

आयकर अपीलीय अधिकरण “सी” न्यायपीठ चेन्नई में।
IN THE INCOME TAX APPELLATE TRIBUNAL
“C” BENCH, CHENNAI

माननीय श्री एबी टी. वर्की, न्यायिक सदस्य एवं
माननीय श्री मनोज कुमार अग्रवाल, लेखा सदस्य के समक्ष।
BEFORE HON’BLE SHRI ABY T. VARKEY, JM AND
HON’BLE SHRI MANOJ KUMAR AGGARWAL, AM

आयकरअपील सं./ ITA No.7/Chny/2023
(निर्धारणवर्ष / Assessment Year: 2018-19)

M/s.Susee Auto Spares (P) Limited #25, Tamilsangam Road, Madurai-625 001.	बनाम/ Vs.	ACIT Corporate Circle Madurai.
स्थायीलेखासं./जीआइआरसं./PAN/GIR No. AAECS-1271-Q		
(अपीलार्थी/ Appellant)	:	(प्रत्यर्थी / Respondent)

अपीलार्थीकीओरसे/ Appellant by	:	Shri T. Vasudevan (Advocate)-Ld.AR
प्रत्यर्थीकीओरसे/ Respondent by	:	Ms. R. Anita (Addl.CIT) -Ld. Sr. DR

सुनवाईकीतारीख/ Date of Hearing	:	30-07-2024
घोषणाकीतारीख / Date of Pronouncement	:	06-08-2024

आदेश / O R D E R

Manoj Kumar Aggarwal (Accountant Member)

1. Aforesaid appeal by assessee for Assessment Year (AY) 2018-19 arises out of the order of learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi [CIT(A)] dated 12-11-2022 in the matter of an assessment framed by Ld. Assessing Officer [AO] u/s.143(3) r.w.s 144B of the Act on 20-04-2021. The grounds taken by the assessee read as under:-

1. The impugned order is illegal, opposed to the facts, contrary to law and against the principles of natural justice and therefore liable to be quashed.
2. The learned CIT (Appeals) erred confirming the addition of Rs.1,49,32,120/- made by the assessing officer by estimating the profit at 8% without pointing out

the defects in the books of accounts and rejecting the same as incorrect and incomplete as envisaged u/s 145.

3. The learned CIT (Appeals) ought to have seen that the assessee maintained regular books of accounts and the same were audited under section 44AB and therefore Estimation of profit was not permissible in law.

4. The learned CIT (Appeals) failed to note that the assessee was dealing in more than 6000 items of spare parts and therefore it was not possible to maintain day to day stock register

5. The learned CIT (Appeals) ought to have seen that in the earlier years also the assessee did not maintain any stock register and was only able to declare far less than 8% in profit.

6. The learned CIT (Appeals) failed to note that the turnover of the assessee was reduced in this year and the same resulted in loss during this year.

As is evident, the sole issue that arises for our consideration is estimation of business income.

2. The Ld. AR advanced arguments and furnished profit rate chart for various years. The Ld. Sr. DR also advanced arguments and justified the estimation of income. Having heard rival submissions and upon perusal of case records, our adjudication would be as under.

Assessment Proceedings

3. The assessee being resident corporate assessee is stated to be engaged in trading of auto spare parts. In this year, the assessee reflected net loss of Rs.211.79 Lacs with negative Net Profit (NP) rate of -14.41%. It was noted that the assessee did not maintain quantitative details of traded goods. The assessee submitted that it was dealing in more than 6000 items of auto spare-parts items and it was impossible to maintain stock register. However, Ld. AO observed that the assessee had sales turnover of Rs.1472.29 Lacs which were lower than the purchase value. The assessee submitted that higher interest cost and lower turnover had negative impact on margins leading to heavy losses. Finally, rejecting the books of the assessee u/s 145(3), Ld. AO estimated profit rate of 8% on value of cost of material consumed for Rs.1501.49

Lacs which translated into profit estimation of Rs.120.11 Lacs. The gross loss of Rs.29.20 Lacs as declared by the assessee was further added to the income of the assessee. The total income thus estimated by Ld. AO aggregated to Rs.149.32 Lacs.

Appellate Proceedings

4. The Ld. CIT(A) noted that during FYs 2015-16 & 2016-17, the assessee reflected Gross Profit Rate of 9.21% and 7.7% respectively whereas it went down to -1.9% during this year. In subsequent year, it went up to 8.9%. The assessee did not furnish any valid reason for sudden fall in GP rate. No specific reasons were adduced and a general statement that decline in turnover led to gross loss would not establish anything in favor of the assessee. There was further decline in sales in subsequent FY 2018-19 but still the assessee reflected GP rate of 8.9%. Accordingly, the estimation of Ld. AO was confirmed against which the assessee is in further appeal before us.

Our findings and Adjudication

5. The undisputed fact that emerges is that the assessee has not maintained any quantitative details of stock. Another fact is that the sales turnover of the assessee has continuously been declining and ultimately, the business has been closed down in May, 2019. From the tabulation as placed on record, it could be seen that for FY 2016-17, the assessee has declared Net Profit Rate of 0.24% whereas in this year, the Net Profit Rate NP rate is (-)14.41%. In subsequent year, this rate is -6.80%. Upon perusal of comparative Profit & Loss Account for FY 2014-15 to 2017-18 as placed on record, it could be observed that the assessee is having high borrowing costs as well as high miscellaneous expenses. The same would show that the assessee is having high indirect costs.

The assessee is a corporate assessee and its books of accounts are duly audited. At the same time, the assessee has not maintained stock details of even principal traded items. It is engaged in trading activity and decline in sales turnover, per se, would not lead to a conclusion that the same resulted into losses for the assessee. The methodology of valuing closing stock is also not shown to us. In such a case, in our considered opinion, to resolve the issue, it would be more prudent to make profit estimation on sales turnover. We estimate the same at 2% on total sales turnover + other income which is Rs.1482.48 Lacs. The income as estimated by us comes to Rs.29,64,496/-. In other words, the net income of the assessee would be assessed at Rs.29,64,496/- as against Rs.1,49,32,120/- as estimated by Ld. AO. No other ground has been urged in the appeal.

6. The appeal stands partly allowed.

Order pronounced on 6th July, 2024

Sd/-
(ABY T. VARKEY)
न्यायिक सदस्य / JUDICIAL MEMBER

Sd/-
(MANOJ KUMAR AGGARWAL)
लेखा सदस्य / ACCOUNTANT MEMBER

चेन्नई Chennai; दिनांक Dated :06-08-2024
DS

आदेशकीप्रतिलिपिअग्रेषित/Copy of the Order forwarded to :

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT Madurai.
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF