

आयकर अपीलीय अधिकरण, 'ए' न्यायपीठ, चेन्नई
IN THE INCOME TAX APPELLATE TRIBUNAL, 'A' BENCH, CHENNAI
श्री वी.दुर्गा राव, न्यायिक सदस्य एवं श्री जी.मंजुनाथ, लेखास दस्य के समक्ष
BEFORE SHRI V.DURGA RAO, JUDICIAL MEMBER
AND SHRI G. MANJUNATHA, ACCOUNTANT MEMBER

आयकरअपीलसं./I.T.A.No.2075 & 2076/Chny/2018

(निर्धारणवर्ष / Assessment Years: 2012-13 & 2013-14)

M/s. Parameshwara Mangalam Steels Pvt. Ltd. C-36, Second Avenue, Anna Nagar Chennai-600 040. PAN: AAFCP 1830K (अपीलार्थी/Appellant)	Vs	The Deputy Commissioner of Income Tax, Circle-I Tiruchirapalli. (प्रत्यर्थी/Respondent)
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अपीलार्थीकीओरसे/ Appellant by	:	None
प्रत्यर्थीकीओरसे/Respondent by	:	Mr. AR V Sreenivasan, Addl.CIT

सुनवाईकीतारीख/Date of hearing	:	29.12.2021
घोषणाकीतारीख /Date of Pronouncement	:	03. 01.2022

आदेश / ORDER

PER G.MANJUNATHA, AM:

These two appeals filed by the assessee are directed against separate, but identical orders passed by the learned Commissioner of Income Tax (Appeals)-1, Tiruchirapalli, both dated 13.04.2018 and pertain to assessment years 2012-13 & 2013-14. Since, facts are identical and issues are common, for the sake of convenience, these appeals were heard together and are being disposed off, by this consolidated order.

2. The assessee has more or less raised common grounds of appeal for both these assessment years, therefore, for the

sake of brevity, grounds of appeal filed for the assessment year 2012-13 are reproduced as under:-

“1. The order of the authorities below in so far as it is against the Appellant is opposed to law, equity, weight of evidence, probabilities and the facts and circumstances in the Appellant’s case.

2. The learned Commissioner of Income-tax (Appeals) - 1, Tiruchirapalli,, ought to have appreciated that the order of assessment passed by the teamed Assessing Officer is barred by Limitation as envisaged in the provision of section 153 of the Act, under the facts and circumstances of the case.

3. The Appellant denies himself Liable to be assessed at a total income of an amount being Rs.14,05,17,960/-, as against the loss returned of an amount being Rs.20,86,85,943/-, under the facts and circumstances of the case.

4. Whether the (earned Authorities below are justified to assess the income of the Appellant at Rs.14,05,17,960/-, when there is an inadvertent error in valuing the closing stock, under the facts and circumstances of the case.

5. Whether the learned Authorities below are justified in not appreciating the fact that the Appellant had erroneously valued the closing stock on cost instead of the method to be adopted under section 145 of the Act, under the facts and circumstances of the case.

6. Whether the Learned Authorities below are justified in accepting the closing stock value declared in original return as correct value, as the method of valuing itself is wrong, under the facts and circumstances of the case.

7. The learned Authorities ought to have appreciated the fact that the value of closing stock adopted in the revised return was as per the method of accounting under section 145 of the Act, under the facts and circumstances of the case.

8. The learned Authorities below have failed to appreciate the fact that the Appellant is consistently following the method of valuing the closing stock at cost or market price whichever is less, under the facts and circumstances of the case.

9. The Appellant denies himself liable to be charged to interest under section 234B & 234C of the Income Tax Act and requires to be cancelled on the facts and circumstances of the case."

3. Brief facts of the case extracted from ITA No. 2075/Chny/2018 for assessment year 2012-13 are that the assessee is in the business of manufacturing steel filed its return of income for assessment year 2012-13 on 30.09.2012 declaring total income of Rs.14,05,17,960/-. The case was selected for scrutiny and during the course of assessment proceedings, the Assessing Officer noticed that survey was conducted in the business premises of the assessee on 12.02.2013 to collect details of bank accounts and sundry debtors for recovery of unpaid self-assessment tax. The Assessing Officer further noted that in the tax audit report, the assessee claims to have valued closing stock at lower of the cost or market price, however, in the return of income filed for the year closing stock was valued at market price. The said mistake was brought to the notice of the assessee for which the assessee has filed revised return on 18.09.2013 correcting valuation of closing stock by adopting cost or market price, whichever is less, which resulted in loss of Rs.10,11,80,412/- as

against income declared at Rs.14,05,17,960/- in the original return of income filed for the year. During the course of assessment proceedings, the Assessing Officer recorded statement from Shri K.Thirupathaiah, C.A., who prepared final accounts of the company and tax audit report. In the said statement, he stated that closing stock of the company as on 31.03.2012 was valued at cost and was certified by the Managing Director. Further, Mr. Rajesh Jagind, who prepared second audit report in a statement recorded u/s.131 has stated that closing stock was valued at cost or market price, whichever is less and same was certified by the Managing Director. Based on the two sets of financial statements, the Assessing Officer noted that the assessee having open cash credit facility with Andhra Bank and said loan was primarily secured by hypothecation of stock. Therefore, based on the stock statement submitted to the bank, a proposal was sent to the assessee on 24.12.2015 to adopt closing stock value as stated in the original return along with a draft assessment order calling for objection, if any, from the assessee on or before 30.03.2015. Since, the assessee has not filed its objections

before stated date, the Assessing Officer has adopted closing stock as per original return of income and assessed income as per original return at Rs.14,05,17,960/- .

4. Being aggrieved by the assessment order, the assessee preferred an appeal before the learned CIT(A). Before the learned CIT(A), the assessee neither filed any details nor justified its case, however, expressed its inability to furnish details on the ground that factory premises has been attached by banks for non-payment of loans. The learned CIT(A), after taking note of various facts brought out by the Assessing Officer and also assessee's inability to furnish any further evidences, confirmed additions made by the Assessing Officer towards difference in value of closing stock on the ground that no evidence or details forthcoming from the assessee to justify adoption of different value for closing stock. Aggrieved by the learned CIT(A) order, the assessee is in appeal before us.

5. None appeared on behalf of the assessee. We have heard learned DR and perused materials available on record and gone through orders of the authorities below. Admittedly,

there are two sets of financial statements prepared by the assessee, one filed along with original return of income and another was filed along with revised return of income and further, both financial statements are certified by two different Chartered Accountants. The case of the assessee before the Assessing Officer was that there is an error in valuation of closing stock, which resulted in higher income returned in original return of income. The assessee has further claimed that although, it has followed cost or market price whichever is less for valuation of closing stock, but by inadvertent error, market price has been adopted for valuation which resulted in higher value of closing stock. The assessee has further claimed that said anomaly was rectified by filing revised return of income. The Assessing Officer did not accept arguments of the assessee for simple reason that two sets of financial statements have been certified by two different Chartered Accountants and further, no evidence has been filed to justify said difference, even though the Assessing Officer has given a proposal for adoption of closing stock as per original return of income. Since, the assessee has not filed any objection for adoption of

closing stock, as per original return of income, the Assessing Officer has assessed income on the basis of valuation of closing stock at market price. Before the first appellate authority, the assessee neither filed any details nor justified its case, but has expressed its inability to file any details on the ground that factory premises was attached by banks for non-payment of dues. Even before us, the assessee neither appeared nor filed any details to justify its case. Therefore, we are of the considered view that there is no error in reasoning given by the Assessing Officer as well as learned CIT(A) to make additions towards difference in value of closing stock on the basis of valuation of stock at market price. Hence, we are inclined to uphold findings of the learned CIT(A) and dismiss appeal filed by the assessee.

6. In the result, appeal filed by the assessee is dismissed

ITA No. 2076/Chny/2018 (A.Y.2013-14):

7. The facts and issues involved in the present appeal are identical to the facts and issues which we have considered in ITA No.2075/Chny/2018 for assessment year 2012-13. The reasons given by us in preceding paragraph in ITA

No.2075/Chny/2018 shall *mutatis mutandis* apply to this appeal, as well. Therefore, for similar reasons, we are inclined to uphold findings of the learned CIT(A) and dismiss appeal filed by the assessee.

8. In the result, appeals filed by the assessee for both assessment years are dismissed.

Order pronounced in the open court on 3rd January, 2022

Sd/-
(वी.दुर्गा राव)
(V.Durga Rao)
न्यायिक सदस्य /Judicial Member

Sd/-
(जी. मंजुनाथ)
(G.Manjunatha)
लेखा सदस्य / Accountant Member

चेन्नई/Chennai,

दिनांक/Dated 3rd January, 2022

DS

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. Appellant
2. Respondent
3. आयकर आयुक्त (अपील)/CIT(A)
4. आयकर आयुक्त/CIT
5. विभागीय प्रतिनिधि/DR
6. गार्ड फाईल/GF.app