

आयकर अपीलीय अधिकरण "ए" न्यायपीठ पुणे में।
IN THE INCOME TAX APPELLATE TRIBUNAL "A" BENCH,
PUNE

BEFORE SHRI PARTHA SARATHI CHAUDHURY, JM
AND DR. DIPAK P. RIPOTE, AM

आयकर अपीलसं. / ITA No.2654/PUN/2017
निर्धारणवर्ष / Assessment Year : 2012-13

RacoldThermo Private Limited (Formerly known as RacoldThermo Limited), Gat No.265/374-376, Kharabwadi, Chakan-Talegaon Road, Tal.Khed, Chakan, Pune - 410501. PAN No. AAECM 0766 G	Vs	The Assistant Commissioner of Income Tax, Circle-10, Pune.
Appellant/ Assessee		Respondent /Revenue

Assessee by	Shri Ketan Ved- AR
Revenue by	Shri S.P.Walimbe- DR
Date of hearing	25/03/2022
Date of pronouncement	12/05/2022

आदेश/ ORDER

PER: DR. DIPAK P. RIPOTE, AM:

This is an appeal filed by the Assessee directed against the order of Id.Commissioner of Income Tax(Appeals)-6, Pune,(in short, the CIT(A) in Appeal No.PN/CIT(A)-V/ACIT Cir-10/103/2016-17dated 30/08/2017 for the Assessment Year 2012-13.The Assessee has raised following grounds of appeal:

“1:0 Re: Disallowance of provision for obsolescence of inventory:

- 1:1 *The Commissioner of Income Tax (Appeals) has erred in confirming the disallowance on account of provision for obsolescence of inventory amounting to Rs. 60,00,000/-.*
- 1:2 *The appellant submits that considering the facts and circumstances of its case and the law prevailing on the subject, no disallowance whatsoever is called for out of the provision made by the Appellant for obsolescence of inventory and the stand taken by the Assessing officer in this regard is erroneous and not in accordance with law and the Commissioner of Income Tax (Appeals) ought to have held as under:*
- 1:3 *The Appellant submits that the Assessing Officer be directed to delete the disallowance and to re-compute its total income accordingly.*

2:0 Re.:General:

2:1 *The Appellant craves leave to add, alter, amend and/or substitute and/or modify in any manner whatsoever modify all or any of the foregoing grounds of appeal at or before the hearing of the appeal.”*

2. Brief facts of the case are that the assessee had shown an opening balance towards provision for obsolescence. The Assessing Officer(AO) asked assessee to explain. The assessee claimed that due to technological advancement the finished goods as well as spare parts become obsolete after one(01) year. The assessee claimed that company follows valuation policy based on which each item wise analysis is carried out to determine if a particular item has become obsolete or not. The assessing officer decided that in the absence of any documentary evidence to suggest that particular items have market value nil or half of the cost price, the value of inventory cannot be reduced. The AO after an elaborate discussion made addition of Rs.74,00,000/-. Aggrieved by the same the assessee filed an appeal before the Ld.Commissioner of Income Tax (appeal). The Ld.Commissioner of Income Tax (appeal) upheld the addition. aggrieved by the same the appellant assessee filed appeal before this Tribunal.

3 The only issue to be decided is the valuation of the so-called obsolete inventory and whether the provision of obsolete inventory is allowed or not. It was submitted by the Ld.AR that in assessee's own case for AY 2011-12, this Tribunal in appeal no.ITA 2920/Pun/2016 & ITA 499/PUN/2017 has set aside the issue to the file of the AO.

4. On the other hand, the Ld. Departmental Representative(ld.DR) for the Revenue explained that the issue involved in A.Y. 2011-12 and present appeal is same and he accepted that the ITAT in earlier year has set aside the matter to AO for verification.

5. We have heard both the parties, perused the material available on record. It is observed that the issue of valuation of obsolete inventory has been decided by the ITAT for AY 2011-12. It is also observed that the Assessing Officer in the assessment order for AY 2012-13 has followed the earlier assessment order.

5.1 The Hon'ble ITAT Pune in ITA No.2920/PUN/2017 for AY 2011-12 has held as under:

Quote “

14. In the present case, though the appellant made a provision for obsolescence of stock of finished goods following a methodology but it was not demonstrated before us that there was o under-valuation of the finished goods or spares and the excess provision, if any, was written back in the succeeding year or in the year of sale of obsolete stock, etc. nor was it demonstrated that obsolete stock was valued at lower of cost or net realizable value. In the circumstances, in principle, we hold that the provision for obsolete stock is allowable but it requires to be satisfied that the value of obsolete items of finished goods is valued on the cost or market price whichever is less. In the circumstances, we remand the matter back to the file of Assessing Officer with a direction that the provision for obsolete stock be allowed as deduction subject to satisfying himself that the valuation is done based on the principle that at cost or market price or net realizable value, whichever is less. Thus, this ground of appeal is allowed for statistical purposes.” Unquote.

The Hon'ble ITAT Pune has followed the Hon'ble Bombay High Court's decision in the case of Alfa Laval India vs. DCIT 266 ITR 418.

5.2 As mentioned earlier the issue involved is same. Hence, respectfully following the order of Hon'ble ITAT(supra) we remand the issue to the file of the Assessing Officer with a direction that the provision for obsolete stock to be allowed as deduction subject to Assessing Officer himself satisfying that the valuation is done based on the principle of cost, or market price or net realisable value whichever is less. Accordingly, the Ground No.1 is allowed for the statistical purpose.

6. The Ground No.2 is general in nature, the appellant has not altered, amended any grounds, hence the Ground No.2 is dismissed.

7. In the result, the appeal of the assessee is Allowed for Statistical Purpose.

Order pronounced in the open Court on 12th May 2022.

Sd/-
(PARTHA SARATHI CHAUDHURY)
JUDICIAL MEMBER

Sd/-
(DR. DIPAK P. RIPOTE)
ACCOUNTANT MEMBER

पुणे / Pune; दिनांक / Dated : 12th May, 2022 / SGR*

आदेशकीप्रतिलिपिअग्रेषित / Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant.
2. प्रत्यर्थी / The Respondent.
3. The CIT(A) concerned.
4. The Pr. CIT concerned.
5. विभागीयप्रतिनिधि, आयकरअपीलीयअधिकरण, "ए" बेंच, पुणे / DR, ITAT, "A" Bench, Pune.
6. गार्डफ़ाइल / Guard File.

आदेशानुसार / BY ORDER,

// TRUE COPY //

Senior Private Secretary
आयकरअपीलीयअधिकरण, पुणे/ITAT, Pune.