

आयकर अपीलीय अधिकरण "ए" न्यायपीठ पुणे में ।  
IN THE INCOME TAX APPELLATE TRIBUNAL "A" BENCH, PUNE

श्री डी. करुणाकरा राव, लेखा सदस्य एवं श्री विकास अवस्थी, न्यायिक सदस्य के समक्ष  
BEFORE SHRI D. KARUNAKARA RAO, AM AND SHRI VIKAS AWASTHY, JM

आयकर अपील सं. / ITA Nos.2916 & 2917/PUN/2016  
निर्धारण वर्ष / Assessment Years : 2010-11 & 2011-12

Jijabrao Anandrao Patil,  
Plot No.107, Shivparvati Colony,  
Near Kirti Classes, Vidya Nagari,  
Deopur, Dhule-424005.

PAN : ABHPP1209J

.....अपीलार्थी / Appellant

बनाम / V/s.

ACIT, Circle Dhule.

.....प्रत्यर्थी / Respondent

आयकर अपील सं. / ITA Nos.243 & 244/PUN/2017  
निर्धारण वर्ष / Assessment Years : 2010-11 & 2011-12

ACIT, Circle Dhule.

.....अपीलार्थी / Appellant

बनाम / V/s.

Jijabrao Anandrao Patil,  
Prop: Jaishrikrishna Enterprises,  
Plot No.7, Shiv Parvati Colony,  
Near Kirti Classes, Deopour,  
Dhule-424002.

PAN : ABHPP1209J

.....प्रत्यर्थी / Respondent

Assessee by : Shri Sanket Joshi  
Revenue by : Shri N. Ashok Babu

सुनवाई की तारीख / Date of Hearing : 07.06.2019  
घोषणा की तारीख / Date of Pronouncement : 27.06.2019

आदेश / ORDER

PER D. KARUNAKARA RAO, AM:

There are two sets of cross appeals i.e. **four appeals** filed by the assessee as well as by the Revenue involving the assessment years

2010-11 and 2011-12 under consideration. All the four cross appeals are against the separate orders of the CIT(A)-1, Nashik dated 11.11.2016 and 22.11.2016 for the assessment years 2010-11 and 2011-12 respectively.

2. First we shall take up the cross appeals of the assessee and the Revenue involving the assessment year 2010-11 for adjudication.

**ITA No.2916/PUN/2016 – A.Y. 2010-11 – By Assessee**

3. The grounds raised by the assessee in this appeal are as under :-

*“1] The additions of Rs.2621099/- confirmed by the CIT(A)-1, Nashik should be deleted fully as the so called **bogus purchases** were not bogus and the same have been paid through bank transactions.*

*2] The assessment reopened u/s 148 should be held as improper.*

*3] The appellant craves leave to add/alter/amend/delete any of the grounds of appeal.”*

4. Before us, at the outset, ld. Counsel for the assessee demonstrated that this is a case of bogus purchases where the trail of goods were demonstrated. Further, bringing our attention to the order of the Assessing Officer and the CIT(A), ld. Counsel submitted that both the officers i.e. Assessing Officer and CIT(A) resorted to make the addition applying the ad-hoc rate of 25% of the said bogus purchases for the assessment year 2010-11. The addition is Rs.26,21,099/-.

5. In this background, ld. Counsel mentioned that in this case the decision of the Tribunal in the case of M/s. Chhabi Electricals Pvt. Ltd. and others Vs. DCIT in ITA No.795/PUN/2014, relating to assessment

year 2010-11, decided on 28-04-2017 should apply and the disallowance should be restricted only @ 10% of the bogus purchases.

6. The ld. DR for the Revenue, on the other hand, relied heavily on the orders of the Assessing Officer and the CIT(A).

7. On hearing both the parties, we find this is a case of bogus purchases reassessed by reopening the completed assessment. The assessee raised the issue of violation to the principle of natural justice raised in the grounds on the basis of "change of opinion". Deviating from the above legal issue, referring to the merits of addition, the assessee relied heavily on the order of the Co-ordinate Bench of the Tribunal in the case of M/s. Chhabi Electricals Pvt. Ltd. and others (supra). The assessee pleaded for restricting the disallowance @ 10% of the bogus purchases. Meanwhile, we find the Jurisdictional High Court has decided similar issue in the case of Pr.CIT vs. M/s. Mohommad Haji Adam & Co. vide Income Tax Appeal No.1004 of 2016 dated 11.02.2019. In para 8 of this judgement (supra), we find the Hon'ble Jurisdictional High Court dismissed the appeals filed by the Revenue with the following observations :-

*"8. In the present case, as noted above, the assessee was a trader of fabrics. The A.O. found three entities who were indulging in bogus billing activities. A.O. found that the purchases made by the assessee from these entities were bogus. This being a finding of fact, we have proceeded on such basis. Despite this, the question arises whether the Revenue is correct in contending that the entire purchase amount should be added by way of assessee's additional income or the assessee is correct in contending that such logic cannot be applied. The finding of the CIT(A) and the Tribunal would suggest that the department had not disputed the assessee's sales. There was no discrepancy between the purchases shown by the assessee and the sales declared. That being the position,*

*the Tribunal was correct in coming to the conclusion that the purchases cannot be rejected without disturbing the sales in case of a trader. The Tribunal, therefore, correctly restricted the additions limited to the extent of bringing the G.P. rate on purchases at the same rate of other genuine purchases. The decision of the Gujarat High Court in the case of N.K. I (supra) cannot be applied without reference to the facts. In fact in paragraph 8 of the same Judgment the Court held and observed as under-*

*“ So far as the question regarding addition of Rs.3,70,78,125/- as gross profit on sales of Rs.37.08 Crores made by the Assessing Officer despite the fact that the said sales had admittedly been recorded in the regular books during Financial Year 1997-98 is concerned, we are of the view that the assessee cannot be punished since sale price is accepted by the revenue. Therefore, even if 6 % gross profit is taken into account, the corresponding cost price is required to be deducted and tax cannot be levied on the same price. We have to reduce the selling price accordingly as a result of which profit comes to 5.66 %. Therefore, considering 5.66 % of Rs.3,70,78,125/- which comes to Rs.20,98,621.88 we think it fit to direct the revenue to add Rs.20,98,621.88 as gross profit and make necessary deductions accordingly. Accordingly, the said question is answered partially in favour of the assessee and partially in favour of the revenue.”*

8. Following the above said ratio of the judgment (supra), the Co-ordinate Bench of the Tribunal remanded the issue to the file of the Assessing Officer in the case of Shri Nandkishore Kishanrao Dilerao vs. ITO vide ITA No.1851/PUN/2018 for the assessment year 2010-11 dated 30.04.2019 as per the discussion given in para 4 of the order of the Tribunal. In this case also, the CIT(A) restricted the disallowance @ 10% of the bogus purchases. For the sake of completeness of this order, the relevant para 4 of the order of the Tribunal (supra) is extracted hereunder :-

*“4. I have heard both the sides and gone through the relevant material on record. The issue of bogus purchases has recently come up for consideration before the Hon’ble Bombay High Court in Pr.CIT Vs. Mohommad Haji Adam & Co. Vide its judgment dated 11-02-2019 in ITA No.1004 of 2016 and others, the Hon’ble jurisdictional High Court has held that no ad hoc addition at the rate of 10% of bogus purchases is*

*warranted. Rather the addition should be made to the extent of difference between the gross profit rate on genuine purchases and gross profit rate of hawala purchases. Such details are not readily available with the ld. AR as well to facilitate the calculation of gross profit rates of genuine and hawala purchases. Under these circumstances, I set-aside the impugned and remit the matter to the file of AO for applying the ratio laid down by the Hon'ble Jurisdictional High Court in the above noted case and recompute the amount of addition, if any, after allowing a reasonable opportunity of hearing to the assessee."*

9. From the above, it is evident that restricting the disallowance @ 10% of the bogus purchases on ad-hoc basis is not approved by the Hon'ble Jurisdictional High Court (supra). Rather, the addition should be restricted to the extent of difference between the "gross profit rate on genuine purchases" and "gross profit rate of hawala purchases". For these purposes, the matter stands remanded to the file of the Assessing Officer. Considering the commonality of the facts, we are of the opinion the issue under consideration should also be remanded to the file of the Assessing Officer with similar direction as given in para 4 of the order of the Tribunal (supra). The Assessing Officer is also directed to examine the arguments relating to the change of opinion while passing a speaking order on technical ground after granting reasonable opportunity of being heard to the assessee. Accordingly, all the issues raised by the assessee in this appeal both on legal as well as on merits are allowed for statistical purposes.

10. In the result, the appeal of the assessee is allowed for statistical purposes.

**ITA No.243/PUN/2017 – A.Y. 2010-11 - By Revenue**

11. Since the issue raised in the grounds of appeal of the assessee is remanded to the file of the Assessing Officer for fresh adjudication, therefore, the grounds raised in cross appeal of the Revenue becomes academic exercise and the same are dismissed as infructuous.

12. Resultantly, the appeal of the assessee is allowed for statistical purposes and the cross appeal of the Revenue is dismissed.

13. Now, coming to another year of the cross appeals i.e. A.Y. 2011-12 filed by the assessee as well as by the Revenue.

**ITA No.2917/PUN/2016 – A.Y. 2011-12 - By Assessee**  
**ITA No.244/PUN/2017 – A.Y. 2011-12 - By Revenue**

14. Since the cross appeals of the assessee and the Revenue for the assessment year 2010-11 have been adjudicated by us in the preceding paragraphs of this order and remanded the issue raised in assessee's appeal to the file of the Assessing Officer for fresh adjudication and dismissed the grounds as academic raised in revenue's appeal, therefore, our decision in cross appeals for the assessment year 2010-11 shall apply *mutatis-mutandis* to this cross appeals for the assessment year 2011-12.

15. To sum up, both the appeals of the assessee for the assessment years 2010-11 and 2011-12 are allowed for statistical purposes and the

cross appeals of the Revenue for the assessment years 2010-11 and 2011-12 are dismissed.

Order pronounced on 27<sup>th</sup> day of June, 2019.

Sd/-  
(विकास अवस्थी /**VIKAS AWASTHY**)  
न्यायिक सदस्य/**JUDICIAL MEMBER**

Sd/-  
(डी. करुणाकरा राव/**D. KARUNAKARA RAO**)  
लेखा सदस्य/**ACCOUNTANT MEMBER**

पुणे / Pune; दिनांक / Dated : 27<sup>th</sup> June, 2019.

Sujeet

**आदेश की प्रतिलिपि अग्रेषित / Copy of the Order forwarded to :**

1. अपीलार्थी / The Appellant.
2. प्रत्यर्थी / The Respondent.
3. The CIT(A)-1, Nashik.
4. The CCIT, Nashik.
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, "ए" बेंच,  
पुणे / DR, ITAT, "A" Bench, Pune.
6. गार्ड फ़ाइल / Guard File.

आदेशानुसार / BY ORDER,

// True Copy //

Senior Private Secretary  
आयकर अपीलीय अधिकरण, पुणे / ITAT, Pune.