

आयकर अपीलियअधिकरण, विशाखापटणम पीठ, विशाखापटणम
IN THE INCOME TAX APPELLATE TRIBUNAL,
VISAKHAPATNAM "DIVN" BENCH, VISAKHAPATNAM
श्री वी. दुर्गा राव, न्यायिक सदस्य एवं श्री एस बालाकृष्णन, लेखा सदस्य के समक्ष

BEFORE SHRI V. DURGA RAO, HON'BLE JUDICIAL MEMBER
&
SHRI S. BALAKRISHNAN, HON'BLE ACCOUNTANT MEMBER

आयकर अपील सं./ I.T.A. No.124 & 125/Viz/2025
(निर्धारण वर्ष / Assessment Year: 2016-17 & 2018-19)

M/s. Ushabala Chits Pvt Ltd,
D.No. 25/12, Ushabala Complex,
John Street, N.R. Pet,
Eluru – 534006.
PAN: AAACU3570G

(अपीलार्थी/ Appellant)

अपीलार्थी की ओर से/ Assessee by

प्रत्यार्थी की ओर से / Revenue by

Vs. The Assistant Commissioner
of Income Tax,
Central Circle-2,
Rajahmundry.

(प्रत्यर्थी/ Respondent)

Shri M.V. Prasad, CA

Dr. Satyasai Rath, CIT-DR

सुनवाई की तारीख / Date of Hearing

घोषणा की तारीख/Date of
Pronouncement

08/04/2025

13/05/2025

O R D E R

PER BENCH:

These appeals are filed by the assessee against the orders of the Learned Commissioner of Income Tax (Appeals), Visakhapatnam-3 vide DIN & Order No. ITBA/APL/S/250/2024-25/1071424377(1) and ITBA/APL/S/250/2024-25/107142356(1),

dated 20/12/2024 for the AYs 2016-17 and 2018-19 respectively arising out of the orders passed U/s. 153A r.w.s 143(3) of the Income Tax Act, 1961 (“the Act”). Since, in both the appeals the assessee is same and the grounds are identical, both these appeals are clubbed, heard together and disposed off in this consolidated order. Firstly, we shall now take up the appeal ITA No. 124/Viz/2025 (AY 2016-17) as a lead appeal and the facts are extracted below.

2. Brief facts of the case are that the assessee is a company deriving income from Chit Funds business originally filed its return of income on 28/09/2016 admitting a total income of Rs. 96,52,200/- for the AY 2016-17. Subsequently, a search and seizure operation U/s. 132 of the Act was conducted on 28/01/2021 and order U/s. 127 of the Act was passed by the Learned Principal Commissioner of Income Tax-1, Visakhapatnam for centralization of the cases. Accordingly, notice U/s. 153A of the Act dated 15/11/2021 was issued and served on the assessee electronically. In response, the assessee company filed its return of income on 04/12/2021 admitting a total income of Rs.

1,11,52,200/- including the additional income of Rs. 15 lakhs which was offered during the course of search operations. Thereafter, notices U/s. 143(2) and U/s. 142(1) of the Act were issued and served on the assessee. In response to the notices issued U/s. 143(2) and 142(1) of the Act, the assessee furnished the information as called for from time to time. After considering the submissions and examination of the same, the Ld. AO observed that there are various types of unaccounted receipts and payments which were available in the seized material vide Annexure-UPF/RP/EL/41, 74, 81, 82, 90 to 155. The Ld. AO arrived at undisclosed income of the assessee company at Rs. 2,35,52,537/-. Thereafter, the Ld. AO issued a show cause notice dated 11/03/2022 requesting the assessee to show cause as to why the unaccounted income arrived at on the basis of incriminating material seized including the admitted income in the return of income for filed U/s. 153A of the Act amounting to Rs. 2,20,52,537/- should not be brought to tax. The assessee in response furnished the explanation. However, the Ld. AO found explanation to be unacceptable and proceeded to make an addition of Rs. 2,20,52,537/- net of Rs. 15 lakhs admitted while filing the

return of income U/s. 153A of the Act by the assessee as an undisclosed income from Chit Fund business. On being aggrieved by the order of the Ld. AO, the assessee is in appeal before the Ld. CIT(A). Before the Ld. CIT(A), the assessee made similar submissions and pleaded that the income may be estimated. The Ld. CIT(A) after considering the submissions made by the assessee noticed that the assessee company as per the audited financial statements has reported net income of 15.95% (average) whereas during the impugned assessment year, the assessee has admitted only 4% as net profit on the unaccounted receipts. The Ld. CIT(A) thereafter estimated the additional profit of Rs. 25% on the unaccounted receipts from the Chit Fund business thereby partly allowing the appeal of the assessee. On being aggrieved by the order of the Ld. CIT(A), the assessee is in appeal before us by raising the following grounds of appeal:

- “1. *The Ld. CIT(A) is erred in facts and law while passing the order.*
2. *On the facts and circumstances of the case, the Ld. CIT(A) would have observed and deleted the addition made by the Assessing Officer since the material seized indicating the unaccounted receipts are attributable to the appellant company.*
3. *On the facts and circumstance of the case, the Ld. CIT(A) is not justified in estimating the income @ 25% on such unidentifiable receipts which are not attributable to the appellant company.*

4. *On the facts and circumstance of the case, the Ld. CIT(A) would have observed that the Assessing Officer erred in taking the receipts in the assessment order without any basis.*
5. *On the facts and circumstances of the case, the Ld. CIT(A) is not justified in confirming the addition of Rs. 84,42,581/-.*
6. *Any other ground or grounds that may be urged at the time of hearing of the appeal.”*

3. The only issue emanating from the grounds raised by the assessee is with respect to the estimation of net profit percentage @ 25% by the Ld.CIT (A). On this issue, the Learned Authorized Representative (“Ld. AR”) submitted that the assessee on an average derives the net profit @ 16% and has offered the same for taxation for the earlier and subsequent assessment years which was not disputed by the Revenue. He therefore pleaded that the estimation may be restricted to 16% of the unaccounted receipts (net).

4. Per contra, the Learned Departmental Representative (“Ld. DR”) fully relied on the orders of the Ld. CIT(A).

5. We have heard both the sides and perused the material available on record as well as the orders of the Ld. Revenue Authorities. It is an undisputed fact that the assessee has submitted the reconciliation statement of the undisclosed income compared to the net profit declared as per the audit report for the

05 assessment years. The assessee has admitted the following net profit percentage while filing the return of income in response to notice U/s. 153A of the Act is reproduced below:

AY	Undisclosed receipts	Additional income admitted U/s. 153A	Net profit declared as per the audited report	Net profit on the undisclosed receipts	Excess/short admittance of income	Further addition made by the Assessing Officer
2015-16	3,41,48,846	1,30,00,000	19.96%	68,16,110	(+) 61,83,890	1,03,23,594
2016-17	3,37,70,322	15,00,000	15.87%	53,59,350	(-)38,59,350	2,20,52,537
2017-18	2,88,70,997	1,50,00,000	11.45%	33,05,729	(+)1,16,94,271	68,61,097
2018-19	2,34,40,851	25,00,000	13.28%	31,12,945	(-)6,12,945	1,33,34,936
2019-20	1,68,66,263	54,00,000	14.85%	25,04,640	(+)28,95,360	51,62,221
Total	13,70,97,279	3,74,00,000		2,10,98,774		5,77,34,375

It was observed that the assessee has offered the net profit of 4% of unaccounted receipts as additional income amounting to Rs. 15 lakhs for the impugned assessment year. The Ld. CIT(A) has therefore not accepted the net profit percentage rate of 4% whereas the assessee has consistently admitting the net profit in the range of 16% as per the audited financial reports. The plea of the Ld. AR is that the Ld. CIT(A) has erred in estimating the net profit @ 25% whereas the assessee has declared 16% on the accounted income while filing the return of income which may be considered for the assessment of net profit on the unaccounted receipts. It is also noticed that the Revenue has not disputed the net profit percentage declared by the assessee as per the audited financial reports which

stood at an average of 16% p.a. Under these circumstances, following the principle of consistency, we consider it fit to estimate the net profit @ 16% on the unaccounted receipts from the Chit Fund business and therefore, we direct the Ld. AO to estimate the net profit after considering the 4% which is already admitted by the assessee while filing the return of income U/s. 153A of the Act. Accordingly, the grounds raised by the assessee are allowed.

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

**ITA No. 125/Viz/2025
(AY: 2018-19)**

7. The assessee has raised the following grounds of appeal:

- “1. *The Ld. CIT(A) is erred in facts and law while passing the order.*
2. *On the facts and circumstances of the case, the Ld. CIT(A) would have observed and deleted the addition made by the Assessing Officer since the material seized indicating the unaccounted receipts are attributable to the appellant company.*
3. *On the facts and circumstance of the case, the Ld. CIT(A) is not justified in estimating the income @ 25% on such unidentifiable receipts which are not attributable to the appellant company.*
4. *On the facts and circumstance of the case, the Ld. CIT(A) would have observed that the Assessing Officer erred in taking the receipts in the assessment order without any basis.*
5. *On the facts and circumstances of the case, the Ld. CIT(A) is not justified in confirming the addition of Rs. 58,60,213/-.*
6. *Any other ground or grounds that may be urged at the time of hearing of the appeal.”*

8. The only issue emanating from the grounds raised by the assessee is with respect to the estimation of net profit percentage @ 25% by the Ld.CIT (A). This issue is identical to that of the core issue adjudicated by us while dealing with the assessee's appeal in ITA No. 124/Viz/2025 (AY 2016-17). Therefore, our decision given therein *mutatis mutandis* applies to the assessee's appeal for the AY 2018-19 also. Accordingly, the grounds raised by the assessee are allowed.

9. In the result, appeal filed by the assessee is allowed.

10. Ex-consequenti, both the appeals of the assessee are allowed.

Pronounced in the open Court on 13th May, 2025.

Sd/-
(V. DURGA RAO)
न्यायिकसदस्य/JUDICIAL MEMBER

Sd/-
(S. BALAKRISHNAN)
लेखा सदस्य/ACCOUNTANT MEMBER

Dated : 13.05.2025

OKK - SPS

आदेश की प्रतिलिपि अग्रेषित/Copy of the order forwarded to:-

1. निर्धारिती/ The Assessee – M/s. Ushabala Chits Pvt Ltd, C/o. CA MV Prasad, D.No. 60-7-13, Ground Floor, Siddhartha Nagar, 4th Lane, Vijayawada, Andhra Pradesh-521333.
2. राजस्व/The Revenue: Assistant Commissioner of Income Tax, Central Circle-2, Aayakar Bhavan, Veerabhadrapuram, Rajahmundry, Andhra Pradesh – 533105.
3. The Principal Commissioner of Income Tax,
4. आयकर आयुक्त (अपील)/ The Commissioner of Income Tax
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, विशाखापटणम/ DR, ITAT, Visakhapatnam
6. गार्ड फ़ाईल / Guard file

आदेशानुसार / BY ORDER

Sr. Private Secretary
ITAT, Visakhapatnam