IN THE INCOME TAX APPELLATE TRIBUNAL
VISAKHAPATNAM BENCH, VISAKHAPATNAM

BEFORE: SHRI SUNIL KUMAR YADAV, JUDICIAL MEMBER
AND
SHRI BR BASKARAN, ACCOUNTANT MEMBER

ITA Nos.143/Vizag/2011
Assessment Year:2007-08

ITO Ward-1, Rajahmundry (Appellant)	**Vs.**	**Yuvaraj Power Projects (P) Ltd., Rajahmundry** (Respondent) PAN No:AAACY 2430 P

Appellant By: **Shri TH. Lucas Peter, CIT (DR)**
Respondent By: **Shri G.V.N. Hari, CA**

Date of Hearing: 04-08-2011
Date of Pronouncement: 23-08-2011

ORDER

Per Shri B.R. Baskaran, Accountant Member:

The appeal of the revenue is directed against the order dated 24.01.2011 passed by the ld CIT (A) Rajahmundry and it relates to the Assessment Year 2007-08.

2. The revenue is challenging the decision of the ld CIT (A) on the following issues:

a) Partial relief granted on the addition pertaining to cash deposits of ₹23.00 lakhs.

b) Addition of ₹20,80,995/- relating to amounts standing in the name of Shri T.V. Satyanarayana.

c) Addition of ₹25.00 lakhs relating to share application money received from Shri K.S.V. Prasad.

3. The facts relating to the issues are stated in brief. The assessee filed its return of income for the year under consideration declaring a net loss of ₹3,45,550/-. However, the Assessing Officer completed the assessment by determining the total income at ₹65,57,640/-, which inter alia, included the three types of disallowances referred in the preceding paragraph. The assessee challenged the impugned disallowances before the ld CIT (A). In the appellate proceeding, the assessee submitted certain additional evidences relating to the above said three additions. Accordingly the ld CIT (A) called for a report from the Assessing Officer. In the remand report, the Assessing Officer accepted that there are evidences to prove the sources to the extent of ₹10 lakhs out of the addition of ₹23.00 lakhs. Accordingly the Assessing Officer observed that the balance amount of ₹13.00 lakhs should be sustained. Accordingly, the Learned CIT(A) sustained the addition to the extent of Rs.13.00 lakhs. With regard to the addition of ₹20,80,995/-, the Assessing Officer accepted the assessee has properly explained the sources there for. Accordingly, the Learned CIT(A) deleted the said addition. With regard to the addition of ₹25.00 lakhs, though the Assessing Officer accepted that the said amount is reflected in the return of income of Shri K.S.V. Prasad as share application money, the same is not reflected as "Share capital" in the books of the assessee company. In this connection, the assessee explained that the impugned amount was erroneously shown as "unsecured loan" in the books of the company initially. However, on noticing the mistake, it was transferred to "Share application money account" by passing necessary journal entry. It was further submitted that the impugned amount cannot be shown as "Share capital" until the allotment of shares. The ld CIT (A) was convinced with the said explanation of the assessee and accordingly deleted this addition also.

4. On a careful perusal of the record and after hearing the contentions of the Counsel, we notice that the ld CIT (A) has given relief only on the basis of remand report furnished by the Assessing Officer. In respect of addition of

₹25.00 lakhs, the assessee had duly explained the defect that was pointed out by the Assessing Officer and accordingly the ld CIT (A) has given relief. In these circumstances, we do not find any infirmity in the decision of the ld CIT (A) on all the three issues. Accordingly we dismiss the appeal filed by the revenue.

5. In the result the appeal of the revenue is dismissed.

Pronounced in the open Court on 23rd August, 2011.

Sd/-	Sd/-
(SUNIL KUMAR YADAV)	(B R BASKARAN)
Judicial Member	Accountant Member

PVV/SPS
Visakhapatnam,
Date:23-08-2011

Copy to

1 The ITO Ward-1, Rajahmundry
2 M/s Yuvaraj Power Projects (P) Ltd., D.No.77-8-4 RTC Complex Road, Rajahmundry
3 The CIT –Rajahmundry
4. The CIT(A), Rajahmundry
5 The DR, ITAT, Visakhapatnam.
6 Guard file.

By Order

Senior Private Secretary
INCOME TAX APPELLATE TRIBUNAL
Visakhapatnam