

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

श्री मनु कुमार गिरि, न्यायिक सदस्य एवं श्री एस. आर. रघुनाथा, लेखा सदस्य के समक्ष
**BEFORE SHRI MANU KUMAR GIRI, JUDICIAL MEMBER AND
SHRI S. R. RAGHUNATHA, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA Nos.: 2553 & 2556 /Chny/2025

निर्धारण वर्ष / Assessment Years: 2014-15 & 2015-16

Saravanan, 7/15, Murugapalayam, Avinashi Road, PN Road S.O., Tiruppur – 641 602.	vs.	ITO, Ward 2(1), Tirupur.
[PAN: AZUPS-6417-L] (अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/Appellant by : Shri. S. Bhupendran, Advocate

प्रत्यर्थी की ओर से/Respondent by : Ms. Gouthami Manivasagam, JCIT.

सुनवाई की तारीख/Date of Hearing : 04.12.2025

घोषणा की तारीख/Date of Pronouncement : 22.12.2025

आदेश / O R D E R

PER S.R.RAGHUNATHA, AM :

These appeals by the assessee are filed against the order of the Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi, for the assessment years 2014-15 & 2015-16 both dated 14.08.2025 against the orders u/s.147 r.w.s. 144 of the Income Tax Act, 1961 (hereinafter the 'Act') passed by the ITO, Ward 2(1), Tirupur dated 21.03.2022 and 17.03.2022 respectively. Since, facts are identical and issues are common, for the sake of convenience, these appeals filed by the assessee are being heard together and disposed of by this consolidated order.

2. The assessee has raised the following common grounds of appeal: -

1. *The Impugned Order is illegal, null and void.*
2. *The Learned Commissioner (Appeals) erred in not considering the replies filed.*
3. *Without prejudice, the Learned Commissioner (Appeals) also erred in not considering that the Reassessment Proceeding was null and void, as the Notice under Section 148 dated 27/03/2021 was issued with the approval of the PCIT, Coimbatore-1, when the notice was issued within four years from the end of the Assessment Year on a combined reading with the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 [TOLA], which provides for availability of time till 30/06/2021 for the JCIT to grant approval.*
4. *Without prejudice, the Learned Commissioner (Appeals) erred in not considering that the Reassessment was framed only on the basis of reflection of Contractual Receipts in Form 26AS, without any further inquiry or satisfaction, showing the absence of reason to believe, making the entire proceeding baseless and void.*
5. *Without prejudice, the Learned Commissioner (Appeals) erred in not considering that the estimation of income at 10 percent by the Assessing Officer was without any basis in the form of past history, market comparison or any other standard.*
6. *Without prejudice, the Learned Commissioner (Appeals) erred in not considering the request made by the Appellant for remanding the case for fresh assessment, particularly when the inability to explain the case during reassessment was due to then prevailing covid period, thereby not exercising the discretion vested under Proviso to Section 251(1)(a) properly and reasonably.*

And, for other reasons and grounds that may be adduced later, the Appellant humbly prays that the present appeal may be admitted, duly considered and justice be rendered.

3. The brief facts of the case are that the assessee is an individual and had not filed his return of income for the A.Y.2014-15 and 2015-16. Based on the information that the assessee had received a sum of Rs.2.24 Crores as contract receipts from M/s.Royal Classis Pvt Ltd. And salary of Rs.2.52 Lakhs from the same company during the financial year relevant to the assessment year 2014-15, the case was reopened by statutory notices to the assessee. Similarly, Rs.2.67 crores has been received during the A.Y. 2015-16. These contract receipts have been received on account of job work of ready garments. The assessee neither filed return in response to notice u/s.148 of the Act nor responded to any of the notices issued by the Assessing Officer. After issuing the show cause notice, the Assessing Officer passed an exparte order u/s.147

r.w.s.144 of the Act dated 21.03.2022 for the A.Y. 2014-15 by making an addition of Rs.2,52,000/- as salary income and Rs.22,48,032/- as 10% of the total credits in his bank account business income. Similarly, Rs.26,75,495/- has been assessed as business income for the A.Y. 2015-16 by passing an order u/s.147 r.w.s.144 of the Act dated 17.03.2022.

4. Aggrieved by the orders of the Assessing Officer the assessee preferred an appeal before the Id.CIT(A).

5. On perusal of the submissions made by the assessee and considering the remand report issued by the Assessing Officer, the Id.CIT(A) dismissed the appeal of the assessee by confirming the order of the Assessing Officer.

6. Aggrieved by the order of the Id.CIT(A) the assessee is in appeal before us.

7. The Ld.AR for the assessee submitted that the Id.CIT(A) has erred in confirming the additions at 10% of the bank credits and also denying the credit of TDS available in Form 26AS. Further, the Id.AR submitted that the estimated income of 10% from contract business is highly impractical and both the lower authorities have decided the percentage of profit arbitrarily. The estimation of profit at 10% of the contract receipts is excessive, arbitrary, and without any rational basis. In contract business, especially where receipts are substantial, net profit margins are generally much lower. Hence, the Id.AR prayed that the business income be reasonably estimated at 3% of the contract receipts and that due credit for TDS be allowed.

8. Per contra the Id.DR submitted that the assessee has not participated in the assessment proceedings and has not produced any evidence and hence the order of the Id.CIT(A) is to be upheld.

9. We have heard the rival contentions perused the material available on record and gone through the orders of the authorities. Admittedly the assessee

has received contract receipts (job work of ready made garments) of Rs.2.24 crores during the A.Y. 2014-15, apart from salaries of Rs.2.52 Lakhs from M/s.Royal Classis Pvt Ltd. Similarly Rs.2.67 crores has been received as contract receipts during the A.Y.2015-16. In the reassessment proceedings the assessee did not participate and hence the Assessing Officer passed an exparte order by making an addition of 10% of the contract receipts as business income. On appeal, the Id.CIT(A) has confirmed the same after obtaining the remand report from the Assessing Officer. We note that it is a settled position of law that even in a best judgment assessment, the estimation of income should be fair, reasonable, and based on some material or rational basis, and not purely arbitrary.

10. In the present case, the Assessing Officer has estimated net profit at 10% of the contract receipts without bringing on record any comparable cases or industry norms to justify such a rate. The Id. CIT(A) has also confirmed the same without independently examining the reasonableness of the estimation. Considering the nature of contract business, the magnitude of receipts, and judicial precedents wherein net profit rates ranging between 2% to 5% have been accepted in similar circumstances, we are of the considered opinion that estimation of profit at 10% is on the higher side. In the interest of justice, we deem it appropriate to estimate the net profit at 4% of the contract receipts for both the assessment years 2014-15 and 2015-16.

11. Further, regarding the claim of credit for TDS, it is well settled that credit for TDS reflected in Form 26AS cannot be denied if the corresponding income is brought to tax. Therefore, the Assessing Officer is directed to allow due credit for TDS as per Form 26AS after verification.

12. In view of the above findings, we set aside the order of the Id.CIT(A) and direct the Assessing Officer to consider the business income for A.Y.2014-15 and A.Y.2015-16 by recomputing the estimated net profit at 4% of the contract receipts. Further, we confirm the addition of Salary income of Rs.2.52 Lakhs

made by the Assessing Officer. The Assessing Officer is directed to allow credit for TDS as reflected in Form 26AS after due verification.

13. In the result, both the appeals filed by the assessee are partly allowed.

Order pronounced in the open court on 22nd December, 2025 at Chennai.

Sd/-

(मनु कुमार गिरि)

(MANU KUMAR GIRI)

न्यायिक सदस्य/**Judicial Member**

चेन्नई/Chennai,

दिनांक/Dated, the 22nd December, 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

Sd/-

(एस. आर. रघुनाथा)

(S.R.RAGHUNATHA)

लेखा सदस्य/**Accountant Member**