

आयकर अपीलीय अधिकरण न्यायपीठ रायपुर में।
IN THE INCOME TAX APPELLATE TRIBUNAL,
RAIPUR BENCH, RAIPUR

BEFORE SHRI PARTHA SARATHI CHAUDHURY, JUDICIAL MEMBER
AND
SHRI AVDHESH KUMAR MISHRA, ACCOUNTANT MEMBER

आयकर अपील सं. / ITA No.636/RPR/2025
निर्धारण वर्ष / Assessment Year : 2017-18

Step Logistics Private Limited
A-1, Mahavir Gaushala Complex,
K.K Road, Raipur (C.G.)-492 001
PAN: AANCS0382F

.....अपीलार्थी / Appellant

बनाम / V/s.

The Deputy Commissioner of Income Tax,
Circle-1(1), Raipur (C.G.)

.....प्रत्यर्थी / Respondent

Assessee by : S/shri Praveen Khandelwal &
Praveen Goyal, CAs

Revenue by : Dr. Priyanka Patel, Sr. DR

सुनवाई की तारीख / Date of Hearing : 18.03.2026

घोषणा की तारीख / Date of Pronouncement : 19.03.2026

आदेश / ORDER**PER PARTHA SARATHI CHAUDHURY, JM:**

The present appeal preferred by the assessee emanates from the order of the Ld.CIT(Appeals)/NFAC, Delhi dated 19.08.2025 for the assessment year 2017-18 as per the following grounds of appeal:

“1. The appellant craves to add, alter or delete any of the grounds of appeal during the course of appellate proceedings.

2. That on the facts and circumstances of the case and in law, the Assessing Officer erred in making an ad-hoc disallowance of Rs.34,53,126/- under the head Handling and Transportation expenses claimed by the appellant.

3. That on the facts and in the circumstances of the case and in law, the notice u/s.143(2) of the Act dated 09/08/2018 and 11/09/2018 is illegal and bad in law.

4. That on the facts and in the circumstances of the case and in law, the case of the appellant company has been transferred from income Tax Officer, Ward 3(4), Raipur to DCIT, Circle 3(1), 'Raipur without an order u/s.127 of the Act, hence, the entire assessment proceeding is illegal and bad in law.

5. That on the facts and in the circumstances of the case and in law, the assessment order passed u/s.143(3) of the Act dated 31/12/2019 is illegal and bad in law.

6. That on the facts and circumstances of the case and in law, the assessing officer erred in making an addition of Rs.74,50,000/- u/s.68 on account of unsecured loan from Raghupati Vinimay Private Limited.

7. That on the facts and circumstances of the case and in law, the assessing officer erred in making an ad-hoc disallowance of Rs.4,28,540/- under the head other expenses claimed by the appellant.”

2. That so far Grounds of appeal No. 1, 3, 4 and 5 are concerned, it is contended that notice u/s. 143(2) of the Income Tax Act, 1961 (for short 'the Act') was not issued by the jurisdictional A.O. However, after hearing the parties in detail and on verification of the documents on record, it is evident that the A.O who had passed the assessment order had issued notice u/s. 143(2) of the Act to the assessee. Hence, the legal compliance has been appropriately done by the Department. Therefore, all these grounds does not have merit to be sustained. Thus, **Grounds of appeal No. 1, 3, 4 and 5** are dismissed.

3. That so far as **Ground of appeal No.6** is concerned, the assessee had filed an application under Rule 29 of the ITAT Rules, 1963 praying for admission of additional evidence. The said application under Rule 29 of the ITAT Rules, 1963 is extracted as follows:

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BEFORE THE HON'BLE INCOME TAX APPELATE TRIBUNAL,
RAIPUR BENCH, RAIPUR (C. G.)

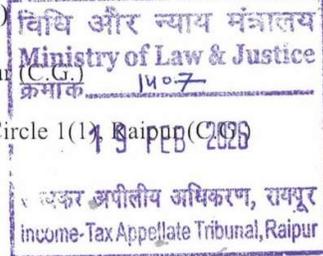
Appellant : Step Logistics Private Limited, Raipur

Respondent : Dy. Commissioner of Income Tax, Circle 1(1), Raipur

Appeal No. : ITA 636/RPR/2025

Assessment Year : 2017-18

Subject : Application under Rule 29 for admission of additional evidence.



With reference to the above, it is respectfully submitted that during the course of assessment proceedings before the assessing officer and subsequently during the first appellate proceedings before the Learned CIT(A), the appellant inadvertently failed to file the copy of the bank statement of the bank account maintained with HDFC Bank bearing account no. 01522560011750 of the lender i.e. Raghupati Vinimay Private Limited for the month of March, 2017, though the appellant furnished the bank statement for the period April, 2016 to February, 2017.

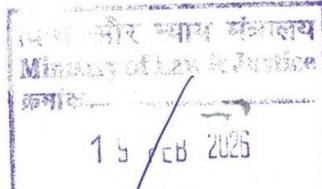
The non-filing of the said bank statement was neither deliberate nor intentional, but occurred due to a bona fide inadvertent oversight mistake. It is pertinent to submit that the factum of receipt and payment thereof in the bank account of the lender was duly substantiated through an affidavit of the director of the lender company dated 23/12/2019, which was placed on record before the AO as well as the Learned CIT(A).

The additional evidence now sought to be filed, i.e., the bank statement for the month of March, 2017, is crucial and goes to the root of the matter for proper adjudication of the issue involved. The same substantiates the transactions already disclosed and explained during the proceedings and does not introduce any new claim or fresh contention.

In the interest of justice and in order to enable adjudication of the matter, it is therefore humbly prayed that the additional evidence may kindly be admitted.

Place: Raipur

Dated: 17/02/2026




Counsel of Appellant

The Ld. Counsel for the assessee submitted that these additional evidence is crucial which goes to the root of the matter for proper adjudication of this issue.

4. Per contra, the Ld. Sr. DR did not raise any objection regarding admission of the additional evidence.

5. Having heard the parties herein and in the interest of substantive justice, the additional evidence as per the application under Rule 29 of the ITAT Rules, 1963 is hereby admitted and the same is restored to the file of the Ld. CIT(Appeals)/NFAC for compliance in terms with Rule 46A(3) of the IT Rules, 1962 calling for a remand report from the A.O on this issue and decide the same in denovo as per law while complying with the principles of natural justice. Thus, **Ground of appeal No.6** raised by the assessee is allowed for statistical purposes.

6. **Grounds of appeal Nos. 2 & 7** pertains to the ad-hoc disallowance which has been addressed by the Ld. CIT(Appeals)/NFAC vide para 6.5 observing as follows:

“6.5 Regarding the disallowance out of H & T Expenses amounting to Rs.34,53,126/- and other expenses (diesel, vehicle, office and godown expenses) amounting to Rs.4,28,540/- it is evident that the above disallowance has been made 4)(by the AO as that majority of payments were made in cash and against self made vouchers and thus the AO disallowed 10% of the above expenses to prevent leakage of revenue. The submission of the appellant that the AO has

erred in disallowing expenses to the tune of 10% without rejecting the books of account applying sec145(3), in absence of defects found in the books of account, and thus, in the absence of valid rejection of books of account, any kind of estimation of disallowance on any expenditure claimed (i.e., Handling and Transportation expenses) cannot be done and impermissible as per law is devoid of merit as for estimated disallowances rejection of books of account is not required. It is a fact that the appellant failed to 'produce complete set of bills and is also a fact that most of these payments were made in cash and the appellant was able to produce only the self-made vouchers and thus failed to fully establish the genuineness of the above expenses claimed to be incurred. The above disallowance made by the A.O on estimate basis is confirmed and the grounds of the appellant are dismissed. The case laws submitted by the appellant are not applicable in the present case as the facts in those cases are different.”

7. That on careful perusal of the records and the facts and circumstances, it is discernable that the A.O has not rejected books of account in terms with Section 145(3) of the Act which means as per Department there is no defect in so far transaction recorded in the books of account of the assessee are concerned. In absence of such rejection of books of account, the A.O had further proceeded to make estimate addition through ad-hoc disallowance of 10% of H & T expenses and other expenses. The Ld. CIT(Appeals)/NFAC had given a perverse findings by stating that for making estimated addition, rejection of books of account are not required. We take guidance from the judgment of the **Hon'ble High Court of Madras** in the case of **Pr. CIT, Chennai Vs. Marg Ltd.,**

(2017) 396 ITR 580 (Madras), wherein the Hon'ble High Court has held and observed as follows:

"4. We now proceed to merits of the matter under the caption 'Discussion' infra.

DISCUSSION

4(a) As stated supra, the Assessee is a Public Limited Company engaged in the business of Civil Construction and related services.

4(b) A.O had made addition to the income returned by the Assessee by estimating gross profit. The power to make such addition on estimate basis is available to the A.O under section 144 of the IT Act. Section 145 enables the A.O to invoke the power under section 144 when certain conditions adumbrated in sub-section (3) of Section 145 are satisfied. Therefore, it becomes necessary and useful to extract Section 145(3) of the I.T Act, which reads as follows:

"145(3) Where the Assessing Officer is not satisfied about the correctness or completeness of the accounts of the assessee, or where the method of accounting provided in sub-section (1) has not been regularly followed by the assessee, or income has not been computed in accordance with the standards notified under sub-section (2), the Assessing Officer may make an assessment in the manner provided in Section 144."

4(c) Therefore, it is sine qua non that the AO to come to a conclusion that the Books of Accounts maintained by the Assessee are incorrect, incomplete or unreliable and reject the Books of Accounts before the proceeding to make his own assessment. In the instant case, there is no reference in the Assessment Order of the AO regarding rejection of Books of Account.

4(d) Therefore, there is nothing on record to show that the AO came to the conclusion that the Books of Accounts maintained by the Assessee are incorrect, incomplete, unreliable and as a consequence rejected the Books of Account.

4(e) Therefore, after setting out the plethora of case laws on this point, CIT (A) held that the accounts of the Assessee cannot be rejected merely based on the perception of the AO that the Assessee has declared low profit margin for certain projects when Books of Accounts have not been rejected. Considering the factual position that there is no reference in the Assessment Order made by the AO

regarding the Books of Accounts (this has been fairly admitted by the Revenue before ITAT), we are not, therefore, labouring through the labyrinth of case laws relied on by CIT (A). The relevant portion pertaining to admission in this regard by the Revenue is at Paragraph 4 of the order of ITAT and the same reads as follows:

"4. On a query from the bench, whether the assessing officer rejected the books of account during the course of assessment proceedings, the learned department representative very fairly submitted that there is no reference in the assessment order in the rejection of books of account"

4(f) As this factual position has been admitted, ITAT, dismissed the appeal of the Revenue by holding that profits of an Assessee cannot be estimated without rejecting the books of account.

4(g) ITAT has expressed its considered opinion that only when an assessee is not maintaining Books of Accounts properly and the correct income cannot be estimated on the basis of the Books of Accounts, the Books of Accounts can be rejected. ITAT has gone on to hold that the AO can estimate profit only thereafter."

8. Further, we find that similar issue has been adjudicated by the ITAT, SMC Bench, Raipur in the case of **Anil Kumar Jain Vs. ACIT (Central, Bilaspur, ITA No.584 & 585/RPR/2025, dated 06.01.2026** wherein, this issue has been answered in favour of the assessee against the Revenue observing as follows:

"9. Having heard submissions of the parties herein even without going into the factual merits of the matter, the legal contention that is there before me for adjudication is where the Revenue has failed to reject the books of account and proceeded to estimate income without framing assessment u/s. 144 of the Act, whether such action is sustainable as per law. In this regard, the Hon'ble High Court of Delhi in the case of **Pr. CIT Vs. Forum Sales (P). Ltd. (supra.)** has observed and held as follows:

"19. A plain reading of the aforementioned provisions would indicate that the AO wields an authority to make additions on the basis of estimation of income upon fulfillment of the

conditions mentioned in Section 145(3) of the Act. Once the AO is satisfied about the existence of irregularities in the books of account as per Section 145(3) of the Act, it shall proceed in the manner provided under Section 144 of the Act. At this juncture, what needs consideration is the question whether such an addition must be made only after the rejection of the books of account by the AO.

20. The Division Bench of the High Court of Bombay in the case of Principal Commissioner of Income-tax v. Swananda Properties Pvt. Ltd. [2019 SCC OnLine Bom 13359] had an occasion to consider the said question and the same was accordingly answered as under:-

“11. We note that the books of account of the respondent were rejected by the Commissioner of Income-tax (Appeals) under section 145(3) of the Act. However, the Tribunal found in the impugned order that the invocation of section 145(3) of the Act is unjustified as no defect was noted in the books of account to disregard the same. We note that the Commissioner of Income-tax (Appeals) in his order while rejecting the books of account does not specify the defect in the record. The basis of the rejection appears to be best judgment of assessment done by him. The rejection of the books should precede the best judgment assessment. On facts, the Revenue has not been able to show any defect in the respondent's records which would warrant rejection of the books and making a best judgment assessment. Thus, on facts the view taken by the Tribunal is a possible view. Therefore, no substantial question of law arises. Thus not entertained.”

[Emphasis supplied]

21. The Division Bench of the Karnataka High Court in the case of CIT v. Anil Kumar & Co. [2016 SCC OnLine Kar 8512], has held that in cases where the Revenue had failed to reject the books of account and proceeded to an estimation of income without framing the assessment under Section 144 of the Act, such an action is unsustainable as per law. The relevant paragraph of the said decision is reproduced as under:-

“11. In so far as the estimation of gross profit made by the Assessing Officer modified by the Commissioner of Income-tax (Appeals), the Tribunal has rightly held that when the books of account of the assessee had not been rejected and assessment having not been framed under section 144 of the

Income-tax Act the said authorities were in error in resorting to an estimation of income and such exercise undertaken by them was not sustainable. Section 145(3) of the Act lays down that the Assessing Officer can proceed to make assessment to the best of his judgment under section 144 of the Act only in the event of not being satisfied with the correctness of the accounts produced by the assessee. In the instant case the Assessing Officer has not rejected the books of account of the assessee. To put it differently the Assessing Officer has not made out a case that conditions laid down in section 145(3) of the Act are satisfied for rejection of the books of account. Thus, when the books of account are maintained by the assessee in accordance with the system of accounting, in the regular course of his business, the same would form the basis for computation of income. In the instant case it is noticed that neither the Assessing Officer nor the Commissioner of Income-tax (Appeals) have rejected the books of account maintained by the assessee in the course of the business. As such the Tribunal has rightly rejected or set aside the partial addition made by the Assessing Officer for arriving at gross profit and sustained by the Commissioner of Income-tax (Appeals) and rightly held that the entire addition made by the Assessing Officer was liable to be deleted. The said finding is based on sound appreciation of facts and it does not give rise for framing substantial question of law.”

[Emphasis supplied]

22. In another case of Principal Commissioner of Income-tax v. Marg Ltd. [2017 SCC OnLine Mad 37852], the Division Bench of the High Court of Madras has held that the rejection of books of account is sine qua non before the AO proceeds to make his own assessment. Paragraph 4(c) of the said decision is reproduced as under:-

“4(c). Therefore, it is sine qua non that the Assessing Officer to come to a conclusion that the books of account maintained by the assessee are incorrect, incomplete or unreliable and reject the books of account before the proceeding to make his own assessment. In the instant case, there is no reference in the assessment order of the Assessing Officer regarding rejection of books of account.”

[Emphasis supplied]

23. In the case of CIT v. Gian Chand Labour Contractors [2007 SCC OnLine P&H 1577], the Division Bench of the High Court of Punjab and Haryana while taking a similar view, has held as follows:-

“8. Section 29 of the Act prescribes that the income referred to in section 28 which is assessable under the head “Profits and gains of business or profession” shall be computed in accordance with the provisions contained in sections 30 to 43A of the Act. Section 145 of the Act provides for computation of income under section 29 on the basis of books of account and the method of accounting regularly followed by the assessee. However, where the Assessing Officer is not satisfied with the correctness or completeness of the said books, he may reject the same and estimate the income to the best of his judgment in accordance with the provisions of section 144 of the Act. When an estimate is made to the best judgment of an Assessing Officer, he substitutes the income that is to be computed under section 29 of the Act. Once the best judgment assessment is made by fixing a rate of net profit, the assessee's claim for deduction on account of expenses cannot be deemed to have been ignored. The net profit rate is applied after taking into consideration all factors and it accounts for all the deductions which are referred to under section 29 and are deemed to have been taken into consideration while making such an estimate.”

[Emphasis supplied]

24. The series of judgments referred to hereinabove clearly allude to the settled position of law that the books of account have to be necessarily rejected before the AO proceeds to the best judgment assessment upon fulfilment of conditions mentioned in the Act. The underlying rationale behind such an action is to meet the standards of correct computation of accounts for the purpose of a more transparent and precise assessment of income. Therefore, any pick and choose method of rejecting certain entries from the books of account while accepting other, without an appropriate justification, is arbitrary and may lead to an incomplete, unreasonable and erroneous computation of income of an assessee.

25. In the present case, the ITAT has made a categorical finding that despite the fact that the AO was provided with the requisite bills, vouchers and addresses of the transacting parties, it did not make any effort to confirm the veracity of the alleged bogus or inflated bills.

26. We, hereby, also take note of the observations made by the ITAT in its order dated 22.10.2018 in Paragraph 25, wherein, while affirming the deletion of additions vide order of the CIT (A), it was held as under:-

“25. We find although the Assessing Officer was having complete address of the parties, however, he did not bother to call for any information from the said parties if he had some doubts. The entire addition by disallowing of 40% of the purchases in our opinion is not justified when the books of account are not rejected. We find the Hon'ble Gujarat High Court in the case of Yunus Haji Fazawala Vs. CIT (supra) has held that action of the Assessing Officer in disallowing 25% of purchases by doubting its genuineness without rejecting the books of account cannot be sustained. The order of the Tribunal confirming the disallowance was accordingly reversed. Since in the instant case also the books of account are not rejected, therefore, action of the CIT(A) in deleting such addition is justified. Further we find merit in the findings of the CIT (A) that if the action of the Assessing Officer is accepted then profit of the assessee will be 32.9% for A.Y. 2013-14 and 56.09% for A.Y. 2014-15 which is illogical and absurd. Since the order of the CIT(A) on this issue is just and proper under the facts and circumstances of the case, therefore; we do not find any infirmity in the same. Accordingly the same is upheld and the ground raised by the revenue is dismissed.”

27. Also, the decisions relied upon by the Revenue do not essentially support its case as the facts of the cited cases are strikingly different from the case at hand and therefore, the same are distinguishable. Though the decision of the Division Bench of the Calcutta High Court in Unit Construction Co. Ltd. would only have a persuasive value, however, a closer scrutiny of the same leads us to the conclusion that the said decision was rendered in the context of unexplained investments as per the scheme of Section 69 of the Act. In Paradise Holidays, the issue pertained to the rejection of books of account without an appropriate justification and therefore, unlike the present case, the challenge was laid with respect to the rejection of books of account itself.

28. So far as the proposed question (D) is concerned, the same is a matter of fact which has been settled by the ITAT which states that the action of the AO in making an addition of Rs.1,00,000/- on the protective basis, which already stood explained, deserved to be deleted. The ITAT further held that

the substantive addition has already been made in the hands of Mr. Moin Akhtar Qureshi, which has been mentioned by the AO himself and therefore, there is no infirmity in deletion of the said addition by the CIT(A).

29. Admittedly, the addition of income as discussed in questions (B), (C) and (D) on estimate basis has been done without rejecting the books of account. In view of the aforesaid, we find that no substantial question of law arises in the present appeals.

30. Consequently, we do not find any merit in the case of the Revenue and have no reason to interfere with the view taken by the ITAT. Therefore, the appeals stand dismissed. Pending application(s), if any are also disposed of.”

10. Reverting to the facts of the present case, admittedly, the A.O has not resorted to either Section 145(3) of the Act or Section 144 of the Act. On one hand, the A.O accepts the purchase and sales recorded in the books of accounts and thereby, he decides not to reject the same and at the same time, on estimation he adds commission income over and above purchase and sales as reflected in the books of accounts. That as per the judicial precedent referred hereinabove, such addition is unjustified, arbitrary and bad in law and hence, the A.O is directed to delete the said addition from the hands of the assessee while providing appeal effect of this order.

11. Since the legal issue has been answered in favour of the assessee, then other grounds pertaining to the merits becomes academic only.

12. In the result, appeal of the assessee in ITA No.584/RPR/2025 for A.Y. 2018-19 is allowed.”

9. We are of the view that legal relevance for determination of the tax liability pertains to the correct taxation by the Revenue and it cannot be done arbitrarily. It is settled legal principle that if there is no rejection of books of account by the Department u/s. 145(3) of the Act, in such scenario, there cannot be any further estimated addition. In addition to

that so far as merits are concerned, there is no reasonable findings given by the Ld. CIT(Appeals)/NFAC for upholding such disallowance which are only based on guess work and surmises. Taxation in the hands of the assessee cannot be done on the basis of mere suspicion.

10. Considering the legal scenario as well as on examination of the facts, **Grounds of appeal No.2 & 7** raised by the assessee is allowed. The A.O is directed to delete the addition from the hands of the assessee.

11. In the result, appeal of the assessee is partly allowed for statistical purposes as per afore-stated terms.

Order pronounced in the open court on 19th March, 2026.

Sd/-
AVDHESH KUMAR MISHRA
(ACCOUNTANT MEMBER)

Sd/-
PARTHA SARATHI CHAUDHURY
(JUDICIAL MEMBER)

रायपुर/ RAIPUR ; दिनांक / Dated : 19th March, 2026.

SB, Sr. PS

आदेश की प्रतिलिपि अग्रहित / Copy of the Order forwarded to :

1. अपीलार्थी /The Appellant.
2. प्रत्यर्थी /The Respondent.
3. The CIT(Appeals)-1, Raipur (C.G.)
4. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, रायपुर बेंच, रायपुर / DR, ITAT, Raipur Bench, Raipur.
5. गार्ड फ़ाइल / Guard File.

आदेशानुसार / BY ORDER,

// True Copy //

Senior Private Secretary
आयकर अपीलीय अधिकरण, रायपुर / ITAT, Raipur.