

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH "SMC" NEW DELHI**

SHRI AMIT SHUKLA, JUDICIAL MEMBER

ITA No. 5560/Del/2018
Assessment Year:2015-16

Jindal Telecom, Delhi, G1, G2 and G6, Ground Floor, Vardman Plaza, Sector-8, Rohini, Delhi-110085	<u>Assessment</u> <u>Year: 2015-</u> <u>16</u>	ITO, Ward-38(3) Delhi
TAN/PAN: AAKFJ0510A (Appellant)		(Respondent)

Appellant by:	Sh. R.R. Singla, Advocate		
Respondent by:	Sh. Surender Pal, Sr. DR		
Date of hearing:	24	09	2018
Date of pronouncement:	21	12	2018

ORDER

AMIT SHUKLA, J.M.:

The aforesaid appeal has been filed by the assessee against the impugned order dated 26.6.2018 passed by Ld. CIT(A)-13, New Delhi for the quantum of assessment passed under section 143(3) for the assessment year 2015-16. In the grounds of appeal the assessee has challenged the addition of Rs. 10,53,030/- on account of difference in account with M/s Sony India Pvt. Ltd.,.

2. Facts in brief qua the issue involved are that, the assessee is a partnership firm engaged in the business of trading of mobile phones. During the course of assessment

proceedings certified copy of account from M/s Sony India Private Ltd., was obtained by the AO under section 133(6) and from the perusal of the same, it was found that there was a difference of Rs. 53,13,612/- in the purchase value of claimed by the assessee and as submitted by Sony India Private Ltd.,. In response to the show cause notice, the assessee had submitted as under:-

“It was replied by the assessee on 04-10-2017 that purchases are booked by the assessee firm net of discounts received from Sony India (P) Ltd.. there are three types of discounts, which are received by the assessee firm. One is received at the time of billing itself second by way of credit notes and third by way of cash discounts. All these items have been reduced from the amount of purchases by the assessee firm, whereas Sony India Pvt. Ltd. has entered all transactions separately i.e. sales are booked separate and discounts are booked separate. We provide you copy of account of Sony India Pvt. Ltd. in our books of accounts and request your goodself to provide us with copy of account and details received by your goodself. The same can be go reconciled in full to your satisfaction.

As explained above, cash discount received from Sony India Pvt. Ltd. has been reduced from the amount of cost of purchase by the assessee firm. The same is explainable provided details of information received by your goodself are provided to us for reconciliation.”

3. After reconciliation, the AO found that there was a difference of Rs. 12,375.68/- which was not found to be reconcilable as per assessee and same was added. However, in so far as the account for discount of Rs. 13,35,979.25/-, AO noted that the account of discount tallied with the statement received from Sony India Pvt. Ltd., is Rs.

2,95,329.80/- and accordingly the difference of Rs. 10,42,465/- was added.

4. Before the CIT(A), the assessee filed copy of reconciliation statements and pointed out that there was a discount of Rs. 13,35,979/- which was a account of trade discount of Rs. 10,71,788.34/- and cash discount of Rs. 2,64,190.91/-. The entry of trade discount reflected in credit side as per the statement received from Sony India Private Ltd., and also the cash discount. The figure of entries as noted by the CIT(A) is noted in the impugned order at pages no. 4 and 5. The assessee has also given the reconciliation account of Sony India Private Ltd., and pointed out that the total credit side was Rs. 1,80,73,740.064/- out of which there were certain reversal entry also. The learned CIT(A) noted that though the figures are tallied with the account given by the assessee and the account given by the Sony India Private Ltd., however he held that there is an un-reconcile credit entry of Rs. 9,81,436/- dated 13.5.2014 which has been confirmed by him.

5. After hearing both the parties and on perusal of the material referred to before us, I find that the entire addition has been made on the ground that certain amount on the credit side remained un-reconciled as per the accounts submitted by the Sony India Private Ltd., and as shown by the assessee in its ledger account. There is no difference in the opening and closing balances but with the summations of

debit and credit entries. It has been explained by the learned counsel before us that the Sony India Private Ltd., use to credit account on bill to bill basis and pointed out that Ld. CIT(A) has overlooked the circled figures in the said statement He has taken entries of Rs. 18,563,82/- on the debit side with the entry of same amount on credit side to be contra. By doing so, he overlooked and was mistaken by accepting the entry of Rs. 2,22,139/- on the credit side as true whereas the actual payment against this was for Rs. 2,03,576/- only, which is evident from the entry dated 16.05.2014 in the bank statement. Actually Sony India Pvt. Ltd. was crediting the account on bill to bill basis and for shortfall in payment made for Rs. 2,03,576/- against the total of bills amounting Rs. 2,22,139/- it credited the bills in full and debited the account by difference of Rs. 18,563/-. The Company, Sony India Pvt. Ltd was already having a cheque of Rs. 10 lakhs by which it credited the account in two parts, i.e., difference of Rs 18,563/- and the rest of bills amounting Rs. 9,81,436/-. On return of cheque, the single entry of Rs. 10,00,000/- was debited to the account of the assessee firm by said company. The Ld. CIT (A) overlooked all these facts and figures and made his own presumption of the entries without ascertaining the fact and reality from the said Sony India Private Limited. He presumed the said credit entry of Rs. 9,81,436/- in the books of the said company as a payment made by assessee out of books and made additions u/s 69C of the Act. He further made an addition of Rs. 18,564/- being difference of

debit entry of Rs. 10,00,000/- and credit entry of Rs. 9,81,436/-. Ld. C1T(A) confirmed the total addition of Rs. 10,00,000/- and worked the relief to the assessee at Rs. 40,650/- out of additions made by the ld. AO for Rs. 10,53,025/- on account of the above non understanding of accounting entries, which is again a mistake/non application of mind. Ld. Counsel has also given the details in respect of bill to bill accounting which is as under:-

DETAILS IN RESPECT OF BILL TO BILL ACCOUNTING

S. No.	DATE OF CREDIT	AMOUNT OF CREDIT	CORRESPONDING DATE OF DEBIT	AMOUNT OF DEBIT	DIFFERENCE AMOUNT
1.	24.04.2014	1,67,490+ 3,031	22.04.2014	1,70,521	Nil
2.	26.04.2014	93,291+1, 689	25.04.2014	94,980	Nil
3.	30.04.2014	2,42,198+ 4,384	27.04.2014	10,495+2,36,087	Nil
4.	01.05.2014	3,47,355+ 6,381	29.04.2014	1,53,466+81,405 +32,562+86,323	Nil
5.	9.5.2014	2,67,881+ 4,849	07.05.2014	36,191+1,91,307 +45,232	Nil
6.	13.05.2014	2,22,139+ 4,021	11.05.2014	2,26,160	Nil*
7.	13.05.2014	9,81,436+ 17,967	18.04.2014 30.04.2014 10.05.2014	8,57,309 1,10,427(8 Bills) 31,667	Nil*

6. Thus, he explained that the payment of Rs. 2,22,139/- was short by Rs. 18,564/- because the actual payment was Rs. 2,03,576/- and therefore, there was a corresponding debit entry of Rs. 18,564/-. Since the payment of Rs. 9,81,436/- was exceeding Rs. 18,564/- hence a corresponding credit

entry was made to account for the payment of cheque of Rs. 10,00,000/- given by the assessee to Sony India Private Ltd.

7. After considering the aforesaid explanation of the Ld. Counsel, we find his contention to be correct, as the accounts have been completely misconstrued by the authorities below. The manner in which a third party maintains its account cannot be the basis for either rejecting the accounts or draw any adverse inference in the account of the assessee especially when no defect has been pointed out either in the purchase or sale shown by the assessee from the said party. The entire details of purchases were produced before the AO alongwith books of accounts on which no discrepancy has been found. Thus, such addition on account of difference which otherwise stands reconciled cannot be made. Accordingly, the same is directed to be deleted.

8. In the result, appeal of the assessee is allowed.

Order pronounced in the open court on 21st December, 2018.

Sd/-
[AMIT SHUKLA]
JUDICIAL MEMBER

DATED: 21st Dec, 2018

SH

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT(A)
4. CIT
5. DR

Assistant Registrar

		Date
1.	Draft dictated on	21.12.2018
2.	Draft placed before author	21.12.2018
3.	Draft proposed & placed before the second member	
4.	Draft discussed/approved by Second Member.	
5.	Approved Draft comes to the Sr.PS/PS	
6.	Kept for pronouncement on	
7.	File comes back to PS/Sr. PS	
8.	Uploaded on	09.01.2019
9.	File sent to the Bench Clerk	
10.	Date on which file goes to the AR	
11.	Date on which file goes to the Head Clerk.	
12.	Date of dispatch of Order.	