

THE INCOME TAX APPELLATE TRIBUNAL  
"SMC" Bench, Mumbai  
Shri Shamim Yahya (AM)

I.T.A. No. 2256/Mum/2019 (Assessment Year 2010-11)

ITO-22(2)(1) Mumbai	Vs.	Shri Kumar Hasmukh Ruparelia 13, Harivallabh CHS, J.K. Mehta Road, Green Street Santacruz West Mumbai-400 054.  PAN : AACPR2188N
(Appellant)		(Respondent)

Assessee by	None
Department by	Shri Kailash Gaikwad
Date of Hearing	13.10.2020
Date of Pronouncement	14.10.2020

ORDER

This is an appeal by the revenue wherein the revenue is aggrieved that the Learned Commissioner of Income Tax (Appeals) [in short learned CIT(A)] has reduced the addition for bogus purchase of Rs. 5,70,985/- done @ 25% by Assessing Officer by sustaining only 12.5%.

2. The assessee in this case is engaged into the business of building material supplier. The assessment was reopened upon information from sales tax department that assessee has made Rs. 22,83,941/- purchases from bogus dealers. The Assessing Officer made 25% addition of the bogus purchase for Rs. 5,70,985/-.

3. Upon assessee's appeal learned CIT-A has noted that the sales has not been doubted. Accordingly placing reliance upon several case laws and up on the facts of the case he sustained 12.5% disallowance out of the bogus purchases.

4. Against above order revenue is in appeal before the ITAT. None appeared on behalf of the assessee on the date for the hearing. I find that in this case the sales have not been doubted it is settled law that when sales are not doubted, hundred percent disallowance for bogus purchase cannot be done. The rationale being no sales is possible without actual purchases. This proposition is supported from honourable jurisdictional High Court decision in the case of Nikunj Eximp Enterprises (in writ petition no 2860, order dt. 18.6.2014). In this case the honourable High Court has upheld hundred percent allowance for the purchases said to be bogus when sales are not doubted. However the facts of the present case indicate that assessee has made purchase from the grey market. Making purchases through the grey market gives the assessee savings on account of non-payment of tax and others at the expense of the exchequer. In such situation in our considered opinion on the facts and circumstances of the case the 12.5 % disallowance out of the bogus purchases done by the learned CIT-A meets the end of justice. Accordingly I uphold the order of learned CIT-A.

5. The decision of N.K. Proteins Ltd. (250 ITR 22) relied by the revenue was a dismissal of SLP by the Hon'ble supreme court and has already been explained and distinguished by Hon'ble Bombay high court in the case of M Hazi Adam & Co. (ITA No. 1004 of 2006 dated 11.2.2019).

6. In the result this appeal filed by the revenue stands dismissed.

7. Before parting I may add that if the assessee has filed a cross appeal or cross objection and the same has remained unheard, either party may apply for recall of this order so that the appeals can be heard together.

Order pronounced under Rule 34(4) of the ITAT Rules on 14.10.2020.

Sd/-  
(SHAMIM YAHYA)  
ACCOUNTANT MEMBER

Mumbai; Dated : 14/10/2020

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent
3. The CIT(A)
4. CIT
5. DR, ITAT, Mumbai
6. Guard File.

//True Copy//

BY ORDER,

(Assistant Registrar)  
ITAT, Mumbai

PS