

**आयकर अपीलीय अधिकरण 'ए' न्यायपीठ चेन्नई में।**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**'A' BENCH, CHENNAI**

**माननीय श्री महावीर सिंह, उपाध्यक्ष एवं**  
**माननीय श्री मनोज कुमार अग्रवाल, लेखा सदस्य के समक्ष।**  
**BEFORE HON'BLE SHRI MAHAVIR SINGH, VICE PRESIDENT AND**  
**HON'BLE SHRI MANOJ KUMAR AGGARWAL, AM**

आयकर अपीलसं./ITA No.268/Chny/2021  
(निर्धारणवर्ष / Assessment Year: 2016-17)

M/s. Jaishni Packs Pvt. Ltd. No.21/1, Palaniyappa Nagar, Ukkadam-Selvapuram Bye-Pass Road Coimbatore – 641 026.	बनाम/ Vs.	ACIT Corporate Ward-2, Coimbatore.
स्थायी लेखासं./जीआइआरसं./PAN/GIR No. AACCCJ-6489-M		
(अपीलार्थी/Appellant)	:	(प्रत्यर्थी / Respondent)

अपीलार्थीकीओरसे/ Appellant by	:	Shri T. Vasudevan (Advocate)-Ld. A.R
प्रत्यर्थीकीओरसे/Respondent by	:	Shri ARV Sreenivasan (Addl. CIT) – Ld. Sr. DR

सुनवाईकीतारीख/ Date of Hearing	:	12-04-2022
घोषणाकीतारीख / Date of Pronouncement	:	18-04-2022

**आदेश / ORDER**

**Manoj Kumar Aggarwal (Accountant Member):**

1. Aforesaid appeal by assessee for Assessment Year (AY) 2016-17 arises out of the order of learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi [in short CIT(A)] dated 25.06.2021 in the matter of assessment framed by the Ld. Assessing Officer [AO] u/s. 143(3) of the Act dated 30.11.2018. The grounds raised by the assessee read as under:

1. The order of the NFAC dismissing the appeal is contrary to law erroneous and unsustainable on the facts of the case.
2. The NFAC erred in confirming the addition of Rs.19,40,306 as the difference in closing stock arrived at by the officer.
3. The NFAC failed to appreciate that the entire amount pertains to the stock of packing tapes, adhesive and paper core that were rejected by the customers and lying with the assessee in the godown as waste material and hence did not carry any value to be considered in the closing stock valuation.
4. The NFAC further failed to appreciate that defects arising in the manufacturing process and which does not meet the specifications of customers are unusable and rejects and therefore any value on such items would show an artificial figure without those goods actually available for sale.
5. The NFAC further failed to appreciate that these are unsaleable inventory which had to be destroyed and so the assessee was justified in valuing the stock at Nil as against the officer imputing value to such discarded material and therefore confirming the addition to the closing stock was wholly unjustified and unsustainable on the facts of the case.
6. The NFAC further failed to appreciate that the valuation of the closing stock was in accordance with Accounting Standards, AS-2 and that none of the submissions addressed by the assessee were considered before confirming the addition and that a proper appreciation of the facts placed on record would show that the addition was uncalled for and needs to be deleted.
7. The NFAC, in any event, was not justified in confirming the addition to the closing stock without taking cognizance of the explanations given by assessee and that the addition is to be deleted in its entirety.

As evident, the assessee is aggrieved by confirmation of certain addition on account of valuation of stock.

2. Having heard rival submissions and after due consideration of orders of lower authorities, our adjudication would be as under.
3. The assessee being resident corporate assessee is stated to be engaged in manufacturing and selling of self-adhesive tapes and packing tapes which is used as packing material. During assessment proceedings, the assessee could not tally the stock figures and accordingly, Ld. AO made addition of Rs.19.40 Lacs on account of valuation of stock. The impugned addition was made on account of the fact that there was difference in closing stock figures as on 31.03.2015 and opening value as on 01.04.2015. The reasons were stated to be vague and irrelevant. There was difference in stock value as given to the bank as against the value reflected in the income tax return. The

assessee could not furnish any stock register. Though the assessee preferred further appeal, however, the assessment was confirmed against which the assessee is in further appeal before us. The Ld. AR submitted that closing stock included rejected / waste stock and pleaded for another opportunity to substantiate its case.

4. Considering the submissions made before us, we set aside the impugned order and restore the matter back to the file of Ld. CIT(A) for re-adjudication by way of speaking order with a direction to the assessee to reconcile the stock differences. Needless to add that adequate opportunity of hearing shall be granted to the assessee.

5. The appeal stands allowed for statistical purposes.

Order pronounced on 18<sup>th</sup> April, 2022.

**Sd/-**  
**(MAHAVIR SINGH)**  
**उपाध्यक्ष /VICE PRESIDENT**

**Sd/-**  
**(MANOJ KUMAR AGGARWAL)**  
**लेखासदस्य /ACCOUNTANT MEMBER**

चेन्नई/ Chennai; दिनांक/ Dated : 18-04-2022  
**EDN**

**आदेशकीप्रतिलिपिअग्रेषित/Copy of the Order forwarded to :**

1. अपीलार्थी/Appellant 2. प्रत्यर्थी/Respondent 3. आयकरआयुक्त (अपील)/CIT(A)4.  
आयकरआयुक्त/CIT 5. विभागीयप्रतिनिधि/DR 6. गार्डफाईल/GF