

IN THE INCOME TAX APPELLATE TRIBUNAL "SMC" BENCH, KOLKATA

BEFORE SHRI RAJESH KUMAR, AM

ITA No. 2638/KOL/2024

(Assessment Year:2012-13)

Raj Kumar Puglia
Old Kandi Road, Sainthia,
Birbhum, West Bengal, 731234

Vs.

ITO, Ward - 3(4)
Aayakar Bhawan, Lalkuthi Para,
Suri, Birbhum,
West Bengal, 731101

(Appellant)

(Respondent)

PAN No. AKDPP5708P

Assessee by : Shri Dilip Chatterjee, AR

Revenue by : Shri Madhumita Das, DR

Date of hearing: 17.04.2025

Date of pronouncement : 24.04.2025

ORDER

Per Rajesh Kumar, AM:

This is an appeal preferred by the assessee against the order of the National Faceless Appeal Centre, Delhi (hereinafter referred to as the "Ld. CIT(A)") dated 30.10.2024 for the AY 2012-13.

02. The only issue raised by the assessee in the various grounds of appeal is against the confirmation of addition by Id. CIT (A) of ₹12,10,038/- as made by the Id. AO on account of difference in the stocks as disclosed in the audited accounts vis a vis as filed before the bank for securing credit limit. The facts in brief are that the assessee filed the return of income on 28.09.2012, declaring total income of ₹2,74,604/-, which was processed u/s 143(1) of the Act. The case of the assessee was selected for scrutiny and statutory notices along with questionnaire were duly issued and served upon the assessee. The Id. AO noted that the assessee has cash credit account with State Bank of India, Sainthia Branch. The Id. AO issued notice u/s 133(6) of the Act to the bank for

furnishing the details of securities pledged by the assessee for obtaining the said cash credit limits along with bank statements which were duly furnished by the bank. the Id. AO upon comparing the stocks furnished by the assessee to the bank with the stocks as per the books of accounts of the assessee found that there was a difference of ₹12,10,038/-. Accordingly, the stock reflected in hypothecated statement filed before the Bank was treated as unexplained investment in terms of section 69 of the Act and added to the income of the assessee in the assessment framed u/s 143(3) of the Act dated 30.03.2015.

03. In the appellate proceedings, the Id. CIT (A) dismissed the appeal of the assessee by affirming the order of the Id. AO by holding that the assessee has not brought on record any material to disapprove the AO's observation with regard to excess stocks shown in the Hypothecation statement.
04. After hearing the rival contentions and perusing the materials available on record, I find that the assessee having a cash credit limit with State Bank of India upon the securities of stock. The assessee furnished before the AO the stocks in the books of accounts. The Id. AO issued notice u/s 133(6) of the Act to the State Bank of India calling for the security furnished by the assessee for securing such cash credit limit along with bank statements which were furnished by the bank before the Id. Assessing Officer. The Id. AO upon comparison of the details of hypothecated stocks with the stocks as per books of accounts of the assessee noted that the stocks were shown excess to the tune of ₹12,10,038/- in the hypothecation statement. The Id. AO extracted the details of such excess stock in the assessment order. I note that there is a difference between the stocks as per audited books of accounts and the hypothecated stock statement given to the bank by the

assessee. Primarily in order to secure higher credit limit from the bank this type of practice is adopted by the assessee only to secure the higher credit facilities from the bank. Whereas, as a matter of fact the stock actually available in the books of accounts as well as physically are different from that. Therefore, the additions cannot be made on the basis of hypothecation stock figures which were given by the assessee just for securing higher credit limits from the bank. In this case, the books of accounts of the assessee were subjected to audit and all these information / details qua stocks were duly audited by the auditors and available in the audited report. Consequently, I am not in agreement with the finding given by the Id. CIT (A) on this issue. Consequently, I set aside the order of Id. CIT (A) and direct the Id. AO to delete the addition.

05. In the result, the appeal of the assessee is allowed.

Order pronounced in the open court on 24.04.2025.

Sd/-
(RAJESH KUMAR)
(ACCOUNTANT MEMBER)

Kolkata, Dated:24.04. 2025

Sudip Sarkar, Sr.PS

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent
3. CIT
4. DR, ITAT,
5. Guard file.

True Copy//

BY ORDER,

Sr. Private Secretary/ Asst. Registrar
Income Tax Appellate Tribunal, Kolkata