

**IN THE INCOME-TAX APPELLATE TRIBUNAL, SURAT BENCH, SURAT  
BEFORE SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER &  
SHRI BIJAYANANDA PRUETH, ACCOUNTANT MEMBER**

**आयकर अपील सं./ITA No.1229/SRT/2024**

**Assessment Year: 2014-15**

**(Hybrid hearing)**

Hasmukhbhai Vallabhbai Rakholiya Plot No. A/2/5,Road No.9 Sachin Udhoygnagar Sahakari Mandali Hojiwala Industrial Estate, Sachin, Surat-394 230	<b>बनाम/ Vs.</b>	Assistant Commissioner of Income- tax, Circle-1(2), Surat, Aayakar Bhawan, Surat-395 002
<b>स्थायीलेखासं./जीआइआरसं./PAN/GIR No: ABMPR 0312 B</b>		
<b>(अपीलार्थी/Appellant)</b>		<b>(प्रत्यर्थी/Respondent)</b>

निर्धारिती की ओर से /Appellant by	Shri Rasesh Shah, CA
राजस्व की ओर से /Respondent by	Shri Ajay Uke, Sr-DR
सुनवाई की तारीख/Date of Hearing	10/07/2025
उद्घोषणा की तारीख/Date of Pronouncement	25/08/2025

**आदेश / ORDER**

**PER BIJAYANANDA PRUETH, AM:**

This appeal by the assessee emanates from order passed under section 250 of the Income-tax Act, 1961 (hereinafter referred to as 'the Act') dated 26.09.2024 by the National Faceless Appeal Centre, Delhi/ Commissioner of Income-tax (Appeals), [in short, "NFAC/CIT(A)"] for assessment year (AY) 2014-15, which in turn assessment order passed by Assessing Officer (in short, "AO") u/s 143(3) of the Act on 20.12.2016.

2. Ground of appeal raised by the assessee for the appeals are as under:

*"1. On the facts and in the circumstances of the case as well as law on the subject, the learned CIT(A) has erred in confirming the rejection of books of*

*accounts when no reason for rejecting books of accounts was indicated in show cause notice issued by the Assessing Officer.*

*2. On the facts and circumstances of the case as well as law on the subject, the learned CIT(A) has erred in confirming the action of Assessing Officer in making the addition of Rs.33,95,325/-for alleged low gross profit.*

*3. It is, therefore, prayed that the addition made by the Assessing Officer and confirmed by Ld. CIT(A) may please be deleted.*

*4. Appellant craves leave to add, alter or delete any ground(s) either before or in the course of hearing of the appeal.”*

3. Brief facts of the case are that assessee filed his return of income for AY.2014-15 on 16.09.2014 declaring total income at Rs.21,81,130/-. The assessee derived income from business of sizing of yarn during the year under consideration. During the year, the assessee had declared gross profit at Rs.69,57,840/- on the total sale of Rs.20,87,33,167/- giving GP @ 3.33% as against declared GP @ 4.96% in the immediately preceding year. Case of the assessee was selected for scrutiny and the assessee was requested vide statutory and show cause notices to explain the reasons for fall in profitability. In response to the same, it was submitted by the assessee that the rate of GP had decreased due to increase in cost of raw material (FDY) and since the aforesaid increase in cost of raw material could not be wholly passed on to the customers; therefore, profit margin decreased in comparison to the preceding year. Along with the reply, assessee also furnished details of general purchases like millgin, packing material, chemicals, etc., in addition to purchase of yarn.

3.1 It was, however, observed by the AO that in spite of being specifically requested to furnish details of stock, method of valuation, assessee failed to

furnish any details in this regard. Therefore, books of account of the assessee were rejected by the AO u/s.145 of the Act and G.P. of the assessee was estimated @ 4.96% on the total sales of Rs.20,87,33,167/- which resulted in gross profit of Rs.1,03,53,165/- as against gross profit declared by assessee of Rs.69,57,840/-. Accordingly, addition of Rs.33,95,325/- (1,03,53,165 - 69,57,840) was made to the total income of the assessee. Aggrieved by the order of AO, the assessee filed appeal before the CIT(A).

4. Before CIT(A), the appellant had filed detailed written submission which is reproduced in the appellate order. It was submitted that rejection of books of account by the AO was unwarranted, unjustified and illegal since those were audited and the audit report was obtained within stipulated time limit. It was further submitted that the AO failed to point out even a single error in assessee's books of account. The assessee had been maintaining the books of account on regular basis during the normal course of business and transactions recorded therein were duly supported by proper evidences and documentary proofs. It was also submitted that the GP % had decreased during the year under consideration as compared to preceding year due to increase in cost of raw material, which could not be wholly passed on to buyers.

4.1 It was observed by CIT(A) that the AO made addition as the appellant could not offer proper explanation regarding the fall in GP. The appellant also could not produce the stock record and quantitative detail of stock with

supporting evidences either before AO or before CIT(A). The CIT(A) observed that the assessee made general submission and he had not been able to plead its case with supporting evidences, stock details, monthly quantitative details, etc. The CIT(A) therefore, held that the AO had rightly rejected the books of account of the assessee and made the addition. Hence, the addition of the AO was confirmed and appeal of the assessee was dismissed.

5. Aggrieved by the order of CIT(A), the assessee has filed present appeal before the Tribunal. The learned Authorized Representative (Id. AR) of the assessee filed a paper book containing copy of written submission filed before CIT(A), tax audit report, rejoinder to remand report filed before CIT(A), submission made before the AO, purchase account, sales account, stock report, etc. He submitted that the sale price did not increase as much as the increase in the cost. He also submitted that the CIT(A) failed to consider the remand report submitted by the AO and the rejoinder of the appellant to the remand report. Since the CIT(A) has not considered the remand report and rejoinder of the assessee, dismissal of the appeal is not proper.

6. On the other hand, learned Sr. D.R. of the Revenue supported the order of lower authorities.

7. We have carefully considered rival submissions and perused the material placed on record. During the appellate proceedings, the appellant had

filed a detailed submission, which is reproduced by the CIT(A) in para-5 at pages 2 to 11 of the appellate order. The said written submission along with additional evidence was forwarded to the AO for remand report. The AO has submitted remand report through proper channel, which is at page 16 of the paper book. The CIT(A) called for the rejoinder to the remand report (page 17 of PB). The appellant filed rejoinder to the remand report which is placed at pages 18 and 19 of the paper book. The report of AO and rejoinder of the appellant have not at all been considered by the CIT(A) in the impugned appellate order. Hence, the order is in clear violation of the principles of natural justice. In view of the above facts, the order of CIT(A) is set aside and matter is restored to his file for fresh adjudication after giving reasonable and opportunity of hearing to the appellant. The CIT(A) is directed to consider the remand report and rejoinder of the appellant. The grounds are according allowed for statistical purposes.

8. In the result, appeal of the assessee is allowed for statistical purposes.

Order pronounced in accordance with Rule 34 of ITAT Rules, 1963  
on 25/08/2025 in the open court.

**Sd/-**  
**(SIDDHARTHA NAUTIYAL)**  
**न्यायिक सदस्य/JUDICIAL MEMBER**

सूरत /Surat

दिनांक/ Date: 25/08/2025

**Dkp Outsourcing Sr.P.S\***

**Sd/-**  
**(BIJAYANANDA PRUSETH)**  
**लेखा सदस्य/ ACCOUNTANT MEMBER**

आदेश की प्रतिलिपि अद्योषित/ Copy of the order forwarded to :

- अपीलार्थी/ The Appellant
- प्रत्यर्थी/ The Respondent
- आयकर आयुक्त/ CIT
- आयकर आयुक्त (अपील)/ The CIT(A)
- विभागीय प्रतिनिधि, आयकर अपीलीय आधिकरण, सूरत/ DR, ITAT, SURAT
- गार्ड फाईल/ Guard File

By order/आदेश से,

// True Copy //

सहायक पंजीकार  
आयकर अपीलीय अधिकरण, सूरत