

**IN THE INCOME TAX APPELLATE TRIBUNAL
“C” BENCH, AHMEDABAD**

**BEFORE MS. SUCHITRA KAMBLE, JUDICIAL MEMBER &
SHRI WASEEM AHMED, ACCOUNTANT MEMBER**

I.T.A. No. 1801/Ahd/2017
(Assessment Year: 2014-15)

ACIT Circle-2(1)(2), Ahmedabad	Vs.	Karnavati Merchandize Pvt. Ltd., 605, 6 th Floor, Abhiyati Square, Croperation Road, Nr. S.G. Highway, Makarba, Ahmedabad
[PAN No.AADCK6986D]		
(Appellant)	..	(Respondent)

Appellant by :	Shri V. K. Mangla, JCIT
Respondent by :	Shri Sudhir Mehta, Adv. & Shri Prakash Gupta, C.A.

Date of Hearing	01.11.2022
Date of Pronouncement	11.11.2022

ORDER

PER Ms. SUCHITRA KAMBLE - JM:

This appeal is filed by the Revenue against the order dated 16.05.2017 passed by the Ld. CIT(Appeals)-2, Ahmedabad for A.Y. 2014-15.

2. The grounds of appeal raised by the Revenue read as under:

- “1. The Ld.CIT(A) has erred in law and on facts in deleting the addition u/s 68 of IT Act amounting to Rs. 21,98,045/-.
2. The Ld. CIT(A) has erred in law and on facts in deleting the G.P. addition amounting to Rs. 779320660/-.
3. The appellant craves leave to amend or alter any ground or add a new ground, which may be necessary.”

3. The revised grounds of appeal raised by the Revenue read as under:

- “1. Whether the CIT(A) has erred in law and on facts in deleting the addition of Rs. 1,61,68,247/- u/s. 68 of the IT Act without properly appreciating the facts of the case and material brought on record?”

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2. *Whether the CIT(A) has erred in law and on facts in deleting the G.P. addition of Rs. 68,25,25,056/- without properly appreciating the facts of the case and material brought on record?*

3. *It is, therefore, prayed that the order of ld. CIT(A) may be set aside and that of the Assessing Officer be restored.*

4. *The appellant craves leave to amend or alter any ground or add a new ground, which may be necessary.”*

4. The assessee is engaged in the business of trading of all types of Chemicals, Casting and Casting Parts. The return of income was filed by the assessee on 28.11.2014 declaring total income of Rs. 82,80,030/-. The case was selected for scrutiny and notice under Section 143(2) and 142(1) was issued. The assessee filed details and submissions from time to time before the Assessing Officer. The Assessing Officer made disallowance of expenses of Rs. 26,612/- under Section 14A r.w.r. 8D of the I.T. Rules. The Assessing Officer also made addition of Rs. 1,61,68,247/- as regards unsecured loans/cash credit under Section 68 of the Act. The Assessing Officer made disallowance of Rs. 68,35,25,056/- of the turnover of the assessee which is 5% of total turnover.

5. Being aggrieved by the assessment order the assessee filed appeal before the CIT(A). The CIT(A) has partly allowed the appeal of the assessee.

6. The Ld. D.R. submitted that as regards Ground No. 1 related to deletion of addition of Rs. 1,61,68,247/- under Section 68 of the Act, the CIT(A) was not justifiable as the assessee has not produced depositors alongwith evidences of their identity and books of accounts during the assessment proceedings. The Ld. D.R. further submitted that the assessee did not submit the confirmation and bank statement depicting the loan and

advances alongwith 3CD report, return of income of the depositors. Thus, the Ld. D.R. submitted that the assessee did not discharge its onus in establishing the identity and creditworthiness of lenders and also the genuineness of the transactions. As regards Ground No. 2 related to deleting the G.P. addition of Rs. 68,25,25,056/-. The Ld. D.R. submitted that the assessee has not produced the directors of the company to explain and justify their income as the estimation has been made by rejecting the books of accounts on the plea that the assessee has not produced the books of accounts, bills, vouchers etc. for verification.

7. The Ld. D.R. relied upon the order of the assessment order.

8. The Ld. A.R. relied upon the order of the CIT(A) and submitted that the CIT(A) has justified in deleting both the additions. The Ld. A.R. further submitted that all the necessary evidences were before the CIT(A) as well as before the Assessing Officer which was totally ignored by the Assessing Officer.

9. We have heard both the parties and perused all the relevant material available on record. It is pertinent to note that as regards the Ground No. 1 the assessee has established the identity, creditworthiness and genuineness of the transactions by submitting all the details such as confirmation cum contra account the name, address, PAN details, I.T. Return, balance sheet and profit and loss account, audit report, bank statement etc. From the perusal of the record it can be seen that no loans has been taken by the assessee during the year under consideration but it was the opening balance as on 01.04.202013 at Rs. 1,01,11,954/- which was carried forward and

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thus, the genuineness of cash credits were established by the assessee. The CIT(A) has given a detail finding and there is no need to interfere with the same. Ground No. 1 of Revenue's appeal is dismissed. As regards Ground No. 2 the assessee has duly furnished all the details to establish the correctness of the books of accounts and also furnished ITR, Audit Report, balance sheet and Profit & Loss Account. The detail of G.P. ratio and N.P. ratio for last three years also was shown to the Assessing Officer. It is pertinent to note that the Assessing Officer while rejecting the books of accounts has not recorded any proper satisfaction/reasons and therefore, the rejection of books of accounts was not justifiable. The G.P. and N.P. rate was prejudicially decrease in the present year but the turnover has increased and therefore, the same was rightly accepted by the CIT(A). Hence, Ground No. 2 of Revenue's appeal is dismissed.

10. In result, the appeal of the Revenue is dismissed.

This Order pronounced in Open Court on	11/11/2022
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Sd/-
(WASEEM AHMED)
ACCOUNTANT MEMBER

Ahmedabad; Dated 11/11/2022

TANMAY, Sr. PS

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आदेश की प्रतिलिपि अग्रहित/Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, अहमदाबाद / DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

उप/सहायक पंजीकार (Dy./Asstt. Registrar)

आयकर अपीलीय अधिकरण, अहमदाबाद / ITAT, Ahmedabad