

Affidavits of Typist and CA admitting typographical error are not enough to delete addition for unaccounted purchases

Where Assessing Officer made additions to income of assessee a diamond exporter on ground that there was excess consumption of rough diamonds by rejecting assessee's explanation that it was only a typographical error and High Court relied on affidavits of typist and a Chartered Accountant and deleted additions, however, High Court had not properly appreciated and considered fact that affidavits were filed for first time before Tribunal and High Court had also not considered conduct of assessee in maintaining books of accounts outside regular books, impugned order passed by High Court was to be set aside.

Section 69C of the Income-tax Act, 1961 - Unexplained expenditure (Excess consumption of rough diamonds) - Assessee-firm was engaged in business of import of rough diamonds, manufacturing and export of polished diamonds - Assessing Officer observed that there was excess consumption of rough diamonds by 1.4 lakh carats and rejecting assessee's explanation that it was only a typographical error and actual consumption of rough diamonds was only 2.90 lakh carats and not 4.30 lakh carats as mentioned in audit report, made addition of Rs. 17.50 cores under section 69C - On appeal, Commissioner(Appeals) deleted addition, however, Tribunal restored addition observing that excess consumption of rough diamonds represented only purchase of rough diamonds outside books of account of assessee - However, High Court set aside order passed by Tribunal, solely relying upon two affidavits - one of typist and another of Chartered Accountant and accepted submission on behalf of assessee that there was a typographical error in audit report in which consumption was shown at 4.30 lakh carats and that actual consumption was 2.90 lakh carats - However, except for statement of assessee, no further material was produced to substantiate claim that figure of 4.30 lakh carat was a typing mistake - High Court did not properly appreciate and consider fact that affidavits of typist and Chartered Accountant, were filed for first time before Tribunal - Further it was noted that during search operation conducted on assessee and its group concern in 1999, duplicate cash book, ledger and other books showing unaccounted manufacturing and trading arrived at by assessee in diamonds were found and huge additions were made in assessee's group on basis of books so found - Assessee was maintaining books of accounts outside regular books, which was not at all considered by High Court in impugned order - Whether therefore, order passed by High Court was to be set aside and order of Tribunal confirming addition was to be restored - Held, yes [Paras 9 and 10][In favour of revenue]

Click below link for the judgment:

<https://taxmann.com/research/direct-tax-laws/top-story/101010000000334152/affidavits-of-typist-and-ca-admitting-typographical-error-are-not-enough-to-delete-addition-for-unaccounted-purchases-caselaws>

(Source: Taxmann.com)