

आयकर अपीलीय अधिकरण, 'ए' न्यायपीठ, चेन्नई
IN THE INCOME TAX APPELLATE TRIBUNAL , 'A' BENCH, CHENNAI
श्री धुव्वुरु आर.एल रेड्डी, न्यायिक सदस्य एवं श्री एस जयरामन, लेखा सदस्य के समक्ष
BEFORE SHRI DUVVURU RL REDDY, JUDICIAL MEMBER AND
SHRI S. JAYARAMAN, ACCOUNTANT MEMBER

आयकर अपील सं./I.T.A.No.2728/CHNY/2018

(निर्धारण वर्ष / Assessment Year: 2015-16)

Shri Kandasamy Rajendran, Prop. Sri Shanmuga Prime Tannery, No.62, Perianna Maistry Street, Periamet, Chennai – 600 003.	Vs	The ACIT, Non-Corporate Circle – 6(1), Chennai
PAN: ABCPR2257B		
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/ Appellant by	:	Shri G. Baskar & I. Dinesh, Advocates
प्रत्यर्थी की ओर से/Respondent by	:	Shri AR.V. Sreenivasan, JCIT

सुनवाई की तारीख/Date of hearing	:	09.07.2019
घोषणा की तारीख /Date of Pronouncement	:	24.07.2019

आदेश / ORDER

PER S. JAYARAMAN, ACCOUNTANT MEMBER:

The assessee filed this appeal against the order of the learned Commissioner of Income Tax (Appeals)-5, Chennai in ITA No.196/CIT(A)-5/2017-18 dated 29.06.2018 for the assessment year 2015-16.

2. Shri Kandasamy Rajendran, Proprietor of Sri Shanmuga Prime Tannery, the assessee, having a tannery at Trichy, engaged in the

business of tanning & exporting of finished goat & sheet skins to various countries and also sells locally. While making the assessment for the assessment year 2015-16, the AO found, inter-alia, that the average Net Profit of last 3 years was at 32.88%. However, the Net Profit ratio for the assessment year 2015-16 was 22.54%. After considering the assessee's reply etc, he held that since the assessee is in the business for many years, there may not be any possibility of reduction in Net Profit, therefore, he found that the difference between the last three years average Net Profit viz-a-viz current Net Profit was 10.34%. Considering the assessee's submission, he added 50% of 10.34% i.e., 5.17% on the admitted turnover and completed the assessment. Aggrieved, the assessee filed an appeal before the CIT(A). The Ld.CIT(A) held, inter-alia, that the AO found difficulty in the results though he did not specify rejection of books of accounts in the assessment order, yet he estimated the Net Profit after finding a vital defect in the book results means that he rejected the books of accounts. The Ld.CIT(A) also drew strength from the fact that the AO did not make any other addition or disallowance, therefore the AO had rejected the books of accounts and he confirmed the addition made by the AO. Aggrieved against that order, the assessee filed this appeal.

3. The Ld.AR submitted that the Ld.CIT(A) erred in confirming the addition without independent examination of facts. The Ld.CIT(A) had failed to consider the fact that there was a decline in export turnover and high reduction in average sales rate EI-tanned leather which would affect all the profit margin. In this regard, the Ld.AR took our attention to the Paper-book wherein, the assessee explained the reason for reduction in his Net Profit, part of which was also extracted by the AO in the assessment order. Taking to various materials in the Paper-book, the Ld.AR made strenuous efforts to say that the AO had not seen the Net Profit associated with the export turnover, Net profit associated with the local turnover vis-a-vis various reasons submitted by the assessee for the low Net Profit on the current year. Unfortunately, the Ld.CIT(A) also failed to appreciate. Therefore, he pleaded to allow the appeal. Per contra, the Ld.DR supported the order of the Ld.AO and the Ld.CIT(A) by taking us through the orders.

4. We heard the rival submissions. We find prima-facie that the assessee had made an attempt to explain the reasons for its low Net Profit. It appears that the associated facts and circumstances have not been properly examined. The various factors and the corresponding figures given by the assessee needs to be examined

vis-a-vis the export turnover as well as for the local turnover to draw conclusion as to whether the returned income is reasonable or not. Since such examination has not been done, we deem it fit to remit the issue back to the file of the Ld.AO for a fresh examination. The assessee shall lay all the material in support of its contention before the Assessing Officer and shall comply with the requirements of the Assessing Officer in accordance with law. The Assessing Officer is free to conduct appropriate enquiry as deemed fit. However, he shall furnish due opportunity to the assessee against the material, if any, to be used against it and then decide the issues in accordance with law.

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

Order pronounced on the 24th July, 2019 at Chennai.

Sd/-

(धुव्वुरु आर एल रेड्डी)
(Duvvuru R.L Reddy)
न्यायिक सदस्य/Judicial Member

Sd/-

(एस जयरामन)
(S. Jayaraman)
लेखा सदस्य /Accountant Member

चेन्नई/Chennai,

दिनांक/Dated 24th July, 2019

RSR

आदेश की प्रतिलिपि अग्रेषित/Copy to:

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|------------------------|--------------------------|------------------------------|
| 1. अपीलार्थी/Appellant | 2. प्रत्यर्थी/Respondent | 3. आयकर आयुक्त (अपील)/CIT(A) |
| 4. आयकर आयुक्त/CIT | 5. विभागीय प्रतिनिधि/DR | 6. गार्ड फाईल/GF |