

आयकर अपीलीय अधिकरण, जयपुर न्यायपीठ, जयपुर  
IN THE INCOME TAX APPELLATE TRIBUNAL,  
JAIPUR BENCHES (SMC), JAIPUR

श्री भागचन्द, लेखा सदस्य के समक्ष  
BEFORE: SHRI BHAGCHAND, ACCOUNTANT MEMBER

आयकर अपील सं./ITA No. 836/JP/2016  
निर्धारण वर्ष / Assessment Year : 2010-11

M/s. Pioneer Suitings (P) Ltd. Behind 9, Manu Marg Kabir Colony, Alwar	बनाम Vs.	The ITO Ward- 6(1) Jaipur
स्थायी लेखा सं./जीआईआर सं./PAN/GIR No.: AAACP 8424 C		
अपीलार्थी / Appellant		प्रत्यर्थी / Respondent

निर्धारिती की ओर से / Assessee by: Shri Manish Jain, CA  
राजस्व की ओर से / Revenue by: Smt. Poonam Rai, DCIT- DR

सुनवाई की तारीख / Date of Hearing : 17/02/2017  
घोषणा की तारीख / Date of Pronouncement : 21/02/2017

आदेश / ORDER

PER BHAGCHAND, AM

The assessee has filed an appeal against the order of the Id. CIT(A)5, Jaipur dated 11-07-2016 for the assessment year 2010-11 raising following grounds of appeal.

“1. That the Id. CIT(A) has erred on the facts and the law in invoking provisions of Section 145(3) and rejecting books of account regular / audited.

2. That the Id. CIT(A) has erred on the facts and the law in confirming the addition to the extent of Rs. 5.00 lacs on account of trading results.

2.1 Apropos Ground No. 1 and 2 of the assessee, the facts as emerges from the order of the Id. CIT(A) is as under:-

“2.3 I have considered the facts of the case, the assessment order and submissions of the appellant. While rejecting the books of account u/s 145(3), the AO has noted that the break-up and other details of closing stock were not maintained by the assessee , which amounts to non-maintenance of stock register. The AO has also stated that on similar facts in A.Y. 2006-07, wherein defects were noted in valuation of closing stock coupled with decline in gross profit rate, the books of account were rejected. The rejection of books of account was confirmed by the CIT(A) as well as ITAT. The relevant extract of the order of the Hon'ble ITAT Jaipur Bench in ITA No. 171/JP/2013 for A.Y. 2006-07 dated 8-05-2013 is quoted therein.

2.4 The rejection of books of account was upheld in A.Y. 2006-07 due to the incorrectness and incompleteness of accounts since the assessee did not get the valuation of closing stock verified with reference to books of account and vouchers etc. It was held that such a defect coupled with fall in gross profit rate merits rejection of books of account. In the appellate proceedings for this year, the appellant was asked to produce detailed break up of closing stock. It was observed that no such detailed inventory has been maintained and also no stock register is maintained. Added to this, there is a considerable fall in gross profit rate this year, which is not properly explained with documentary evidence. Only general reasons have been cited and the same have not been substantiated. Therefore, essentially the defects noted this year are the same as in A.Y. 2006-07 wherein rejection of books of account was sustained. The facts being similar this year, the rejection of books of account u/s 145(3) is upheld.

2.5 The next question relates to the estimation of profits. It is seen that the gross profit rate in A.Y. 2008-09 was 11.14% and in A.Y. 2009-10 it was 9.47%. In comparison, the gross profit rate this year has fallen to

7.62%. The reasons cited for fall in gross profit rate are mainly on account of increase in sales and increase in raw material and other expenses whereas the sale price did not commensurately. The reasons cited are general and not substantiated with proper evidences. As far as sales are concerned, the growth this year is only around 14% as compared to the preceding year. Moreover, gross profit rate does not necessarily fall in increased sales, unless there are valid reasons for the same. Thus the reasons cited for all in gross profit rate are unacceptable being unsubstantiated. In order to estimate the profits, the best guide is the assessee's own profitability in the immediately preceding years as held by the Hon'ble Jurisdictional High Court in several cases. The AO has adopted this very yardstick in estimating the profit this year. The average gross profit rate of preceding two years comes to 10.3% whereas gross profit rate in the immediately preceding year was 9.47%. Even if the gross profit rate of immediately preceding year is adopted, it will result in an addition of Rs. 21,09,000/-. In comparison, the AO has made an addition of Rs. 5,00,000/- which seems very reasonable in the facts of the case. Accordingly, the method and quantum of profit estimation deployed by the AO is upheld. These grounds are therefore, dismissed.''

2.2 During the course of hearing, the ld. AR of the assessee opposed the invocation of provision of Section 145(3) of the Act as to rejection of books of account and also confirmation of addition of Rs. 5.00 lacs by the lower authorities. The ld. AR of the assessee filed the written submission which has been taken into consideration.

2.3 On the other, hand, the ld. DR relied on the orders of the authorities below.

2.4 I have heard the rival contentions and perused the materials available on record. Brief facts of the case are that the assessee is a company which is engaged in the business of manufacturing and trading of cotton suitings and shirtings fabrics. The factory is located at Tijara Road, Alwar. During the year under consideration, the assessee has shown the turnover of Rs. 1140.13 lacs and gross profit of Rs. 86.83 lacs giving gross profit rate of 07.62%. The corresponding figures for preceding years for turnover, gross profit and gross profit rate of the assessee company are as under:-

A.Y.	Sales (Rs. in lacs)	G.P. (Rs. in lacs)	G.P. rate (%age)
2008-09	799.80	89.10	11.14
2009-10	1035.36	98.09	09.47
2010-11	1140.13	86.83	07.62

As regards the invocation of provisions of Section 145(3) as to rejection of books of account, it is noted that no such detailed inventory as well stock register was maintained by the assessee before the lower authorities and the assessee did not get the valuation of the closing stock verified with reference to the books of account and vouchers etc. Therefore, the authorities below have rightly invoked the provisions of section 145(3) of the Act as to rejection of books of account. Taking into consideration the orders of the lower authorities, I concur with the views of the Id. CIT(A) on the issue of rejection of books of account of the assessee. As regards

the issue of confirming the addition of Rs. 5.00 lacs by the authorities below, the Id. CIT(A) has given a detailed finding taking into consideration the gross profit rate of the assessee for the last three years. Even if the gross profit of immediate preceding year is adopted then also the addition works out much more than Rs. 5.00 lacs. Therefore, the order of the Id. CIT(A) does not require any interference on this issue. The order of the Id. CIT(A) is well reasoned one. Thus I find no reason to interfere with the order of Id. CIT(A) on the issue of confirming the addition of Rs. 5.00 lacs. Resultantly, the order of the Id. CIT(A) is confirmed the ground nos. 1 and 2 raised by the assessee are dismissed.

3.0 In the result, the appeal of the assessee is dismissed.

Order pronounced in the open court on 21 /02/2017.

Sd/-

(भागचन्द)

(Bhagchand)

लेखा सदस्य / Accountant Member

जयपुर / Jaipur

दिनांक / Dated:-

21 /02/ 2017

\*Mishra

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

1. अपीलार्थी / The Appellant- M/s. Pioneer Suitings (P) Ltd., Alwar
2. प्रत्यर्थी / The Respondent- The ITO, Ward- 6(1), Jaipur
3. आयकर आयुक्त(अपील) / CIT(A).
4. आयकर आयुक्त / CIT,
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, जयपुर / DR, ITAT, Jaipur
6. गार्ड फाईल / Guard File (ITA No. 836/JP/2016)

आदेशानुसार / By order,

सहायक पंजीकार / Assistant. Registrar