

IN THE INCOME TAX APPELLATE TRIBUNAL, DELHI 'B' BENCH,
NEW DELHI

BEFORE SHRI N.K. BILLAIYA, ACCOUNTANT MEMBER, AND
MS. SUCHITRA KAMBLE, JUDICIAL MEMBER

ITA No. 1525/DEL/2016
[A.Y 2011-12]

Gurcharan Singh Engineers [P] Ltd
B-11, Kailash Colony
New Delhi

Vs.

The Dy. C.I.T
Circle 12(1)
New Delhi

PAN : AACCG 9515 B

[Appellant]

[Respondent]

Date of Hearing : 14.01.2019
Date of Pronouncement : 14.01.2019

Assessee by : Shri D.C. Agrawal
Shri R.N. Poonia, Advs

Revenue by : Ms. Ashima Neb, Sr. DR

ORDER

PER N.K. BILLAIYA, ACCOUNTANT MEMBER,

This appeal by the assessee is preferred against the order of the
CIT(A)- 16, New Delhi dated 08.01.2016 pertaining to A.Y 2011-12.

2. The solitary grievance raised by the assessee is that the CIT(A) erred in confirming the addition of Rs. 51,28,031/- being 15% of the wage expenses.

3. Facts on record show that the assessee-company is engaged in the business of civil construction. During the course of scrutiny assessment proceedings, the Assessing Officer noticed that the assessee has claimed expenses on account of wages at Rs. 3,41,86,878/-. The assessee was asked to furnish the details of these expenses. On examination, the Assessing Officer found that the register for payment of wages has been prepared in one sitting and the signature/thumb impression obtained thereon involving four or five persons only. The Assessing Officer was of the firm belief that the books of account have been manipulated by inflating payment of wages and, accordingly, disallowed 15% of the wage expenditure and made addition of Rs. 51,28,031/-.

4. The assessee carried the matter before the CIT(A), but without any success.

5. Before us, the ld. AR stated that the assessee has shown better results during the year under consideration and it is incorrect to say that the wage register was manipulated. It is the say of the ld. AR that the addition is unwarranted and deserves to be deleted.

6. Per contra, the ld. DR strongly supported the findings of the lower authorities.

7. We have carefully considered the orders of the authorities below. Summary of the profit and loss account for the five years can be understood from the following chart:

SI. PARTICULARS	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013 -14
1 TURNOVER	429.66	1,557.69	721.73	1,368.63	1,914.91
2 GROSS PROFIT	79.32	210.75	164.07	288.59	328.47
GP RATIO	18.46	13.53	22.73	20.78	17.15
3 NET PROFIT	18.91	72.12	42.77	82.78	113.61
N P Rate	4.40	4.63	5.93	5.96	5.93
4 labour charges	197.65	596,19	339,44	645.77	709.37
5 LABOUR RATIO	46.00	38.27	47.03	46.50	37.04

8. From the above chart, it can be seen that the N.P. of the assessee for the year under consideration is better than that of the immediately preceding A.Y. Further, the turnover has increased three fold and the labour ratio has declined from 46% to 38.27%. These facts disprove the allegation of the Revenue that the labour register is manipulated. Be that as it may, the discrepancy in the labour register cannot be ruled out and, therefore, in the interest of justice and fair play, a disallowance of Rs. 10 lakhs should meet the ends of justice. We, accordingly, direct the Assessing Officer to restrict the disallowance to Rs. 10 lakhs.

9. In the result, the appeal of the assessee in ITA No. 1525/DEL/2016 is partly allowed.

The order is pronounced in the open court on 14.01.2019.

Sd/-

**[SUCHITRA KAMBLE]
JUDICIAL MEMBER**

Sd/-

**[N.K. BILLAIYA]
ACCOUNTANT MEMBER**

Dated: 14th January, 2019

VL/

Copy forwarded to:

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

Asst. Registrar,
ITAT, New Delhi

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