

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. 1400/DEL/2016
[A.Y 2012-13]

The A.C.I.T
Circle - 62(1)
New Delhi

Vs.

Smt. Monica Jain
Prop. M/s Pharma Care
871, Veer Apartment
Sector 3, Plot No. 28
Rohini, New Delhi

PAN : AAHPJ 6205 D

[Appellant]

[Respondent]

Date of Hearing : 14.01.2019
Date of Pronouncement : 15.01.2019

Assessee by : Shri Sanjiv Sapra, FCA

Revenue by : Ms. Ashima Neb, Sr. DR

ORDER

PER N.K. BILLAIYA, ACCOUNTANT MEMBER,

This appeal by the Revenue is preferred against the order of the
CIT(A)- 20, New Delhi dated 27.01.2016 pertaining to A.Y 2012-13.

2. The solitary grievance raised by the Revenue is that the CIT(A) erred in deleting the addition of Rs. 1,26,22,783/- on account of low GP/NP.
3. Representatives of both the sides were heard at length and case records were carefully perused.
4. Facts on record show that the assessee is an individual engaged in the trading business of pharmaceuticals items under the name and style of M/s Pharma Care. During the year under consideration, the assessee has shown N.P of Rs. 29,81,157/- of gross receipts of Rs. 1,11,70,60,512/-. N.P. rate was at 0.27%.
5. During the course of scrutiny assessment proceedings, the A.O observed that the auditors have not mentioned the transactions covered u/s 40A(2)(b) of the Income-tax Act, 1961 [hereinafter referred to as 'the Act' for short]. The Assessing Officer was of the opinion that the audit report is faulty and, therefore, the book results cannot be relied upon. The books of account were rejected and accordingly, profit was estimated and addition of Rs. 1,26,22,783/- was made.

6. The assessee agitated the matter before the CIT(A) and pointed out that book results are better than the results for the immediately preceding A.Y, which was assessed u/s 143(3) of the Act.

7. After considering the facts and submissions, the CIT(A) was convinced with the book results and directed the Assessing Officer to delete the impugned addition.

8. Before us, the Id. DR strongly supported the findings of the AO.

9. Per contra, the Id. AR reiterated what has been stated before the lower authorities.

10. The ratio analysis of profit can be understood from the following chart:

<i>A. Y.</i>	<i>Total Turnover (Rs.)</i>	<i>Gross Profit (Rs.)</i>	<i>Net Profit (Rs.)</i>	<i>GP Ratio%</i>	<i>NP Ratio %</i>
<i>2012-13</i>	<i>1,11,70,60,512</i>	<i>1,29,51,461</i>	<i>29,81,157</i>	<i>1.16</i>	<i>0.27</i>
<i>2011-12</i>	<i>71,41,13,195</i>	<i>65,72,730</i>	<i>15,77,976</i>	<i>0.92</i>	<i>0.22</i>
<i>2010-11</i>	<i>40,37,29,326</i>	<i>92,35,753</i>	<i>13,49,284</i>	<i>2.29</i>	<i>0.33</i>

11. From the aforementioned chart, it can be seen that the NP rate for the year under consideration is better than the immediately preceding A.Y 2011-12. G.P is also better than the immediately preceding A.Y. Merely because the auditors failed to mention the transactions with related party u/s 40A(2)(b) of the Act would not allow the Assessing Officer to reject the books of account. We find that no specific defect has been pointed out by the Assessing Officer in the books of account of the assessee. Therefore, the estimation of profit is uncalled for and deserves to be rejected as has rightly been done by the CIT(A). Therefore, no interference is called for.

12. In the result, the appeal of the Revenue in ITA No. 1400/DEL/2016 is dismissed.

The order is pronounced in the open court on 15.01.2019.

Sd/-

**[SUCHITRA KAMBLE]
JUDICIAL MEMBER**

Sd/-

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

Dated: 15th 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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