

आयकर अपीलिय अधिकरण, 'सी' न्यायपीठ, चेन्नई।
IN THE INCOME TAX APPELLATE TRIBUNAL
'C' BENCH: CHENNAI

श्री जॉर्ज जॉर्ज के, उपाध्यक्ष एवं श्री जगदीश, लेखक सदस्य के समक्ष
BEFORE SHRI GEORGE GEORGE K, VICE PRESIDENT AND
SHRI JAGADISH, ACCOUNTANT MEMBER

आयकर अपील सं./ITA No.250/Chny/2025
निर्धारण वर्ष /Assessment Year: 2012-13

Vel Murugan Timber Industries,
No.16-1B, Red Hills Road,
Kathirvedu, Chennai-600 099.
[PAN: AACFV 8476B]

Vs. The Dy. Commissioner of
Income Tax,
Non Corporate Circle-10(1),
Chennai.

(अपीलार्थी/**Appellant**)

(प्रत्यर्थी/**Respondent**)

अपीलार्थी की ओर से/ Appellant by
प्रत्यर्थी की ओर से /Respondent by

: Shri K. Balasubramanian, Advocate
: Ms. R. Anitha, CIT

सुनवाई की तारीख/Date of Hearing

: 08.05.2025

घोषणा की तारीख /Date of Pronouncement

: 27.05.2025

आदेश / ORDER

PER JAGADISH, A.M :

Aforesaid appeal filed by the assessee for Assessment Year (AY) 2012-13 arises out of the order of Learned Commissioner of Income Tax (NFAC), Delhi [hereinafter "CIT(A)"] dated 24.12.2024 in the matter of assessment framed by the Assessing Officer [AO] u/s. 143(3) of the Income-tax Act, 1961 (hereinafter "the Act") dated 28.03.2015.

: - 2 - :

2. The assessee firm is in the business of timber trading. A survey u/s 133A was conducted at the premises of M/s. Vel Murugan Timber Industries and M/s. Vel Murugan Timber Traders Ltd., and shortage of physical stock of timber to the tune of Rs. 3,87,26,597/- was found. The A.O based on the ratio of turnover of the two firms computed the deficit stock pertaining to the assessee's firm at Rs.1,97,76,106/- and added as undisclosed sales. On appeal, the Ld. CIT(A) re-computed the deficit stock pertaining to the assessee firm at Rs. 2,02,00,150/- and held that only the gross margin on the alleged unaccounted sales should be added to the income. The Ld. CIT(A) observed that the A.O had not found any discrepancies in the purchase records, and therefore, the entire value of the stock difference could not be treated as income. Accordingly, the Ld. CIT(A) estimated the gross profit margin at 10% and restricted the addition to that extent.

3. The Ld. Authorized Representative (A.R) of the assessee has argued that the industry average profit margin is only 5%, and hence the adoption of 10% by the Ld. CIT(A) is excessive. The Ld. A.R further objected to the valuation of the stock at Rs.2,02,00,150/-, which is higher than the value adopted by the A.O.

: - 3 - :

4. On the other hand, the Ld. Departmental Representative (DR), has relied on the orders of lower authorities and argued that 10% margin adopted by Ld CIT(A) is reasonable.

5. We have heard the rival submissions, and perused the materials available on record. The A.O has made an addition of Rs.1,97,76,106/- towards deficit stock found during the course of survey, treating the deficit stock as stock sold out and unaccounted. However, the Ld. CIT(A) has restricted the addition to the profit margin on the alleged unaccounted sales, since the purchases were not disputed by the A.O. We agree with the Ld CIT(A) that the entire stock difference cannot be added as income in the absence of any discrepancy found in purchases. However, considering the arguments raised by the assessee and profit rate in timber trading, we are of the view that profit percentage of 10% adopted by the Ld CIT(A) is excessive. The profit rate of 8% would be reasonable in the facts and circumstances of the case. We therefore direct the A.O to re-compute the income by applying a 8% profit margin on the deficit stock of Rs. 2,02,00,150/-. In light of the above, the appeal filed by the assessee is allowed for statistical purposes only.

: - 4 - :

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

Order pronounced on 27th May, 2025.

Sd/-
(जॉर्ज जॉर्ज के)
(George George K)
उपध्यक्ष / Vice President

Sd/-
(जगदीश)
(Jagadish)
लेखा सदस्य / Accountant Member

चेन्नई/Chennai, दिनांक/Dated: 27th May, 2025.

EDN/-

आदेश की प्रतिलिपि अग्रेषित/**Copy to:**

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