

IN THE INCOME TAX APPELLATE TRIBUNAL “D” BENCH, MUMBAI
BEFORE SHRI AMARJIT SINGH, AM AND MS. KAVITHA RAJAGOPAL, JM

ITA No. 923/Mum/2020
(Assessment Year: 2016-17)

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| M/s. Reward Real Estate Company 11/12, Krishna House, Raghuvanshi Mill Compound, Senapati Bapat Marg, Lower Parel (W), Mumbai-400 013 | Vs. | Dy. CIT, Central Circle-5(3) Mumbai |
| PAN/GIR No. AACCR 8340 K | | |
| (Appellant) | : | (Respondent) |
| Assessee by | : | None |
| Revenue by | : | Smt. Kanupriya Damor |
| Date of Hearing | : | 08.12.2022 |
| Date of Pronouncement | : | 24.02.2023 |

ORDER

Per Kavitha Rajagopal, JM:

This appeal has been filed by the assessee, challenging the order of the learned Commissioner of Income Tax (Appeals) – 53, Mumbai (‘ld.CIT(A) for short), passed u/s.144 of the Income Tax Act, 1961 (‘the Act’), pertaining to the Assessment Year (‘A.Y.’ for short) 2016-17.

2. The assessee has challenged the adhoc addition amounting to Rs.1,43,74,200/- made by the Assessing Officer (A.O. for short) by disallowing 20% of the administrative expenses.

3. As there was no representation on behalf of the assessee, we hereby proceed to dispose off this appeal by hearing the learned Departmental Representative (ld. DR for short) for the Revenue and on perusal of the materials available on record.

4. The brief facts are that the assessee company is engaged in the business of real estate and construction of immovable properties. The assessee filed its return of income dated 17.10.2017, declaring total income at Rs.Nil. The assessee's case was selected for scrutiny and the assessment order u/s. 144 of the Act was passed on 28.12.2018 and the A.O. made the impugned addition of Rs.1,43,74,200/- as indirect/administrative expenses on estimated basis @ 20% of RS.7,18,71,000/- and confirmed by the Id. CIT(A) in the appeal filed by the assessee.

5. The assessee is in appeal before us, challenging the said addition.

6. It is observed that the assessee had earned gross profit of Rs.7,32,83,000/- on the total turnover of Rs.27,19,99,000/-, thereby declaring gross profit ratio @ 26.94%. The A.O. has stated that the assessee had claimed huge administrative expenses amounting to Rs.7,18,71,000/- and depreciation of Rs.1,51,000/- and had declared net profit of Rs.12,61,000/- which had resulted in the net profit at 0.46%. The A.O. has stated that the assessee had declared higher gross profit ratio of 26.94% during the impugned year and 16.12% for the preceding assessment year. It is observed that as the assessee has claimed indirect/administrative expenses, amounting to Rs.7,18,71,000/- the net profit rate was worked out only at 0.46%. In order to verify the claim of administrative expenses, the assessee was asked to furnish the books of accounts, bills and vouchers pertaining to expenses, bills relating to consummation of stores and spare parts, power and fuel, repairs to building, repairs to plant and machinery and salary and wages register, labour registers, bills and vouchers pertaining to water charges and all other relevant documentary evidences to substantiate the claim of the assessee. It is seen that the assessee has failed

to furnish the relevant explanation along with the documentary evidences to substantiate its claim inspite of the fact that the assessee was given several opportunity to present the same. In the absence of any evidence, the A.O. proceeded to disallow the impugned administrative expenses on estimation basis at 20% of the total expenses claimed by the assessee thereby making the addition of Rs.1,43,74,200/-. The Id. CIT(A) had failed to consider the assessee's submission that the administrative expenses constitute only 26.42% of the turnover and that the same was being reasonable. The Id. CIT(A) confirmed the addition made by the A.O. on the ground that even before the first appellate authority, the assessee has failed to substantiate its claim by furnishing the required documents.

7. The Id. DR contended that the assessee has not made due compliance neither before the A.O. nor before the Id. CIT(A). The Id. DR further stated that the assessee has failed to furnish any details even before us. The Id. DR submitted that the A.O. and the Id. CIT(A) has rightly disallowed the impugned expenses on estimated basis at 20% of the total expenses. The Id. DR relied on the order of the lower authorities.

8. Having heard the rival submissions and perused the materials on record. It is evident that the assessee has claimed administrative expenses of Rs.7,18,71,000/-, which was expended in the assessee's business of real estate and construction. It is pertinent to point out that the assessee's paper book filed on 03.08.2022 had a declaration that the documents relied on by the assessee were filed before the lower authorities and that the assessee has not filed any fresh evidences before us. From the submission made by the assessee, it is evident that the assessee has failed to furnish the documentary evidences

pertaining to the administrative expenses incurred for the purpose of the assessee's business. On perusal of the documents submitted by the assessee, we find it untenable to come to a conclusion that the impugned expenses claimed by the assessee was expended, exclusively for the purpose of business activity of the assessee. In spite of several hearings, the assessee has failed to produce evidences to substantiate its claim. From this, we infer that the assessee does not have the sufficient documentary proof to substantiate its claim.

9. From the above observation, we find no infirmity in the order of the Id. CIT(A) and hereby dismiss the grounds of appeal raised by the assessee.

10. In the result, the appeal filed by the assessee is dismissed.

Order pronounced in the open court on 24.02.2023

Sd/-

(Amarjit Singh)
Accountant Member

Mumbai; Dated : 24.02.2023
Roshani, Sr. PS

Sd/-

(Kavitha Rajagopal)
Judicial Member

Copy of the Order forwarded to :

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

BY ORDER,

(Dy./Asstt. Registrar)
ITAT, Mumbai