

**Assessment u/s 144 of Income tax act - estimation of income -
Method of accounting - Non rejection of books of account -
disallowance of expenses, addition of inflated purchases and
protective addition of cash found and seized -**

Pick and choose method of rejecting certain entries without rejecting complete books of accounts

DELHI HIGH COURT

.- ITA 862/2019 and ITA 863/2019

Dated.- March 1, 2024

The series of judgments referred to herein clearly allude to the settled position of law that the books of account have to be necessarily rejected before the AO proceeds to the best judgment assessment upon fulfilment of conditions mentioned in the Act. The underlying rationale behind such an action is to meet the standards of correct computation of accounts for the purpose of a more transparent and precise assessment of income. Therefore, any pick and choose method of rejecting certain entries from the books of account while accepting other, without an appropriate justification, is arbitrary and may lead to an incomplete, unreasonable and erroneous computation of income of an assessee.

In the present case, the ITAT has made a categorical finding that despite the fact that the AO was provided with the requisite bills, vouchers and addresses of the transacting parties, it did not make any effort to confirm the veracity of the alleged bogus or inflated bills.

Cases relied upon

CIT v. Gian Chand Labour Contractors [2007 SCC OnLine P&H 1577

Principal Commissioner of Income-tax v. Marg Ltd. [2017 SCC OnLine Mad 37852],

Karnataka High Court - CIT v. Anil Kumar & Co. [2016 SCC OnLine Kar 8512],

Principal Commissioner of Income-tax v. Swananda Properties Pvt. Ltd. [2019 SCC OnLine Bom 13359]

Hon'ble Supreme Court in the case of Sargam Cinema, Haldwani v. Commissioner of Income-tax, Haldwani [(2010) 15 SCC 546]