

Transactions in Client Ledger Account are Transactions entered in Ordinary Course of Business

FACT OF THE CASE

1. The assessee company, Futurz Next Services is a member of recognized stock exchanges i.e., National Commodity and Derivatives Exchange Ltd.(NCDEX) and Multi Commodity Exchange of India Ltd. (MCX) and providing trading services in commodity markets through NCDEX and MCX.
2. A search and seizure operation u/s 132 of the Income Tax Act, 1961 was initiated in the case of assessee company as part of search proceedings on Jaypee Group
3. The assessee while supporting the order of the CIT(A) submitted that the CIT(A) deleted the same on the ground that the transactions in the client ledger account are transactions entered in the ordinary course of business and are relating to sale/purchase of shares, currency/derivatives only.
4. He submitted that the amount which has been credited and debited in the account of the assessee is in association with the said party is on account of business transaction and transacted by the assessee being a client and shareholder of the company.
5. The coram of Judicial Member Kuldeep and Accountant Member, R.K. Panda held that the AO made addition u/s 2(22)(e) on the ground that the advances in the nature of 'loan and advance' has been received by the assessee from M/s Jaypee Capital Services Ltd. and the assessee company has more than 10% shareholding in Jaypee Capital Services Ltd.

DECISION OF THE CASE

The CIT(A) deleted the addition made by the AO holding that the transactions in the client ledger account are transactions entered in the ordinary course of business and are relating to sale/purchase of shares/currency/derivatives only.