

**IN THE INCOME TAX APPELLATE TRIBUNAL "SMC", BENCH  
MUMBAI**

**BEFORE SHRI R.C.SHARMA, ACCOUNTANT MEMBER**

**ITA No. 6518/Mum/2018  
(Assessment Year: 2011-12)**

A.C.I.T. Circle-15(1)(2), Mumbai.	Vs.	M/s G-3 Motors Limited, Plot No. D-175, TTC Industrial Area, MIDC Shiravane, Nerul, Navi Mumbai- 400705.
<b>PAN/GIR No.AACCG 8148 E</b>		
<b>(Appellant)</b>	..	<b>(Respondent)</b>

Revenue by	Shri Kumar Padmapani Bora (Sr.DR)
Assessee by	None
<b>Date of Hearing</b>	<b>05/12/2019</b>
<b>Date of Pronouncement</b>	<b>06/12/2019</b>

**आदेश / ORDER**

**PER: R.C. SHARMA, A.M.**

This is the appeal filed by the revenue against the order of the Id. CIT(A)-24, Mumbai dated 29/08/2018 for the A.Y. 2011-12 in the matter of order passed U/s 143(3) of the Income Tax Act, 1961 (in short, the Act).

2. No body appeared on behalf of the assessee in spite of service of notice, therefore, the Bench decided to dispose off the appeal after hearing the Id. DR and considering the material placed on record.

3. I have gone through the orders of the authorities below and found that the tax effect involved in the appeal filed by the revenue is less than Rs. 50.00 lacs, therefore, in view of the CBDT Circular No. 17

of 2019 dated 08.08.2019, the appeal of the revenue deserves to be dismissed.

4. On merits, I found that the addition made by the A.O. on account of bogus purchases was deleted by the Id. CIT(A) by estimating profit @ 12.5% of the alleged bogus purchases. The precise finding of the Id. CIT(A) was as under:

*“2.4 I have given my careful consideration to the rival submissions, perused the material on record and duly considered the factual matrix of the case as also the applicable legal position.*

*2.4.1 The only effective ground is in respect of the action of the Ld. AO in not accepting the purchases of Rs.4,60,404/- as genuine purchases based on the information received from Income Tax authorities. Briefly stated, the appellant is a company engaged in the business of trading. Ld. AO made the addition on the basis of information received from the investigation wing of Income Tax Department, Mumbai that the Sales Tax Department had recorded the statements of certain hawala operators who had confirmed to have given bogus bill to certain assessee including the appellant company. The bogus bill was in respect of 16 parties. The appellant company was asked to submit the details of purported purchases made and to show cause why the same should not be disallowed as bogus purchases. The appellant filed their reply stating that purchases were made from regular parties supported by proper bills and the accounting entries and the payments were made by account payee cheques. The Ld.AO was not in agreement with the submissions of the appellant and observed that the appellant failed to furnish the supporting documentary evidence to establish that the purchase was actually made by them from these parties such as transportation documents, inward register etc. The investigation*

*Wing of Mumbai had provided a list of hawala bill racketeers who were involved in issuing bills and also the list of beneficiaries. The Sales Tax Department of Mumbai had investigated all these cases thoroughly and prepared a list of such hawala operators and their beneficiaries which have been uploaded in their Website. The Ld.AO observed that these hawala operators were providing only accommodation entries and the appellant was also in the list beneficiaries. Accordingly, the Ld. AO treated the amount of Rs.4,60,4041- as bogus purchase and added the same to the total income of the appellant. Under similar circumstances the Hon'ble High Court of Gujarat in the case of Simit P Seth, 2013 (356 ITR 451) had on occasion to deliver its judgment by confirming the decision of the ITAT which has estimated the disallowance at 12.5% of the disputed bogus purchases to meet the end of Justice. The head- note of the decision is reproduced as under-*

*"Section 145 of the Income-Tax Act, 1961- Method of Accounting- Estimation of Profits [ Bogus Purchase] Assessment year 2006-07 assessee was engaged in business of trading in steel on wholesale basis. Assessing Officer having found that some alleged suppliers of steel to assessee had not supplied steel to assessee but had only provided sale bills, held that purchases made from said parties were bogus —He accordingly, added entire amount purchases to gross profit of assessee - Commissioner (Appeals) ) having found that assessee had indeed made purchases though not from named parties but other parties from grey market, sustained addition to extent of 30% of purchase cost as probable profit of assessee- Tribunal however, sustained addition to extent of 12.5%- Whether since purchases were not bogus but were made from parties other than those mentioned in books of account, only profit element embedded in such purchases could be added to assessee's income- Held, yes Whether hence, order of tribunal needed no interference- held, yes [Paras 6,7 & 9][ in favour of assessee]". [emphasis supplied]*

*Based on the evidence in hand in the form of a report from DIT (Inv), Mumbai the AO has asked the assessee to produce the parties along with evidence in order to verify the genuineness of purchase transactions. The assessee instead submitted the ledger accounts of the above parties and bank statements extracts evidencing the payments through bank cheque. In this case, the onus lies on the assessee to prove the genuineness of the purchases and the assessee had to prove that the suppliers were genuinely existing. The assessee has not made any efforts to discharge the onus and failed to produce any of the parties, in spite of the opportunities given by the Ld.AO. The assessee could not satisfactorily substantiate and establish the fact that there were genuine purchases from these parties. There was a report from SIT(inv) stating that all the seller parties as per the list supplied by them are bogus including the parties appearing in the books of the appellant company and as stated above, the assessee has not made counter submission to show that those parties are really existing. The AO has brought to tax the bogus purchases by adopting the method @ 100% of such purchases keeping in view the gain made by the appellant due to purchases of material in grey market without bills and adjusting the purchases with the invoices taken from the hawala traders under discussions. Under These circumstances the AD cannot be found fault on this count. Even though the AD could not prove substantively that the amounts given to the sellers in cheque from have come back to the appellant, the activities of accommodation entries in the trading community is not unheard of. Further, the investigations carried out by the Sales Tax Department, another Government Agency, with regard to VAT violation cannot be lost sight of.*

*Further, as some of the names of the so-called bogus sellers out of the list supplied by the Sales Tax Department are appearing in the*

*books of the appellant company, the link of involvement of appellant company getting bogus bills is established. Even though there are catena of cases decided by the jurisdictional ITAT which have decided the issue in favour of the assessee, they are not uniform in all the cases as they were decided as per facts and circumstances of that particular case before them.*

*I am of the opinion that the facts and circumstances of the present case are more akin to the case decided by the Hon'ble Gujarat High Court in the case of Simit P Seth (Supra). Therefore, I hereby confirm the disallowance to the extent ratio 12.5% amounting to Rs. 57,550/-. The appellant succeeds partially and this ground is partly allowed."*

5. It is clear from the order of the Id. CIT(A) that he has considered various judicial pronouncements and after considering the totality of facts and circumstances of the case, reached to the conclusion that the disallowance should be confined to 12.5% of the alleged bogus purchases rather than 100%, therefore, I do not find any infirmity in the order of the Id. CIT(A) in restricting the addition to the extent of 12.5%. I uphold the same.

6. In the result, appeal of the revenue is dismissed.

Order pronounced in the open court on 06<sup>th</sup> December, 2019.

**Sd/-**  
**(R.C.SHARMA)**  
**ACCOUNTANT MEMBER**

Mumbai; Dated 06/12/2019  
\*Ranjan

**Copy of the Order forwarded to :**

1. The Appellant
2. The Respondent.
3. The CIT(A), Mumbai.
4. CIT
5. DR, ITAT, Mumbai
6. Guard file.

सत्यापित प्रति //True Copy//

BY ORDER,

(Asstt. Registrar)  
**ITAT, Mumbai**