

**IN THE INCOME TAX APPELLATE TRIBUNAL  
JODHPUR BENCH (SMC), JODHPUR**

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

**ITA No. 512/Jodh/2018**  
**(ASSESSMENT YEAR-2011-12)**

Rajesh Vishnoi D-3, Saraswati Nagar, Basni 1 <sup>st</sup> Phase, Jodhpur.	Vs	The ACIT, Circle-1, Jodhpur.
<b>(Appellant)</b>		<b>(Respondent)</b>
PAN: AAIPV0192Q		

<b>Assessee By</b>	Shri Rajendra Jain, FCA
<b>Revenue By</b>	Shri Abhimanyu Singh Yadav (JCIT-DR)
<b>Date of hearing</b>	16/03/2020
<b>Date of Pronouncement</b>	20/03/2020

**ORDER**

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

This is the appeal filed by the assessee against the order of Ld. CIT(A)-1, Jodhpur dated 27/08/2018 for the assessment year 2011-12, in the matter of order passed U/s 143(3) of the Income Tax Act, 1961 (in short, the Act).

2. In this appeal the assessee is aggrieved for trading of addition of Rs. 5,80,245/- upheld by the Ld. CIT(A) out of total addition of Rs. 8,12,343/- made by the Assessing Officer.

3. The assessee is also aggrieved for upholding disallowance of Rs. 38,103/- out of total disallowance of Rs. 50,804/- made by the Assessing Officer on account of telephone, conveyance and depreciation on car expenses etc.

4. I have considered the rival contentions and carefully gone through the orders of the authorities below. Facts in brief are that the assessee is engaged in manufactory of handicraft items, trading of wood, SS Flat etc. For the year under consideration the assessee e-filed the return of income for A.Y. 2011-12 on 29.09.2011 declaring total income at Rs. 24,48,743/-. Further, the appellant filed revised return on 21.11.2012 declaring total income of Rs. 20,59,719/-. The case was selected for scrutiny under CASS and notice u/s 143(2) of the Act was issued on 07.09.2013. Appellant is engaged in the manufacturing of handicraft items, trading of wood, SS flat etc. also, operates bus through his proprietary concerns namely M/s Shisham Udyog and M/s Saraswati Udyog. He is also in receipt of salary, short term capital gain and interest. After hearing the assessee, the Assessing Officer completed the assessment u/s 143(3) of the Act on 04.02.2014 determining the total income at Rs. 29,22,865/- making various additions/disallowances. The Assessing Officer noticed that the GP rate of 1.06% declared in the year under consideration in respect of handicraft business was lower as compared to GP rate of 7.21% declared in the immediate preceding

year. The A.O. applied G.P. rate of 7% and made addition of Rs. 8,12,343/- in respect of handicraft business. By the impugned order, the Id. CIT(A) has upheld the addition of Rs. 5,80,245/- against which the assessee is in further appeal before the ITAT.

5. From the record I found that the loss was genuinely caused in wooden Handicrafts business because of insect biting which cannot be thrust on supplier of the woods because insect biting occurs at the premises of the assessee himself after receipt of the woods. I found that the A.O. has rejected assessee's claim for loss due to insect biting on the plea that the assessee dealing in Sesame wood which is a very hard wood and cannot be eaten away by the insects. To controvert this observation of the A.O., the assessee has produced samples of Sesame wood during the assessment proceedings and showed that insect biting is also affected on Sesame wood. I also found that the A.O. has accepted the figure of closing stock and there was no suppression of any sales, accordingly, I do not find any justification for applying the G.P. rate of 7% by rejecting claim of loss of handicraft/wood division. Accordingly, I direct the A.O. to delete the addition so made by the A.O. and upheld by the Id. CIT(A).

6. The A.O. also made lumpsum disallowance of various expenses and depreciation amounting to Rs. 50,804/-. By the impugned order, the

Id. CIT(A) has restricted the addition to the extent of Rs. 38,103/-. These disallowances are with regard to conveyance expenses, telephone expenses and depreciation on car. I have considered rival contentions and found that assessee had furnished full details of expenses so incurred before the AO. I also found that the genuineness of the expenses so claimed was not doubted by the A.O.. Furthermore, the total expenses claimed of Rs. 3,04,825/- in relevant AY is lower than total expenses claimed of Rs. 3,56,428/- in AY 2020-11 despite increase in volume of the business, the total expense had been reduced. Keeping in view the totality of facts and circumstances of the case, I restrict the disallowance to the extent of Rs. 5,000/-.

7. In the result, appeal of the assessee is allowed in part.

Order pronounced in the open court on 20<sup>th</sup> March, 2020.

Sd/-  
**[R.C. SHARMA]**  
**Accountant Member**

Dated : 20/03/2020

\*Ranjan

Copy to :

1. The Appellant
2. The Respondent
3. The CIT
4. The CIT(A)
5. The DR
6. Guard File (ITA No. 512/Jodh/2018)

Assistant Registrar  
Jodhpur Bench