

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI “B” BENCH: NEW DELHI**

**BEFORE SHRI ANUBHAV SHARMA, JUDICIAL MEMBER &
SHRI MANISH AGARWAL, ACCOUNTANT MEMBER**

ITA No.3387/Del/2024

[Assessment Year : 2017-18]

ACIT R.No.-804, E-2 Block, Civic Centre Minto Road, Delhi-110002	vs	Rich Food Corporation B-78, Wazirpur Industrial Area, Delhi, Delhi-110052. PAN-AASFR2216H
APPELLANT		RESPONDENT
Revenue by		Ms. Indu Bala Saini, Sr. DR
Assessee by		None
Date of Hearing		22.01.2026
Date of Pronouncement		08.04.2026

ORDER

PER MANISH AGARWAL, AM :

The present appeal is filed by Revenue against the order dated 31.05.2024 by Ld. Commissioner of Income Tax (A), National Faceless Appeal Centre (“NFAC”), Delhi [“Ld. CIT(A)”] in Appeal No. CIT(A), Delhi-12/10257/2019-20 passed u/s 250 of the Income Tax Act, 1961 [“the Act”] arising out of assessment order dated 23.12.2019 passed u/s 143(3) of the Act pertaining to Assessment Year 2017-18.

2. Brief facts of the case are that the assessee is a company and e-filed its return of income on 02.09.2017, declaring total income of INR 43,18,340/-. The case was selected for complete scrutiny and after considering the submissions made, assessment was completed at an income of INR 2,81,57,440/- after making trading addition of INR 2,20,44,251/- by increasing the G.P rate by 2.66% and AO further disallowed business promotion expenses to the extent of INR 17,94,849/-.

3. None appeared on behalf of the assessee and Ld. Sr. DR for the Revenue was heard at length.

4. Heard the contention of Ld. Sr. DR for the Revenue and perused the material available on record. In **Ground of appeal No.1** raised by the Revenue, it is observed that the AO has estimated the income of assessee by applying G.P. rate of 5.90% i.e. G.P rate declared in the immediately preceding year. Explanation of the assessee before Ld. CIT(A) was that there was fluctuation in the market and assessee filed report of Department of Agriculture and Co-operation (“DAC”), Agmarknet & Agriwatch, according to which the prices of pulses had fallen from December, 2016 onwards. The assessee further claimed that turnover in the immediately preceding year was of INR 2.86 crores only as against the turnover of INR 82.82 crores in the year under appeal. Thus, the figure of sales of immediately preceding year are not comparable. It is further observed that Ld.CIT(A) while deleting the addition made, has observed that AO has not pointed

out any specific defect to justify the estimation of income by applying G.P. rate. Considering the overall facts of the case, in our considered opinion when the income is estimated by applying GP rate, average of past 05 years GP is to be applied and not of immediately preceding assessment year. Accordingly, we direct the AO to apply average G.P. rate of preceding Five assessment years and made the addition. In case, the average G.P. rate of past 05 years is below than the G.P rate declared in the year under appeal, no addition is required to be made. With this direction, Ground of appeal No.1 raised by the Revenue is partly allowed.

5. **Ground of appeal No.2** raised by the Revenue is with respect to the deletion of disallowance of INR 17,94,849/- made out of business promotion expenses.

6. Heard the Ld. Sr. DR for the Revenue and perused the material available on record. It is observed that Ld. CIT(A) had deleted the disallowance by appreciating the bills and invoices filed by the assessee however, the AO observed that the assessee has not filed any supporting evidences in respect of the expenses claimed. It appears that ld. CIT(A) has admitted additional evidences without providing any opportunity to the Ao for making comments. Looking to these facts, we remand this issue to the file of AO with the direction to verify the bills and invoices produced by the assessee before Ld.CIT(A) and decide the issue in accordance with law. With these

directions, Ground of appeal No.2 raised by the Revenue is allowed for statistical purposes.

7. In the result, appeal of the Revenue is partly allowed.

Order pronounced in the open Court on 08.04.2026.

Sd/-

**(ANUBHAV SHARMA)
JUDICIAL MEMBER**

Sd/-

**(MANISH AGARWAL)
ACCOUNTANT MEMBER**

Date:- 08.04.2026

Amit Kumar, Sr.P.S

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT
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ASSISTANT REGISTRAR
ITAT, NEW DELHI