

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

श्री महावीर सिंह, उपाध्यक्ष एवं श्री जी. मंजुनाथ, लेखा सदस्य के समक्ष

**BEFORE SHRI MAHAVIR SINGH, VICE PRESIDENT AND
SHRI G. MANJUNATHA, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No.: **738/CHNY/2020**

निर्धारण वर्ष/Assessment Year: 2014 - 15

M/s. Swati Traders,
6/8, College Road,
1st First Cross,
Tirupur – 641 602.

The ACIT,
vs. Circle -2,
Tirupur.

PAN: ABVFS 9743E

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/Appellant by

: Shri T. Banusekar, CA

प्रत्यर्थी की ओर से/Respondent by

: Shri AR.V. Sreenivasan, Addl.CIT

सुनवाई की तारीख/Date of Hearing

: 31.10.2022

घोषणा की तारीख/Date of Pronouncement

: 31.10.2022

आदेश /O R D E R

PER MAHAVIR SINGH, VICE PRESIDENT:

This appeal by the assessee is arising out of the order of the Commissioner of Income Tax (Appeals)-2, Coimbatore-3 in Appeal No.CIT(A),Coimbatore-3/10448/2016-17 dated 28.07.2020. The assessment was framed by the ACIT, Circle-2, Tirupur for the assessment year 2014-15 u/s.143(3) of the Income Tax Act, 1961 (hereinafter the 'Act') vide order dated 27.12.2016.

2. The only issue in this appeal of assessee now argued before us is that the CIT(A) erred in upholding the addition made by the AO being difference in valuation of closing stock of gold ornaments at Rs.6,53,24,552/-. For this, assessee has raised various grounds running into 13 numbers but all those are argumentative, exhaustive and hence, need not be reproduced.

3. We have heard rival contentions and gone through facts and circumstances of the case. Brief facts are that the assessee is engaged in the business of manufacturing and selling of jewellery. The AO during the course of scrutiny assessment proceedings noted that the assessee is having branches at Trichy, Vellore and Ooty with head office at Tirupur. The assessee submitted the consolidated statement of closing stock valuation as on 31.03.2014 by adopting rate of Rs.2610 per gram for closing stock of gold jewellery of 2,72,185.634 grams. The AO noted that the rate adopted by assessee for branch transfer are notional, the purchases from third parties are considered and therefore, he adopted the valuation of closing stock of gold ornament at the rate of Rs.2850 per gram by taking the following:-

Date	Name of the Supplier	Rate per gram
01.04.2013	Gajaananda Jewellery Mart India Pvt. Ltd.	Rs.2835.41
14.03.2013	Surana Corporation LTd	Rs.2862.00
24.09.2013	Mohanlal Jewellers Ltd	Rs.2855.58
30.09.2013	Mohanlal Jewellers Ltd	Rs.2847.21
30.12.2013	Emerald Jewellery India Ltd	Rs.2855.87

The AO has given various reasons and finally taking the rate at Rs.2850/- per gram adopted the valuation of closing stock of gold jewellery of 2,72,185.634 grams and arrived at the value of closing stock of Rs.77,57,29,056.90. The difference between the closing stock disclosed by assessee and as arrived by the AO at Rs.6,53,24,552.16 was added to the returned income of the assessee. Aggrieved, assessee preferred appeal before the CIT(A). The CIT(A) more or less adopted the same rate and reasoning and dismissed the appeal of assessee. Aggrieved, assessee came in appeal before the Tribunal.

4. We have heard rival contentions and gone through facts and circumstances of the case. Before us, the Id.AR for the assessee challenged the very adoption of valuation of closing stock on purchase from third parties and rate adopted for earlier years as well as this year, as pointed by assessee's counsel. He only requested that the rate adopted by the assessee at Rs.2610/- per

gram for valuing the closing stock is also without any basis and further, the rate adopted by the Department is at Rs.2850/- per gram is also not at all based on any method. He referred to the Wealth Tax Rules for adopting market rate of gold and silver for wealth tax purposes for valuation as is given in the Direct Tax Ready Reckoner 2015 by Vinod K. Singania and also stated that the valuation should be done based on cost price or market price as prescribed u/s.145A of the Act. He stated that the valuation of inventory shall be made at lower of the actual cost or net realizable value computed in accordance with the income computation and disclosure standards notified u/s.145(2) of the Act. He stated that none of the authorities below or the assessee has adopted the same.

5. When the same was confronted to Id. Senior DR, he could not reply but only made request that the matter can go back for ascertaining the actual market value of closing stock in term of section 145A of the Act.

6. After hearing both the sides and going through the facts of the case, we noted that neither the assessee nor the Department has carried out the correct valuation of closing stock of gold ornaments.

Hence, we set aside this issue to the file of the AO, who will value the closing stock as per cost price or net realizable value in term of section 145 of the Act. We direct the AO accordingly. This issue of assessee's appeal is allowed for statistical purposes.

7. In the result, the appeal filed by the assessee is allowed for statistical purposes.

Order pronounced in the open court on 31st October, 2022 at Chennai.

Sd/-

(जी. मंजुनाथ)

(G. MANJUNATHA)

लेखा सदस्य/ACCOUNTANT MEMBER

Sd/-

(महावीर सिंह)

(MAHAVIR SINGH)

उपाध्यक्ष /VICE PRESIDENT

चेन्नई/Chennai,

दिनांक/Dated, the 31st October, 2022

RSR

आदेशकीप्रतिलिपिअग्रेषित/Copy to:

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