

आयकर अपीलीय अधिकरण, 'बी' न्यायपीठ, चेन्नई
**IN THE INCOME TAX APPELLATE TRIBUNAL
'B' BENCH, CHENNAI**

श्री जॉर्ज जॉर्ज के, उपाध्यक्ष एवं श्री एस.आर.रघुनाथा, लेखा सदस्य के समक्ष
**BEFORE SHRI GEORGE GEORGE K, VICE PRESIDENT AND
SHRI S.R. RAGHUNATHA, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No.:1974/Chny/2025

निर्धारण वर्ष / **Assessment Year: 2013-14**

Aara Distributors, 116/4, A S Nagar Extension, Laststre, Amar Jotai Garden, Kangayam Road, Tirupur – 641 604.	v.	ITO, Ward -2(1), Tirupur.
[PAN:AANFA-9481-A] (अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/Appellant by : Shri. R. Subramanian, C.A. by Virtual
प्रत्यर्थी की ओर से/Respondent by : Ms. Gouthami Manivasagam, JCIT

सुनवाई की तारीख/Date of Hearing : 18.09.2025
घोषणा की तारीख/Date of Pronouncement : 23.10.2025

आदेश / O R D E R

PER S. R. RAGHUNATHA, AM:

The present appeal has been preferred by the assessee against the order passed by the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi [hereinafter referred to as the "ld.CIT(A)"], dated 04.11.2024, which arises from the assessment order dated 21.03.2023 passed u/s.147 r.w.s 144 of the Income-tax Act,1961 [hereinafter referred to as the "Act"],

by the Income Tax Officer, Ward 2(1), Tirupur [hereinafter referred to as the "Assessing Officer" or "AO"], for the Assessment Year 2013-14.

2. At the outset, we observe that the present appeal has been filed with a delay of 164 days. The assessee has moved an application for condonation of delay accompanied by an affidavit explaining the reasons for delay. It has been submitted that the assessee firm had ceased its business operations and was not actively functional during the relevant period. The statutory communications were addressed to the registered e-mail ID, which belonged to the son of one of the partners. Said individual was pursuing academic studies residing in a hostel and, consequently, failed to forward the communications received from the Income Tax Department to the assessee. On these grounds, it has been contended that the assessee was prevented by sufficient cause from filing the appeal within the prescribed period of limitation.

3. The Id.DR has strongly opposed the condonation. We have carefully considered the rival submissions and perused the material on record. In our considered opinion, the assessee has established that it was prevented by reasonable cause from filing the appeal within the statutory period. Accordingly, the delay of 164 days is condoned, and the appeal is admitted for adjudication on merits.

4. The brief facts of the case are that the assessee is a partnership firm. The assessment proceedings for the A.Y.2013-14 were reopened on the ground of cash deposits made in the bank account of the assessee. Consequently, a

notice u/s.148 of the Act was issued by the AO. In compliance, the assessee filed its return of income on 24.12.2022 declaring a loss of Rs.81,398/-.

5. During the course of reassessment proceedings, the AO undertook a comparison of purchases as disclosed in the assessee's VAT returns vis-à-vis purchases recorded in the Trading Account. It was observed that the total purchases reflected in the Trading Account amounted to Rs.93,85,446/-, whereas the purchases disclosed in the VAT returns stood at Rs.87,91,073/-. Thus, a discrepancy of Rs.5,94,373/- was noted.

6. The assessee was issued a show cause notice requiring an explanation for the aforesaid variation. In response, the assessee submitted that it had purchased betel nuts and paper sheets amounting to Rs.5,94,369/- from M/s.S.A.Safiullah & Co., which, due to inadvertence, was omitted to be reported in the VAT returns. It was contended that the said purchases were duly recorded in the audited books of account, supported by payments made through banking channels. In support of its contention, the assessee produced the ledger account of the said supplier before the AO and requested that the proposed addition be dropped, as the difference was attributable solely to a reporting error in the VAT returns and not to any bogus purchase.

7. The AO, however, did not accept the explanation furnished by the assessee and treated the discrepancy of Rs.5,94,373/- as representing bogus purchases. Consequently, an addition to that effect was made. The reassessment was accordingly completed u/s.147 r.w.s 144 of the Act vide by

passing an order dated 21.03.2023, assessing the total income of the assessee at Rs.5,01,992/-.

8. Aggrieved by the above assessment order in making an addition of Rs. 5,01,992/-, the assessee preferred an appeal before the Id.CIT(A), who vide order dated 04.11.2024, dismissed the said appeal and confirmed the addition made by the AO. Being further aggrieved, the assessee has preferred the present appeal before this Tribunal.

9. The Id.AR submitted that the purchases amounting to Rs.5,94,373/- were genuine, having been duly made and the corresponding payments effected through recognised banking channels. It was further contended by the Id.AR that the discrepancy between the purchases reflected in the VAT returns and those disclosed in the Trading Account was solely attributable to an inadvertent reporting error in the VAT returns. Accordingly, the Id.AR urged that the impugned addition be deleted.

10. Per contra, the Id.DR vehemently supported the findings of the AO and contended that the addition of Rs.5,01,992/-, as made by the AO, deserved to be sustained.

11. We have heard the rival contentions, examined the material available on record, and proceed to adjudicate the impugned issue as follows. We note that there exists a variation of Rs.5,94,373/- between the figure of purchases as reflected in the Trading Account and as reported in the VAT returns. The

assessee has contended that the said discrepancy arose due to an inadvertent omission in the VAT return in respect of purchases effected from one of its suppliers, namely M/s.S.A.Safiullah & Co. The AO, however, rejected this explanation on the ground that the same was an afterthought, and accordingly treated the differential amount as bogus purchases, thereby making an addition to the income of the assessee.

12. Upon perusal of the records, we observe that there is no dispute with regard to the fact that the assessee had in fact purchased goods worth Rs.5,94,373/- from M/s.S.A.Safiullah & Co. The payments towards such purchases were duly made through recognized banking channels. The AO has not brought on record any cogent material or evidence to demonstrate that the payments so made were received back by the assessee in any form, nor has any finding been recorded to the effect that the corresponding sales were unverifiable. Further, the AO has not rejected the books of account maintained by the assessee.

13. In view of the above, we are of the considered opinion that the purchases in question cannot be branded as non-genuine or bogus merely on the ground of a reporting discrepancy in the VAT return. At the same time, considering the peculiar facts and circumstances of the case, and to meet the ends of justice and to end the litigation, we deem it appropriate to sustain the disallowance to 10% of the impugned purchases amounting to Rs.5,94,373/-, which works out to Rs.59,437/-. Consequently, the AO is directed to restrict the addition to

Rs.59,437/- and delete the balance addition of Rs.5,34,936/-. Therefore, the grounds of appeal raised by the assessee are treated as partly allowed.

14. In result, the appeal of the assessee is partly allowed.

Order pronounced in the court on 23rd October, 2025 at Chennai.

Sd/-
(जॉर्ज जॉर्ज के)
(GEORGE GEORGE K)
उपाध्यक्ष /**VICE PRESIDENT**

Sd/-
(एस. आर. रघुनाथा)
(S. R. RAGHUNATHA)
लेखा सदस्य/**ACCOUNTANT MEMBER**

चेन्नई/Chennai,

दिनांक/Dated, the 23rd October, 2025

SP

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT– Chennai/Coimbatore/Madurai/Salem
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF