

**IN THE INCOME TAX APPELLATE TRIBUNAL  
“DB” BENCH, SURAT**

**BEFORE SHRI SANDEEP GOSAIN, JUDICIAL MEMBER &  
SHRI OM PRAKASH KANT, ACCOUNTANT MEMBER**

**I.T.A. No.1047/SRT/2024  
Assessment Year: 2017-18**

|  |    |                                       |
|--|----|---------------------------------------|
| Anand Saraf<br>B-403, Indradhanush<br>Apt, Citylight, Surat<br><b>PAN – AGBPS0649E</b> | Vs | DCIT, Circle -2<br>Bikaner, Rajasthan |
| <b>(Appellant)</b>   |    | <b>(Respondent)</b>                   |

|             |                          |
|-------------|--------------------------|
| Assessee by | None                     |
| Revenue by  | Shri Mukesh Jain, CIT DR |

|                       |            |
|-----------------------|------------|
| Date of Hearing       | 09.10.2025 |
| Date of Pronouncement | 11.11.2025 |

**ORDER**

**Per: SHRI. SANDEEP GOSAIN, J.M.:**

The present appeal has been filed by the assessee challenging the impugned order dt. 13.08.2024 passed under section 250 of the Income Tax Act, 1961 (‘the Act’), by the National Faceless Appeal Centre (NFAC) / CIT(A) for the assessment year 2017-18.

2. None appeared on behalf of the assessee when the case was called repeatedly. From the records we noticed that even on the previous date of hearings nobody appeared on behalf of the assessee. Since application for seeking adjournment has been placed on record but keeping in view the conduct of the assessee therefore application for seeking adjournment stands dismissed.

3. On the other hand Ld. DR present in the court is ready with the arguments therefore we have decided to proceed with the hearing of the case ex-parte.

4. We have heard the Ld. DR and perused the material placed on records written submissions and also the orders passed by the revenue authorities. From the records we noticed that Ld. CIT(A) had rejected the claim of the assessee as the assessee could not substantiate his claim with regard to books of accounts / book results and upheld the order of AO. We noticed that the issue in question was dealt in detail by Ld. CIT(A) while passing its order and the operative portion is contained in para 5(ii) to (vi) and the same is reproduced herein below:

**(i) Ground No. 1- General and omnibus ground:** This ground is general and omnibus in nature and the appellant has NOT made any submission/s and, hence, does NOT warrant separate adjudication thus, DISMISSED. It is further added that the underlying issues would be automatically covered while adjudication of the respective specific grounds in the subsequent part of this order.

**(ii) Ground No. 2- Estimated Gross Profit addition:** In this respect the **only** submission of the appellant is as under-

*2 In the facts and circumstances AO was not justified to estimate Total Sales at Rs.213322359 against declared sales of Rs.155601158 and also in adopting higher rate of GP at 2.25 percent thereby computing GP at Rs.4799753 against Gross Loss of Rs.32843618 shown in Trading Account.*

It is reiterated that apart from above submission, the appellant has NEITHER made any further submission NOR submitted any evidences in support of this contention. In this respect, it is reiterated that-during the course of the present appellate proceedings multiple opportunities had been offered to the appellant from time to time but there has been no compliance from the appellant. Infact this is a TOTAL NO COMPLIANCE case.

In this respect it is noted that the Ld. AO has given detailed account of multiple opportunities offered by him during the course of the subject assessment proceedings to substantiate his claim of gross loss of Rs.32843618/- by filing complete/detailed reply, supporting documents, books of documents with vouchers, etc. in response to which there was very limited, meagre and highly inadequate compliance of the assessee, which compelled him (the Ld. AO) to estimate the gross profit at Rs.4799753/- based on the details available on record as per the details contained in Para A of the impugned order. The relevant extract of the same is as under:

Before completion of assessment proceedings the assessee has been given seven opportunities by issuing notices u/s 142(1) and show cause notices but the assessee intenderly not complianced completely on any opportunity given to him for filing reply/documents online and books of accounts with vouchers also not produced by him. But in two opportunities he filed selective partly reply papers by uploading copies official accounts and some ledgers accounts online but from these documents and in the absence of complete reply and non production of books of accounts gross loss claimed by him as reported in trading account is remained unverifiable, unbelievable and unfactual. So whatever the books maintained by him for claim of gross loss reported in trading account is found unverifiable and unbelievable and such books cannot be said believable and correct and trading results shown on the basis of such unproduced and unverified books of accounts section 145(3) of the IT Act, 1961 and once the books of accounts are rejected by invoking provisions of section 145(3) of the IT Act, 1961 then there is no option, except estimate the prevailing where whatever the assessee's business. In the instant assessee's case the same situation books of account nor essential evidences produced by him in support of his claim of gross loss claimed by him in trading account as follows:

|  |              |
|--|--------------|
| Opening stock of Poly Fabrics                    | 43415458.132 |
| <b>Add:</b>                                      |              |
| Purchases of Cloth, Paper etc.                   | 168669915.00 |
| Cost of goods available for sales                | 212085373.12 |
| <b>Less:</b>                                     |              |
| Closing stock of Poly Fabrics                    | 3457149.20   |
| Cost of Goods sold                               | 208628223.92 |
| Sale proceeds shown for above cost of goods sold | 175819197.00 |
| Gross loss shown as per trading account          | 32809026.92  |

But for claiming above mentioned gross loss the assessee neither filed complete reply, information and documents nor produced books of account alongwith vouchers and above claimed gross loss remained unverifiable, unbelievable and unacceptable. So, the books of account of the assessee are rejected invoking provisions of 145(3) of the IT Act, 1961 and gross profits of assessee's business are estimated on the basis of average rate of GP (computed for consecutive 4 years from Fy 2012-13 to 2015-16) which are 3.91%, 2.22%, 3.20% and (-0.33%), respectively on declared turnover and average of GP computed is 2.25%  $[(3.91+2.22+3.20+(-0.33))/4]$  on declared turnover. The assessee's turnover computed on the basis of taking into account the above average rate of his declared GP rate comes at amounting to Rs 21,33,22,359/-  $(20,86,28,223.92 \times 1.0225)$  and gross profit estimated on the above computed turnover @ 2.25% on turnover comes at amounting to Rs 47,99,753 which is hereby assessed for estimated addition in assessee's total income.

During the course of the present appellate proceedings, the appellant has been requested multiple times to make submissions alongwith relevant details and evidences in support of his grounds/claims/etc., but apart from seeking adjournments, that too by advancing contradictory reasons, the appellant has NOT made any submission, whatsoever in order to substantiate his claims w.r.t. books of accounts/book results. Hence, the action of the Ld. AO in this respect does not call for any interference and the corresponding ground fails and thus DISMISSED.

**(iii) Ground No. 3- Disallowance of expenses of Rs.203966/-** In this respect the only submission of the appellant is as under-

*3. AO was not justified in making addition of Rs. 203966 by disallowing 30 percent of expenses claimed at Rs.679887 under different heads.*

It is reiterated that apart from above submission, the appellant has NEITHER made any further submission NOR submitted any evidences in support of this contention. In this respect, it is reiterated that-during the course of the present appellate proceedings multiple opportunities had been offered to the appellant from time to time but there has been no compliance from the appellant. Infact this is a TOTAL NO COMPLIANCE case.

In this respect it is noted that the Ld. AO has given detailed account of multiple opportunities offered by him during the course of the subject assessment proceedings to substantiate his claim of expenses aggregating to Rs.679887/- by filing supporting bills/vouchers, etc. in response to which there was no compliance and the same has resulted in making captioned disallowance of Rs.203966/- @ 30% of Rs.679887/- as per the details contained in Para D of

the impugned order. The relevant extract of the same is as under:

.....

**D. Non-verifiable indirect expenses of Rs 6,79,887/-:**

Further, during the course of assessment proceedings, it was noticed that the assessee has claimed several indirect expenses, as mentioned hereunder, in debit side of the profit and loss account but neither any of the expenditure was supported by bills/vouchers nor the assessee produced complete books of accounts alongwith bills and vouchers failing which the same cannot be subject to verification.

| S. No. | Item                        | Amount |
|--------|-----------------------------|--------|
| 1.     | Computer expenses           | 1900   |
| 2.     | General expenses            | 2976   |
| 3.     | Legal and professional exp. | 3000   |
| 4.     | Office maintenance          | 6540   |
| 5.     | Insurance exp.              | 65786  |
| 6.     | Salary exp.                 | 357040 |
| 7.     | Travelling expe.            | 209035 |

|    |              |               |
|----|--------------|---------------|
| 8. | Vehicle exp  | 33610         |
|    | <b>Total</b> | <b>679887</b> |

As all the above expenses remained unverified due to non-compliant attitude of the assessee and due to non-production of complete books of accounts and bills and vouchers, therefore the assessee was specifically issued Show cause Notice vide this office Notice No ITBA/AST/F143(3)/SCN/2019-20/102330851 dated 28.12.2019 and requested to furnish the documentary evidences/substantiating documents as regards the claim of these expenses but the assessee could not produce any reply therefore, 30% of the above expenses i.e. Rs 2,03,966/- is, hereby, disallowed and added to the total income of the assessee.

.....

During the course of the present appellate proceedings, the appellant has been requested multiple times to make submissions alongwith relevant details and evidences in support of his grounds/claims/etc., but apart from seeking adjournments, that too by advancing contradictory reasons, the appellant has NOT made any submission, whatsoever. Hence, as the assessee has failed to discharge the statutory onus cast upon him in terms of the provisions of section 37 of the Act, the action of the Ld. AO in this respect does not call for any interference and the corresponding ground fails and thus DISMISSED.

(iv) **Ground No. 4-Addition of Rs.6122317/- u/s 68:** In this respect the only submission of the appellant is as under-

4. In the fact and circumstances AO was not justified in making addition of Rs.6122317 under Section 68 for Unsecured Loans.

It is reiterated that apart from above submission, the appellant has NEITHER made any further submission NOR submitted any evidences in support of this contention. In this respect, it is reiterated that-during the course of the present appellate proceedings multiple opportunities had been offered to the appellant from time to time but there has been no compliance from the appellant. Infact this is a TOTAL NO COMPLIANCE case.

In this respect it is noted that the Ld. AO has given detailed account of multiple opportunities offered by him during the course of the subject assessment proceedings to substantiate his claim of receipt of unsecured loans during the year under consideration aggregating to Rs.6122317/- in response to which there was no compliance and the same has resulted in making captioned addition u/s 68 as per the details contained in Para B of the impugned order. The relevant extract of the same is as under:

.....

**B. Unconfirmed-unsecured loans:**

During the year under consideration, the assessee has shown to have acquired

unsecured loan of Rs **61,22,317/-** from various persons but no letter of confirmation, copy of ITR and bank statement was produced by the assessee which could substantiate his claim of receipt of these unsecured loan from genuine and creditworthy sources. The assessee was repeatedly requested to provide these documents in order to get the same verified but the assessee has entirely failed by intently not providing the same, therefore, the amount of unsecured loans of Rs 61,22,317/- is hereby treated as unexplained cash credit of the assessee u/s 68 of the Income-tax Act, 1961 and accordingly added to his total income subject to taxation as per the provisions of Section 115BBE of the Income-tax Act, 1961. Penalty proceeding u/s 271AAC initiated seprately.

.....

During the course of the present appellate proceedings, the appellant has been requested multiple times to make submissions alongwith relevant details and evidences in support of his grounds/claims/etc., but apart from seeking adjournments, that too by advancing contradictory reasons, the appellant has NOT made any submission, whatsoever. The details on record indicate that the appellant has NOT denied the factum of credit of Rs.6122317/- in his books during the year under consideration. Hence, the statutory onus was clearly on him in terms of the provisions of section 68 of the Act to explain the nature and source of such credits which the appellant, as explained above, has squarely failed to discharge. Resultantly, in the facts and circumstances of the matter relying on the decision of the Hon'ble Apex Court in the case of Kale Khan Mohammed Hanif V. CIT [1963] 50 ITR 1 (SC) it CANNOT be said that the assessee had discharged the statutory onus cast upon him in the present matter. Hence, the action of the Ld. AO in this respect does not call for any interference and the corresponding ground fails and thus DISMISSED.

**(v) Ground No. 5- Disallowance on interest of Rs.524360/-:** In this respect the only submission of the appellant is as under-

*5. AO was not justified in making addition of Rs. 524360 out of interest paid for making interest-free loans and advances of Rs.4271330 given.*

It is reiterated that apart from above submission, the appellant has NEITHER made any further submission NOR submitted any evidences in support of this contention. In this respect, it is reiterated that-during the course of the present appellate proceedings multiple opportunities had been offered to the appellant from time to time but there has been no compliance from the appellant. Infact this is a TOTAL NO COMPLIANCE case.

In this respect it is noted that the Ld. AO has given detailed account of multiple opportunities offered by him during the course of the subject assessment proceedings to substantiate his claim of interest expense in the light of the fact that he had advanced interest free funds to his relatives/others aggregating to Rs.4371330/- in response to which there was no compliance and the same has resulted in making captioned disallowance of Rs.524560/- @ 12% of Rs.4371330/- as per the details contained in Para C of the impugned order. The relevant extract of the same is as under:

.....

**C. Interest free-advances to relatives and others out of borrowed funds:**

Further, on perusal of the balance sheet furnished for the year ending on 31.03.2017, it was noticed that despite having shortage of capital the assessee has advanced interest free funds of Rs 45,95,122/- without charging any interest over the same to the following persons:

| S. No. | Name              | Amount Advanced |
|--------|-------------------|-----------------|
| 1.     | Aayushi Saraf     | 25000           |
| 2.     | Anand P. Saraf    | 22381           |
| 3.     | Anand Saraf (LIC) | 937790          |
| 4.     | Rejesh Bansal     | 49810           |
| 5.     | Sahil Saraf       | 808114          |
| 6.     | Shree Shyam       | 315203          |
| 7.     | Sunita Saraf      | 2213032         |
|        | <b>Total</b>      | <b>4371330</b>  |

In this connection the assessee was requested to submit his explanation as to why

the interest over the same why not be charged @ 12% (p.a.) and why the same not be disallowed out of the total interest expenditure claimed by you vide this office Notice No ITBA/AST/F143(3)/SCN/2019-20/102330851 dated 28.12.2019 but the assessee could not furnish any substantiating reply/justifying reply as regards the show cause issued for disallowance of the interest expenditure.

In view of above facts and discussions, interest expenses of Rs 5,24,560/- [computed at the rate of 12% P.A. of the interest free loans and advances of Rs 43,71,330] which were advanced by the assessee to near relatives etc without charging any interest over the same] is hereby disallowed out of interest expenses (Disallowance of interest expenses of Rs 5,24,560) claimed in P&L account and added to the total income of the assessee.

.....

During the course of the present appellate proceedings, the appellant has been requested multiple times to make submissions alongwith relevant details and evidences in support of his grounds/claims/etc., but apart from seeking adjournments, that too by advancing

contradictory reasons, the appellant has NOT made any submission, whatsoever. The details on record indicate that the appellant has NOT denied the factum of credit of advancing funds to the extent of Rs.4371330/- to his relatives/others without charging interest, hence, it was incumbent upon him to establish that the claim of interest expenditure made during the year under consideration was not relating to the funds so advanced without charging interest by adducing relevant details and evidences, which the appellant has squarely failed to discharge even though adequate opportunities were offered to him during the assessment as well as appellate proceedings. Hence, the action of the Ld. AO in this respect does not call for any interference and the corresponding ground fails and thus DISMISSED.

**(vi) Ground No. 6- Set-off of unabsorbed depreciation or brought forward depreciation:**

In this respect the appellant has merely submitted that –

*" AO was not justified in ignoring to give set-off for Rs.20902690 shown as unabsorbed loss or depreciation brought forward from earlier year."*

However, apart from making such claim the appellant has not submitted any details w.r.t. the such unabsorbed loss or depreciation brought forward from earlier year and he has also not spelt out the relevant details even though during the course of the present appellate proceedings the appellant has been requested multiple times to make submissions alongwith relevant details and evidences in support of his ground/claims/etc.Hence, in absence of these material factual details, the underlying contentions of the appellant remain unascertainable and unsubstantiated. Hence, corresponding ground fails to succeed and is thus DISMISSED.

**(vii) Ground No. 7-Interest u/s 234A, 234B and 234C-** The underlying contentions relate to the levy of interest u/s 234A, 234B and 234C. In this respect, it is mentioned that during the present appellate proceedings, the appellant has NOT made any submission, whatsoever, on these contentions and hence, the same remain non-specific, thus, not warranting adjudication. Needless to mention, the levy of interest u/s 234A/B/C is mandatory, automatic and consequential [CIT Vs. Anjum M.H. Ghaswala (2001) 252 ITR 1 (SC)] and hence, the captioned grounds also become non-maintainable in terms of provisions of section 246A of the Act.

6. In the result, the instant appeal is DISMISSED.

5. Considering the overall facts and circumstances of the present case and findings of the CIT(A), we are of the view that Ld. CIT(A) has rightly dismissed the appeal of the assessee by passing a detailed and well reasoned order. The assessee had not submitted any other corroborative evidence to prove his claim of cash receipts and discount received. Even the copy of gift deed, the details of gift received, cash received from Vijaya Infrastructure and the details of transactions were not submitted. Therefore the CIT(A) rejected the claim of assessee.

6. No new facts or circumstances have been brought before us by the assessee during the course of arguments in order to controvert or rebut the findings so recorded by Ld.CIT(A). Therefore we have no reasons to interfere into or deviate from the lawful findings so recorded by Ld. CIT(A). Hence, we uphold the decision of the Ld. CIT(A) and dismiss the grounds raised by the assessee.

7. In the result, the appeal filed by the assessee stands dismissed with order as to cost.

Order pronounced in the open court on 11/11/2025

Sd/-  
**(OM PRAKASH KANT)**  
**(ACCOUNTANT MEMBER)**

Sd/-  
**(SANDEEP GOSAIN)**  
**(JUDICIAL MEMBER)**

Surat:  
Dated: 11/11/2025

*KRK, Sr. PS.*

Copy of the order forwarded to:

- (1) The Appellant
- (2) The Respondent
- (3) The CIT
- (4) The CIT (Appeals)
- (5) The DR, I.T.A.T.

True Copy

By order

(Asstt. Registrar)  
**ITAT, Surat**