

IN THE INCOME TAX APPELLATE TRIBUNAL
COCHIN BENCH, COCHIN
BEFORE S/SHRI CHANDRA POOJARI, AM & GEORGE GEORGE K., JM

I.T.A. No. 399/Coch/2018
Assessment Year : 2011-12

Shri Mohammed Sajas, Kalarickal House, Kanjirappally P.O., Kottayam. [PAN:AMAPM 8377Q]	Vs.	The Income Tax Officer, Ward-3, Kottayam
(Assessee-Appellant)		(Revenue-Respondent)

Assessee by	Shri Iype John, CA
Revenue by	Smt. A.S. Bindhu, Sr. DR

Date of hearing	15/01/2019
Date of pronouncement	15/01/2019

ORDER

Per CHANDRA POOJARI, AM:

This appeal filed by the assessee is directed against the order of the CIT(A), Kottayam dated 18/06/2018 and pertains to the assessment years 2011-12.

2. The assessee has raised the following grounds:

1. The order of the Commissioner of Income Tax (Appeals) is opposed to law, facts and circumstances of the case.
2. The Commissioner of Income Tax (Appeals) has erred in sustaining the Net Profit at 0.25% of the gross turnover without any basis or material.

3. The Commissioner of Income Tax (Appeals) ought to have found that the Assessing Officer had raised no objections on the books of accounts produced but made the addition stating that the Net Profit ratio is low as compared to the previous year.
 4. The Commissioner of Income Tax (Appeals) ought to have found that the Assessing Officer has merely stated that "as the assessee was not maintaining proper vouchers for many expenses, there is a possibility of inflated expenditure which can result in low Net Profit", without pointing out any such voucher or possibility .
 5. For the above and other grounds that may be advanced at the time of hearing it is respectfully submitted that the order of the Commissioner of Income Tax (Appeals) be set aside.
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3. The facts of the case are that the Assessing Officer estimated the income from business at 0.25% of the gross turnover of Rs.55,32,80,611/- i.e. at Rs.13,83,203/- on the ground that no proper vouchers were maintained by the assessee for many expenses such as travelling charges, miscellaneous expenses, shop expenses, etc. According to the Assessing Officer in the absence of proper vouchers, the assessee was able to inflate the expenditure which resulted in low net profit. Hence, the Assessing Officer estimated the net profit at .25% of the gross receipts.
 4. On appeal, the CIT(A) observed that the net profit shown by the assessee for the AY 2011-12 was abysmally low compared to the previous years. According to the CIT(A), the Assessing Officer had given opportunity to the assessee to explain the reasons for such low profit but, the assessee was not able to substantiate the reasons for the low profit except stating that he had

maintained proper books of account. It was noticed that there were certain mistakes in the vouchers produced by the assessee in support of the expenditure incurred. Hence, the CIT(A) held that the net profit estimated by the Assessing Officer at 0.25% of the gross receipts was reasonable.

5. Against this, the assessee is in appeal before us. The Ld. AR reiterated the submissions raised before the CIT(A). The Ld. DR relied on the order of the CIT(A).

6. We have heard the rival submissions and perused the material on record. The assessee disclosed the income at .15% during this year as against the income .48% earned during the earlier year from the business in raw rubber. The Assessing Officer estimated the income at .25% of the gross turnover as the assessee was not maintaining vouchers for expenses like travelling expenses, miscellaneous expenses, shop expenses etc. He was of the opinion that there is every chance of inflating the expenditure incurred and there is wide gap between the percentage of income of the present assessment year and the earlier assessment year. The assessee explained that there was wide fluctuation of the profit margin from year to year on account of volatility in the rubber business. The assessee also thrust upon the point that it is not possible to have uniform rate of profit margin year to year. There should be change of percentage of profit and the average rate of profit cannot be applied. It was

also submitted that the estimation of income at .25% of the gross turnover was on a higher side and prayed to reduce the same. Considering the above estimation by the Assessing Officer and volatility in the rubber business of the assessee, we consider it reasonable to estimate the income at .20% of the gross turnover instead of .25% as estimated by the Assessing Officer.

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

Order pronounced in the open Court on this 15th January, 2019.

sd/-
(GEORGE GEORGE K.)
JUDICIAL MEMBER

sd/-
(CHANDRA POOJARI)
ACCOUNTANT MEMBER

Place: Kochi

Dated: 15th January, 2019

GJ

Copy to:

1. Shri Mohammed Sajas, Kalarickal House, Kanjirappally P.O., Kottayam.
2. The Income Tax Officer, Ward-3, Kottayam.
3. The Commissioner of Income-tax(Appeals), Kottayam.
4. The Pr. Commissioner of Income-tax, Kottayam.
5. D.R., I.T.A.T., Cochin Bench, Cochin.
6. Guard File.

By Order

(ASSISTANT REGISTRAR)
I.T.A.T., Cochin

