

IN THE INCOME TAX APPELLATE TRIBUNAL
Mumbai "SMC" Bench, Mumbai.

Before Shri Narender Kumar Choudhry (JM)
& Shri Omkareshwar Chidara (AM)

I.T.A. No. 736/Mum/2024 (A.Y. 2010-11)

ITO 5(2)(1) Room No. 567 Aayakar Bhavan M.K. Road Mumbai-400 020.	Vs.	Prayas Metal (India) Pvt. Ltd. 14/1, Mehar Behram Building, 7 th Khetwadi Lane Mumbai-400 004. PAN : AACCP8028L
(Appellant)		(Respondent)

Assessee by	Ms. Akansha Bhagat
Department by	Shri R.R. Makwana
Date of Hearing	14.08.2024
Date of Pronouncement	22.10.2024

O R D E R

Per Omkareshwar Chidara (AM) :-

In the above mentioned Departmental appeal two issues are involved : first being addition relating to 12.5% of the gross profit (GP for short) on the alleged Bogus Purchases (BP for short) and the second being addition of 10% GP on the turnover as per books of account.

2. From the order of the Ld. CIT(A), it is observed that the Ld. Assessing Officer (Ld. AO for short) made an addition of Rs. 6,91,600/- as bogus purchases by taking an entry from the entry provider. Apart from this, the Ld. AO made an addition of 12.5% as gross profit on these bogus purchases. The order of the Ld. CIT(A) shows that the total addition relating to purchase from an entry provider to the extent of Rs. 6,91,600/- was confirmed. Hence, there cannot be any grievance for the Department on this issue. Apart from the entire bogus purchases, the Ld. AO made addition of 12.5% as gross profit on the bogus purchases which was deleted by the Ld. CIT(A) and the

same was pointed out by the Ld. AR of the assessee during the proceedings before the Bench.

2.1. Ld. DR relied on the order of the Ld. AO. After going through the orders of the Ld. AO and the Ld. CIT(A), it is decided that the Ld. AO cannot make addition of 12.5% gross profit of Rs. 86,450/- again on the bogus purchases because 100% of the bogus purchases was already added. In other words, the order of the Ld. CIT(A) is correct and the Revenue's appeal on this ground is dismissed.

3. Second main ground of the Department is the addition made by the Ld. AO on estimated GP @ 10% on the turnover which is accounted for in the books of account is correct. The assessee is already showing GP of 6.84% and hence making an arbitrary figure of 10% addition of GP on regular turnover does not have any basis, argued Ld. AR.

3.1. Ld. DR has supported the order of the Ld. AO.

3.2 After going through the orders of the AO and the Ld. CIT(A) and hearing both sides, it is decided that the action of the Ld. AO of making 10% of GP does not have any basis nor any reasoning was given for making such arbitrary addition. Since the assessee is having all supporting evidence the turnover as well as expenditure, making on adhoc addition of 10% GP on regular turnover is not correct and hence addition made by the Ld. AO in this regard is deleted and the order of the Ld. CIT(A) is upheld. Ground of appeal raised by the Revenue in this regard is dismissed.

4. Thus both grounds raised by the Department in this appeal are devoid of any merit and the Revenue's appeal is dismissed.

Order pronounced in the open court on 22nd October, 2024.

Sd/-
(Narender Kumar Choudhry)
Judicial Member

Sd/-
(Omkareshwar Chidara)
Accountant Member

Mumbai : 22.10.2024

Copy of the Order forwarded to :

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

//True Copy//

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BY ORDER,

(Assistant Registrar)
ITAT, Mumbai