to delete the same.

8. The last grievance of the assessee relates to confirmation of addition of Rs. 75,000/- on account of deemed rental income.

9. Rival contentions have been heard and record perused. During the assessment proceedings, it was noticed by the Assessing Officer that the assessee has purchased a house at Kamla Enclase, Bhilwara on 29.01.2014 but no rental income from the said house property was declared. Since the assessee was already having another house property at 6-a-42, Chandrashekhar Azad Nagar, Bhilwara, therefore, the annual value of property at Kamla Enclave, Nagar, Bhilwara, therefore, the annual value of property at Kamla Enclave, Bhilwara was

determined on the basis of comparable case of Shri Nirmal Kumar Patni and annual rental was taken at Rs. 4,50,000/- and rental income for two months i.e. February and March, 2014 was calculated at Rs. 75,000/- and the same was added to the total income of the assessee as deemed rent.

10. By the impugned order the CIT(A) confirmed that addition. The assessee is further in appeal before me.

11. I found that the property purchased by the assessee is situated at Kamla Crystal and not in Kamla Enclave and the same was used for residential purposes by the assessee since its purchase. Further, the house at 6-A-42, C.S. Azad Nagar was occupied for the business of R.K. Textiles for grading and finishing job. The house which is not having any actual rental income but self occupied by assessee should be determined as per the municipal ratable value. Accordingly, the matter is restored to file of the Assessing Officer to find out the municipal ratable value of the house for computing income u/s 22 of the I.T. Act. We direct accordingly.

In the result, appeal of the assessee is allowed in part.

Order pronounced in the open court on 20/07/2018.

Sd/-

[R.C. SHARMA]
Accountant Member

Dated : 20/07/2018

*Ganesh Kr.

Copy to :

1. The Appellant
2. The Respondent
3. The CIT
4. The CIT(A)
5. The DR
6. Guard File (ITA No. 194/Jodh/2018)

Assistant Registrar
Jodhpur Bench