

IN THE INCOME TAX APPELLATE TRIBUNAL
RAJKOT BENCH, RAJKOT

[CONDUCTED THROUGH VIRTUAL COURT]

**Before: Shri Annapurna Gupta, Accountant Member
And Shri Siddhartha Nautiyal, Judicial Member**

**ITA No. 333/Rjt/2018
Assessment Year 2014-15**

M/s. Surya Cotton Industries, Office No. 11/12, Morabia Commercial Centre, Plot No. 44, Sector-9, Gandhidham PAN: ABZFS9717N (Appellant)	Vs	The ITO, Ward-2, Gandhidham (Respondent)
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Assessee by: None

Revenue by: Shri B.D. Gupta, Ld. Sr. D.R.

Date of hearing : 11-07-2023

Date of pronouncement : 19-07-2023

आदेश/ORDER

PER : SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER:-

This assessee's appeal for A.Y. 2014-15, arises from order of the ld. CIT (A)-2, Rajkot dated 02-07-2018, in proceedings under section 143(3) of the Income Tax Act, 1961; in short "the Act".

2. The assessee has taken the following grounds of appeal:

“1. Ld. CIT (A) has erred in law as well as on fact in confirming disallowance @ 5% from total purchases of cotton made from farmers amounting to Rs.1,65,20,570/- made by ld. AO.”

3. The brief facts of the case are that the assessee derives income for manufacture of cotton. The assessing officer observed that assessee had made purchases of ₹ 33.04 crores from un-registered dealers who were 892 in number. The assessing officer in order to verify the genuineness of the purchases, issued letters to 116 persons, out of which 39 letters were received unserved and reply was received only in 29 cases. The assessing officer accordingly issued a show cause notice to the assessee intimating him the details of 39 persons in whose cases notices had been received back unserved with remarks “persons is not known” or “no such person found”. The assessing officer also informed the assessee that in the 17 cases in which reply had been received, it was apparent that the replies had been made / drafted by one person only and not by the alleged persons from whom purchases had been claimed to have been made. Accordingly, in light of the above discrepancies, after taking the reply of the assessee on record, the assessing officer held that the purchases remained unverified and therefore he disallowed 5% of total purchases shown by the assessee from unregistered dealers, and accordingly made an addition of ₹ 1.65 crores.

4. In appeal, Ld. CIT(Appeals) dismissed the appeal of the assessee with the following observations:

“In para 5.2 of the assessment order, the Assessing Officer has discussed that considering the small land holdings of the farmers, the yield of the cotton of these farmers could not be high and they could not have sold the quantity of cotton which the assessee claimed to have purchased from them. It is after bringing out these vital facts and discrepancies that the Assessing Officer reached the conclusion that purchasers of assessee cannot be said to be completely authentic.

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Having considered fact and circumstances of the case I find that as discussed above, Assessing Officer has elaborately and cogently brought out why the purchases of assessee from un-registered dealers cannot be held to be genuine in entirety. The Assessing Officer had conducted enquires and has confronted the assessee with the same bringing out the lacunas and discrepancies which the assessee had failed to controvert with any cogent evidences or explanations. The contentions of the assessee are in general terms whereas the Assessing Officer has brought out the specific discrepancies in the information

collected by him and that which was furnished by the assessee. It is noteworthy that in one of the cases alleged supplier has denied the transactions. The assessee has not controverted this fact.

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In my considered opinion the action of Assessing Officer in making estimated disallowance is justified. I also find the disallowance of only 5% of the purchases from unregistered dealers to be reasonable and not exorbitant. Therefore, impugned addition is confirmed as the action of Assessing Officer calls for no interference. The ground of appeal no 1 is dismissed.”

5. The assessee is in appeal before us against the aforesaid order passed by Ld. CIT(Appeals) sustaining the addition made by the assessing officer. Before us, despite several opportunities none appeared on behalf of the assessee. Accordingly, we are passing the order in light of the observations

made by the assessing officer and Ld. CIT(Appeals) in their respective orders and the facts placed on record before us. From the contents of the orders passed by the Revenue Authorities, we are of the considered view that the assessing officer has found certain apparent discrepancies in the purchases made by the assessee from unregistered dealers, which the assessee could not controvert either during the course of assessment proceedings or in appellate proceedings before Ld. CIT(Appeals). Accordingly, we are of the considered view that Ld. CIT(Appeals) has not erred in facts and law in sustaining the addition made by the assessing officer, in light of the facts noted in the assessment order.

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

Order pronounced in the open court on 19-07-2023

Sd/-

(ANNAPURNA GUPTA)
ACCOUNTANT MEMBER
Ahmedabad : Dated 19/07/2023

Sd/-

(SIDDHARTHA NAUTIYAL)
JUDICIAL MEMBER

आदेश की प्रतिलिपि अग्रेषित / Copy of Order Forwarded to:-

1. Assessee
2. Revenue
3. Concerned CIT
4. CIT (A)
5. DR, ITAT, Ahmedabad
6. Guard file.

By order,

Assistant Registrar,
Income Tax Appellate Tribunal,
Rajkot