

आयकर अपीलीय अधिकरण “बी” न्यायपीठ चेन्नई में।
IN THE INCOME TAX APPELLATE TRIBUNAL
“B” BENCH, CHENNAI

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

आयकर अपील सं. ITA No.1089/Chny/2022
(निर्धारण वर्ष / Assessment Year: 2014-15)

M/s. Aruljothi Exports Private Limited 70C, Karupparayan Koil Street, Main Road, Samalapuram, Tirupur-641 663.	बनाम / Vs.	ACIT, Circle-2, Tirupur.
स्थायी लेखासं./जीआइआरसं./PAN/GIR No. AADCA-7439-F		
(पीलार्थी/ Appellant)	:	(प्रत्यर्थी / Respondent)

अपीलार्थीकी ओरसे/ Appellant by	:	Shri S.Sridhar (Advocate-Erode)-Ld.AR
प्रत्यर्थीकी ओरसे/ Respondent by	:	Shri D.Hema Bhupal (JCIT)- Ld. DR

सुनवाईकी तारीख/ Date of Hearing	:	03-07-2023
घोषणाकी तारीख / Date of Pronouncement	:	26-07-2023

आदेश / ORDER

Manoj Kumar Aggarwal (Accountant Member)

1. Aforesaid appeal by assessee for Assessment Year (AY) 2014-15 arises out of the order of learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi [CIT(A)] dated 18-11-2022 in the matter of an assessment framed by Ld. Assessing Officer [AO] u/s. 143(3) of the Act on 18-11-2022. The grounds taken by the assessee are as under: -

1. The order of the learned CIT(A) is bad and erroneous in law and against principles of natural justice.
2. The learned CIT(A) erred in not considering the replies and written submissions filed by the appellant in proper perspective.

3. The finding of the learned CIT(A) in para-6.4, page- 12 of the order, that NORMALLY THE DETAILS FILED BY THE ASSESSEE ARE ACCEPTED BY THE COMMERCIAL TAX AUTHORITY is highly perverse, for the decisions of the Madras High Court reported in 273 ITR 262 and 352 ITR 484 were not considered at all, leave alone considering the same in proper perspective.

4. The learned CIT(A) erred in not considering the fact that the addition was made by the Assessing officer without rejecting the books of accounts and without pointing out any **defects in the books of accounts**.

5. The learned CIT(A) erred, in not considering the fact that the Assessing officer, while accepting the similar method of valuation of stock in the immediately previous assessment year, erred in rejecting the same in the subsequent assessment year, thereby **deviating from the rule of consistency**.

6. The learned CIT(A) erred in not considering the material fact that there was an increase in revenue as well as increase in the net profit of the appellant in the immediately previous assessment year as well as in the impugned year."

As is evident, the sole grievance of the assessee is against confirmation of addition on account of valuation of stock. The assessee being resident corporate assessee is stated to be engaged in trading of cloth and job work. Having heard rival submissions and upon perusal of case records, the appeal is disposed off as under.

Assessment Proceedings

2.1 During the course of assessment proceedings, the Ld. AO alleged that the assessee reflected low value of closing stock and therefore, there was shortage in closing stock to the extent of Rs.197.29 Lacs which was computed as under:-

Opening Stock	Rs.2,15,72,950.93
Add: Purchases	<u>Rs.3,36,95,968.00</u>
	Rs.5,52,68,918.93
Less: Sales	Rs.2,53,99,182.00
Less: Closing Stock	<u>Rs.1,01,40,007.00</u>
Shortage of closing stock	<u>Rs.1,97,29,730.00</u>

The assessee's claim that finished cloth was damaged due to heavy rain and flood in the month of December, 2013 was not accepted since no

evidence could be furnished by the assessee in support of the same. The argument of the assessee that sales tax returns as filed with the commercial department were accepted and therefore, closing stock should be accepted as such, was also rejected on the ground that onus was on the assessee to substantiate its claim. It was not known when the commercial tax authority had scrutinized the trading activity and allowed closing stock and accordingly, impugned addition was made in the hands of the assessee.

2.2 The Ld. CIT(A) confirmed the action of Ld. AO against which the assessee is in further appeal before us.

Our findings and Adjudication

3. From the records, it emerges that the assessee has maintained proper books of accounts and the same are subjected to Tax Audit. No infirmity has been pointed out by Ld. AO in the physical stock as maintained by the assessee. The assessee has valued the stock on the basis of net realizable value. The assessee's submissions were that there was damage to the stock due to heavy rains and floods. It could also be seen that the assessee is registered with commercial tax department and filing its sales tax returns. Apparently, the trading results have been accepted by commercial department and there is no adverse material on record, in this regard. In such a case, shortage of stock as mathematically computed by Ld. AO could not be upheld. The decision of Hon'ble High Court of Madras in the case of **CIT vs. Anandha Metal Corp. (152 Taxman 300)** supports the case of the assessee wherein it was held that unless the competent authority under the Sales Tax Act differs with the closing stock of the assessee, the return accepted by the

Commercial Tax Department is binding on the income-tax authorities. Therefore, Assessing Officer has no power to scrutinize the return submitted by the assessee to the commercial tax department which has been accepted. The Assessing Officer did not have any jurisdiction to go beyond the value of the closing stock declared by the assessee and accepted by the Commercial Tax Department. We find that similar fact exists in the present case. Therefore, following the same, we delete the impugned addition.

4. The appeal stand allowed.

Order pronounced on 26th July,2023

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

Sd/-
(MANOJ KUMAR AGGARWAL)
लेखा सदस्य / **ACCOUNTANT MEMBER**

चेन्नई Chennai; दिनांक Dated : 26-07-2023
DS

आदेश की प्रतिलिपि □ ग्रेषित/Copy of the Order forwarded to :

1. अपीलार्थी/Appellant 2. प्रत्यर्थी/Respondent 3. आयकर आयुक्त/CIT 4. विभागीय प्रतिनिधि/DR 5. गार्ड फाईल/GF