

**आयकर अपीलीय अधिकरण, 'सी' न्यायपीठ, चेन्नई**  
**IN THE INCOME TAX APPELLATE TRIBUNAL, 'C' BENCH, CHENNAI**  
**श्री धुव्वुरु आर.एल रेड्डी, न्यायिक सदस्य एवं श्री जी.मंजुनाथ, लेखा सदस्य के समक्ष**  
**BEFORE SHRI DUVVURU RL REDDY, JUDICIAL MEMBER**  
**AND SHRI G. MANJUNATHA, ACCOUNTANT MEMBER**

**आयकरअपीलसं./I.T.A.No.606/Chny/2020**

(निर्धारणवर्ष / Assessment Year: 2016-17)

Mr. Ghewarchandjain Dilipkumar 7, MSAM Tannery Street, Sathy Gross Road, B.P. Agraharam, Erode-638 005.	Vs	The Assistant Commissioner Income Tax, Circle-1, Erode.
PAN:ADXP 5212D		
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)

अपीलार्थीकीओरसे/ Appellant by	:	Mr. G.Baskar, Advocate
प्रत्यर्थीकीओरसे/Respondent by	:	Mr. G.Johnson, Addl.CIT

मुनवाईकीतारीख/Date of hearing	:	09.03.2021
घोषणाकीतारीख /Date of Pronouncement	:	19.03.2021

**आदेश / ORDER**

**PER G.MANJUNATHA, ACCOUNTANT MEMBER:**

This appeal filed by the assessee is directed against order of the learned CIT(A), Coimbatore-3, dated 03.03.2020 and pertains to assessment year 2016-17

2. The assessee has raised the following grounds of appeal:-

*"1. The CIT(A) erred in upholding the addition made u/s.68 of the IT Act amounting to Rs.280,56,837/- without appreciating the facts of the case in proper perspective.*

*2. The CIT(A) erred in holding that sum of Rs.2,80,58,837/- is infusion of capital without*

*considering the reconciliation statement furnished before him, which clearly shows non-application of mind.*

*3. The CIT(A) erred in not considering the evidences furnished before him and went on to hold that the assessee failed to furnish evidences to substantiate the case, which is bad in law.*

*4. The CIT(A) failed to appreciate the fact that the accumulated depreciation represents the cumulative value of the earlier years depreciation charged in the books of accounts, which have been duly added with the book profit while computing the Income tax by claiming only the depreciation allowable under the provisions of Income tax Act.*

*5. The CIT(A) failed to consider the fact that the mistake in addition to the capital account has been rectified by making a reversal entry made in the Return of Income filed for AY. 2019-20.”*

3. Brief facts of the case are that the assessee is engaged in the business of textile cloth bleaching under the name & style of M/s. Centaury Processing Mills filed his return of income for assessment year 2016-17 on 30.09.2016 declaring total income of ₹ 25,00,340/- . The case was taken up for scrutiny and during the course of assessment proceedings, the

Assessing Officer noticed that there is a difference in capital account balance, when compared to closing balance for the assessment year 2015-16, as per ITR filed by the assessee and hence, called upon the assessee to file necessary details including reconciliation to explain difference in capital account. In response, the assessee vide letter dated 21.12.2018 submitted that by an inadvertent error provision for depreciation account has been wrongly credited to capital account instead of fixed asset account, due to this, there is difference in capital account, when compared to closing balance for the assessment year 2015-16. The assessee further submitted that said anomaly has been rectified by passing necessary journal entries in the assessment year 2018-19. In this regard, the assessee has filed necessary ledger account copies of capital account, provision for depreciation and fixed asset account. The Assessing Officer, however, was not convinced with the explanation filed by the assessee and according to him, the assessee could not explain difference in capital account by filing necessary reconciliation statement. The Assessing Officer further was of the opinion that although assessee claims that Accountant has passed wrong journal

entries in respect of provision for depreciation, but the assessee has failed to explain how an amount of ₹ 2,91,08,986/- has been arrived at under accumulated depreciation . Therefore, he opined that claim of the assessee that by inadvertent mistake the Accountant has wrongly credited provision for depreciation account to capital account cannot be accepted and accordingly, difference in capital account amounting to ₹ 2,80,58,837/- has been treated as unexplained credit and added to total income u/s.68 of the Income Tax Act.

4. Being aggrieved by the assessment order, the assessee preferred an appeal before learned CIT(A). Before learned CIT(A), the assessee has reiterated his submissions made before the Assessing Officer and argued that assessee has filed necessary details including reconciliation to explain difference in capital account when compared to closing balance of assessment year 2015-16, but, the Assessing Officer has discarded all evidences filed by the assessee and made additions u/s.68 of the Act without bringing on record how and when assessee has credited a sum of ₹ 2,80,58,837/- to capital account. The learned CIT(A), after considering relevant

submissions of the assessee observed that genuineness of the claim of accumulated depreciation itself is not satisfactorily proved by the assessee with necessary evidence and accordingly, opined that there is no error in the reasons given by the Assessing Officer to make addition towards difference in capital account u/s.68 of the Act. Aggrieved by the learned CIT(A) order, the assessee is in appeal before us.

5. The learned AR for the assessee referring to various papers filed in the paper book submitted that the assessee has explained the difference in capital account with necessary evidences including reconciliation and clarified that Accountant of the assessee by an inadvertent error passed wrong journal entry to square up provision for depreciation account and credited the amount to capital account instead of fixed asset account, due to this, capital account of the assessee has been overstated to the extent of ₹ 2,80,58,837/-. The said anomaly has been rectified in the assessment year 2018-19 by passing necessary rectification entries. All these evidences were furnished before the Assessing Officer as well as learned CIT(A), but the authorities below have rejected all the

evidences filed by the assessee and made additions towards difference in capital account u/s.68 of the Act. Therefore, he submitted that issue may be set aside to the file of the Assessing Officer to give one more opportunity to the assessee to explain difference with necessary evidences.

6. The learned DR, on the other hand, strongly supporting order of the learned CIT(A) submitted that although the assessee claims that it has filed all the evidences to reconcile difference between capital account, but on perusal of reasons given by the authorities below, it is very clear that the assessee is unable to reconcile the difference. Therefore, the issue may be set aside to the file of the Assessing Officer to reconsider the issue in light of various averments made by the assessee that said difference has been reconciled.

7. We have heard both the parties, perused materials available on record and gone through the orders of authorities below. The assessee claims that Accountant, who prepared financial statement has inadvertently passed wrong journal entries in respect of provision for depreciation account which resulted in overstatement of capital account for the assessment

year 2016-17. The assessee further claimed that said anomaly has been reconciled and explained before the Assessing Officer with necessary evidences. We find that although, the assessee claimed to have explained difference in capital account with necessary evidences, but reasons given by authorities below indicate that assessee is unable to reconcile the difference with necessary evidences. Even before us, the assessee is unable to explain as to how difference in capital account amounting to ₹ 2,80,58,837/- was reconciled with reference to amount outstanding in provision for depreciation account. If at all, the assessee has explained difference and filed necessary journal entries to explain the fact that wrong journal entries has been passed to capital account, then there is no reason for authorities below to observe that no evidence has been filed to explain the difference. Even before us, the said difference is unreconciled. However, considering the fact that assessee has requested for one more opportunity to go back to the Assessing Officer to explain difference in capital account, we are of the considered view that the issue needs to go back to the file of the Assessing Officer. Hence, we set aside the appeal to the file of the Assessing Officer and direct him to

reconsider the difference in capital account in light of various averments including reconciliation if any, filed to explain difference in capital account. The assessee shall file necessary evidences to explain the difference in capital account.

8. In the result, appeal filed by the assessee is allowed for statistical purposes.

Order pronounced in the open court on 19<sup>th</sup> March, 2021

Sd/-  
(धुव्वुरु आर.एल रेड्डी)  
(Duvvuru RL Reddy)  
न्यायिक सदस्य /Judicial Member

Sd/-  
(जी.मंजुनाथ)  
(G.Manjunatha)  
लेखा सदस्य / Accountant Member

चेन्नई/Chennai,

दिनांक/Dated 19<sup>th</sup> March, 2021

DS

आदेश की प्रतिलिपि अग्रेषित/Copy to:

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