आयकर अपीलीय अधिकरण, हैदराबाद पीठ

IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad ' B ' Bench, Hyderabad

Before Shri Manjunatha, G. Accountant Member and
Shri K. Narasimha Chary, Judicial Member

आ.अपी.सं /**ITA No.408/Hyd/2024**
(निर्धारण वर्ष/Assessment Year: 2014-15)

Shri Yarala Venkat Sai Shanker Reddy Hyderabad PAN:AHNPY6360P	Vs.	Income Tax Officer Ward 9(1) Hyderabad
(Appellant)		(Respondent)
निर्धारिती द्वारा/Assessee by:	Shri P. Murali Mohan Rao, CA	
राजस्व द्वारा/Revenue by::	Shri Karthik Manickam, DR	
सुनवाई की तारीख/Date of hearing:	29/10/2024	
घोषणा की तारीख/Pronouncement:	29/10/2024	

आदेश/ORDER

Per Manjunatha, G. A.M

This appeal filed by the assessee is directed against the order dated19/02/2024 of the learned CIT (A)-NFAC Delhi, relating to A.Y.2014-15.

2. The assessee did not file his return of income for the A.Y 2014-15. On perusal of the information regarding financial activities available on AIMS module of ITBA Portal regarding NMS (Non-filer Monitoring System), it was noticed that the assessee had received contract receipts of Rs.5,25,35,412/- during the financial year 2013-14 relevant to A.Y 2014-15. Therefore, the

assessment has been reopened u/s 147 of the I.T. Act, 1961 and notice u/s 148 of the Act, dated 30/03/2021 was issued and served on the assessee. In response, the assessee filed his return of income on 28/04/2021 declaring total income of Rs.22,66,380/-. During the course of assessement proceedings, the Assessing Officer called upon the assessee to file necessary books of account and other supporting evidences in support of return of income. The assessee neither furnished any details nor explained the financial results with relevant invoices. Therefore, the Assessing Officer rejected the books of account of the assessee and by considering the nature of the business and specific provisions of section 30 to 43 of the I.T. Act, 1961 estimated 10% net profit on total contract receipts of Rs.5,25,35,412/- and determined the total income at Rs.52,53,540/-.

3. On appeal, the learned CIT (A) upheld the additions made by the Assessing Officer and dismissed the appeal filed by the assessee.

4. The learned Counsel for the assessee submitted that the assessee is a sub-contractor and in this kind of business, the net profit ranges from 4 to 5%. The assessee has declared 4.31% on total contract receipts. The Assessing Officer rejected the trading results without any valid reasons. Therefore, he submitted that reasonable profit may be estimated on total contract receipts. In this regard, he relied upon the decision of the ITAT Hyderabad Benches in the case of MAA Highways vs. ACIT in ITA Nos. 518 & 519/Hyd/2021 for the A.Ys 2012-13 & 2017-18, order dated 06/07/2022.

5. The learned DR, on the other hand, supporting the order of the learned CIT (A) submitted that the assessee neither appeared nor furnished any details before the Assessing Officer and the learned CIT (A). In absence of relevant books of account and other evidences, the Assessing Officer has rightly estimated 10% of the profit on total contract receipts and their orders should be upheld.

6. We have heard both the parties, perused the material available on record and gone through the orders of the authorities below. There is no dispute with regard to the fact that the appellant is a sub-contractor and has received total contract receipts of Rs.5,25,35,412/-. The appellant had filed return in response to the notice and declared 4.31% net profit from his business. The Assessing Officer rejected the financial results and estimated 10% profit on total contract receipts. No doubt, the assessee has not furnished relevant books of account and supporting evidences. Therefore, we cannot find fault with the reasons given by the Assessing Officer to reject the books of account. However, at the same time, the Assessing Officer has not given valid reasons for adopting 10% net profit on total contract receipts. Going by the nature of the business of the assessee, the assessee is engaged in the business of execution of civil contract work on sub-contract basis. In this line of business, the law provides for estimation of 8% net profits.Admittedly, the assessee has declared 4.31% profit on total contract receipts. Since the assessee failed to justify the net profit declared as per books of account with relevant evidences, in our considered view, the

financial results declared by the assessee cannot be accepted. At the same time, the Assessing Officer has not given valid reasons for adopting 10% net profit on total contract receipts. In these circumstances, the only option left with us is to estimate reasonable net profit from total contract receipts. Therefore, considering the nature of the business of the assessee and also by following the decision of the ITAT Hyderabad Benches in the case of MAA Highways vs. ACIT (Supra), we deem it appropriate to estimate 5% net profit on total contract receipts net of all deductions. Thus, we set aside the order of the learned CIT (A) and direct the Assessing Officer to estimate net profit of 5% on total contract receipts.

7. In the result, appeal filed by the assessee is partly allowed.

Order pronounced in the Open Court on 29th October, 2024.

Sd/-	Sd/-
(K. NARASIMHA CHARY) **JUDICIAL MEMBER**	**(MANJUNATHA, G.)** **ACCOUNTANT MEMBER**

Hyderabad, dated 29th October, 2024

Vinodan/sps

Copy to:

S.No	Addresses
1	Shri Yarala Venkat Sai Shanker Reddy c/o P Murali & Co. CAs, 6-3-655/2/3 Somajiguda, Hyderabad 500082
2	Income Tax Officer Ward 9(1) Hyderabad
3	Pr. CIT – Hyderabad
4	DR, ITAT Hyderabad Benches
5	Guard File

By Order