

IN THE INCOME TAX APPELLATE TRIBUNAL "SMC", BENCH KOLKATA
BEFORE SHRI J.SUDHAKAR REDDY, AM
आयकर अपील सं./ITA No.1432/Kol/2016

(निर्धारण वर्ष /Assessment Year:2011-2012)

Indiana Textiles Mill, 10A, Madan Mohan Burman Street, Kolkata-700007	Vs.	ACIT, Circle-43, 3, Government Place(West), Kolkata-700001
स्थायी लेखा सं./जीआइआर सं./PAN/GIR No. : AAAFI 6173 Q		
(अपीलार्थी /Appellant)	..	(प्रत्यर्थी / Respondent)

निर्धारिती की ओर से /Assessee by: Sh.Subash Agarwal, Advocate

राजस्व की ओर से /Revenue by : Shri Saurabh Kumar, Addl.CIT

सुनवाई की तारीख / **Date of Hearing** : **12/04/2017**

घोषणा की तारीख/**Date of Pronouncement** **28/04/2017**

आदेश / O R D E R

This is an appeal filed by the assessee directed against the order of the Commissioner of Income Tax (Appeals)-13 Kolkata, dated 15/03/2016 for the assessment year 2011-12.

2. The assessee is a manufacturer of hosiery goods. He submits that this involves a number of processes like knitting, dying, bleaching, cutting, stitching and packing. The assessee filed its return of income 30/09/2011 for the assessment year 2011-12 declaring income of Rs.10,50,751/-. The assessing officer completed assessment under section 143(3) on 27/03/2014 computing the total income at Rs.43,74,484/-, *inter alia*, making additions for undervaluation of closing stock, donations and subscriptions, travelling expenses, telephone and conveyance expenses etc. Aggrieved the assessee carried the matter before the Id. CIT(A) in appeal. The Ld. CIT(A) granted part relief. Further aggrieved, the assessee is before us.

3. I have heard Sh. Subash Agarwal the Ld. counsel for the assessee and Sh. Sourav Kumar the Ld. Senior DR on behalf of the revenue. On a careful consideration of the facts and circumstances of the case and a perusal of the papers on record and the orders of the authorities below as well as case laws cited, I hold as follows:

3.1 Ground No. 1 is general in nature.

3.2 Ground No. 2 is against the sustenance of the addition by the Id. CIT(A) of Rs.23,18,166/- made by the AO, on the ground that there is under valuation of closing stock, insofar as expenses like carriage and freight, coolie & cartage and clearing and forwarding incurred by the assessee have not been proportionately included in the closing stock valuation. The assessee has submitted that the aforesaid expenditure was incurred while dispatching the goods to various customers and are not in any way connected with the manufacturing cost. It was further submitted that the assessee was consistently following this method of stock valuation and the revenue has been accepting the same over the years. It was pointed out that under Accounting Standard-2 issued by the ICAI for valuation of closing stock, the cost of inventories do not include expenses that are incurred for dispatch of finished goods. The Ld. CIT(A) was of the view that the assessee had not made such an argument before the assessing officer and has not submitted the details of the cost incurred by bringing the raw material to the location of the assessee. In my view, this is not a ground to confirm the addition made by the AO. The assessing officer, in this case, has not given any show cause notice to the assessee and, hence, the assessee had no occasion to present its case before the AO. The assessee has been consistently valuing its closing stock over the years in the method which was followed this year also. The revenue has been accepting the same. Under the circumstances, I am of the opinion that the addition made on the ground that there is under valuation of closing stock is arbitrary and made on mere conjectures and surmises. Hence, I allow ground No. 2 raised by the assessee by deleting the addition.

3.3 Ground No. 3 is against the sustenance of disallowance by the Id. CIT(A) of Rs.9,950/- made by the AO on the alleged ground that the expenses claimed for payments made to local clubs/societies are not allowable. Assessee's case is that these payments were made on

different social and cultural occasions to maintain harmonious business environment. Payments on the occasion of festivities like Pooja etc are common and are incurred for the sake of keeping harmonious business environment. This cannot be disallowed as the same is allowable under section 37 of the income tax act. Hence, this ground is allowed.

3.4 Ground No. 4 and 5 are against the ad hoc disallowance of 20% of the expenditure claimed on travelling, telephone and conveyance. After hearing rival contentions, I am of the considered opinion that the disallowance of 10% of the expenses claimed would meet their ends of Justice.

4. In the result the appeal of the assessee is partly allowed.

Order pronounced in the open court on this 28/04/2017.

Sd/-

(J. SUDHAKAR REDDY)

लेखा सदस्य / ACCOUNTANT MEMBER

कोलकाता /Kolkata; दिनांक Dated 28/04/2017

प्रकाश मिश्रा/Prakash Mishra, Sr.PS.

आदेश की प्रतिलिपि अग्रेषित/Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant-Indiana Textiles Mill
2. प्रत्यर्थी / The Respondent.-ACIT, Cir-43, Kolkata
3. आयकर आयुक्त(अपील) / The CIT(A), Kolkata.
4. आयकर आयुक्त / CIT
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, कोलकाता / DR, ITAT, Kolkata
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

सहायक पंजीकार

(Asstt. Registrar)

आयकर अपीलीय अधिकरण,
कोलकाता / ITAT, कोलकाता

सत्यापित प्रति //True Copy//