

**IN THE INCOME TAX APPELLATE TRIBUNAL
COCHIN BENCH**

**BEFORE SHRI INTURI RAMA RAO, AM
AND SHRI SONJOY SARMA, JM**

**ITA Nos. 07 & 08/Coch/2020
Assessment Years: 2014-15 & 2015-16**

ACIT, Central Circle, S.T. Nagar, Thrissur Appellant

vs.

Atlas Jewellery India Ltd. Respondent

DTJ-224, 2nd Floor, DLF Tower B

Jasola District, Delhi 110025

[PAN: AAACG5890R]

Assessee by: Shri Shivakumar S., CA

Revenue by: Shri Sanjit Kumar Das, CIT-DR

Date of Hearing: 13.06.2025

Date of Pronouncement: 31.07.2025

ORDER

Per: Inturi Rama Rao, AM

These appeals filed by the Revenue are directed against different orders of the Commissioner of Income Tax (Appeals)-1, Kochi [CIT(A)] dated 16.10.2019 for Assessment Years (AY) 2014-15 & 2015-16.

2. Brief facts of the case are that the respondent assessee is a company incorporated under the provisions of Companies Act, 1956. It is engaged in the business of trading and export of jewellery items. The original return of income for AY 2013-14 was filed on

30.09.205 disclosing income of Rs. 41,66,110/-. Subsequently, there was search and seizure operation u/s. 132 of the Income Tax Act, 1961 (the Act) conducted in the business premises of the appellant on 09.02,2015 and it is stated that certain incriminating materials were seized during the course of search and seizure operations. Accordingly, notice u/s. 153A of the Act was issued to the appellant on 04.12.2015. In response to the notice u/s. 153A the appellant filed return of income same as the original return of income. Against the said return of income, the assessment was completed by the ACIT, Central Circle, Thrissur (hereinafter called "the AO") vide order dated 30.12.2016 passed u/s. 143(3) r.w.s. 153A of the Act at a total income of Rs. 9,75,40,420/- after making the following additions to the returned income: -

3. Disallowance of Export Commission	Rs. 73,60,922
4. Disallowance of Making charges	Rs. 1,09,41,746
5. Disallowance of Wastage	Rs. 1,30,53,495
6. Disallowance of capital expenditure	Rs. 1,21,75,000
7. Disallowance u/s. 37	Rs. 1,19,000
8. Security deposit not refundable	Rs. 2,33,000
9. Disallowance of exchange loss	Rs. 1,21,80,715
10. Exports below cost	Rs. 3,73,10,429

11. Being aggrieved, an appeal was filed before the CIT(A), who vide the impugned order deleted the addition made u/s. 40(a)(i)(a) as the services were rendered outside India, TDS is not applicable. The

CIT(A) also deleted the addition made on account of provision for making charges considering the fact that making charges were paid subsequently. The CIT(A) also deleted the addition made on account of wastage considering the submission of the appellant that the AO made the addition on misconception that jewellery is manufactured generally through mechanised process though the appellant undertaken manufacturing manually. The CIT(A) also deleted the addition made on account of suppression of profit on exports made to the concerns. The CIT(A) also deleted the addition on account of foreign exchange fluctuations loss.

12. Being aggrieved, the appellant is in appeal before this Tribunal in the present appeal.

13. When the appeal was called on nobody appeared on behalf of the assessee despite due service of notice of hearing. Therefore, we proceeded to dispose of the appeal after hearing the ld. CIT-DR.

14. The ld. CIT-DR submits that the CIT(A), without meeting the reasoning of the AO, simply allowed the appeal on the basis of the written submission made before him. Thus, he submits that the order of the CIT(A) be remanded.

15. We find that the CIT(A) granted relief to the assessee after extracting the written submission made by the assessee. The CIT(A) concurred with the submissions filed by the assessee without meeting the reasoning of the AO by passing a cryptic order on each

item of appeal. The Hon'ble Apex Court in the case of Kranti Associates Pvt. Ltd. v. Masood Ahmed Khan in CIVIL Appeal No. 20428 of 2007 dated 08.09.2010 laid down the following guidelines: -

- a. In India the judicial trend has always been to record reasons, even in administrative decisions, if such decisions affect anyone prejudicially.*
- b. A quasi-judicial authority must record reasons in support of its conclusions.*
- c. Insistence on recording of reasons is meant to serve the wider principle of justice that justice must not only be done it must also appear to be done as well.*
- d. Recording of reasons also operates as a valid restraint on any possible arbitrary exercise of judicial and quasi-judicial or even administrative power.*
- e. Reasons reassure that discretion has been exercised by the decision maker on relevant grounds and by disregarding extraneous considerations.*
- f. Reasons have virtually become as indispensable a component of a decision making process as observing principles of natural justice by judicial, quasi-judicial and even by administrative bodies.*
- g. Reasons facilitate the process of judicial review by superior Courts.*
- h. The ongoing judicial trend in all countries committed to rule of law and constitutional governance is in favour of reasoned decisions based on relevant facts. This is virtually the life blood of judicial decision making justifying the principle that reason is the soul of justice.*
- i. Judicial or even quasi-judicial opinions these days can be as different as the judges and authorities who deliver them. All these decisions serve one common purpose which is to*

demonstrate by reason that the relevant factors have been objectively considered. This is important for sustaining the litigants' faith in the justice delivery system.

- j. Insistence on reason is a requirement for both judicial accountability and transparency.*
- k. If a Judge or a quasi-judicial authority is not candid enough about his/her decision making process then it is impossible to know whether the person deciding is faithful to the doctrine of precedent or to principles of incrementalism.*
- l. Reasons in support of decisions must be cogent, clear and succinct. A pretence of reasons or 'rubber-stamp reasons' is not to be equated with a valid decision making process.*
- m. It cannot be doubted that transparency is the sine qua non of restraint on abuse of judicial powers. Transparency in decision making not only makes the judges and decision makers less prone to errors but also makes them subject to broader scrutiny. (See David Shapiro in Defence of Judicial Candor (1987) 100 Harward Law Review 731-737).*
- n. Since the requirement to record reasons emanates from the broad doctrine of fairness in decision making, the said requirement is now virtually a component of human rights and was considered part of Strasbourg Jurisprudence. See (1994) 19 EHRR 553, at 562 para 29 and **Anyia vs. University of Oxford**, 2001 EWCA Civ 405, wherein the Court referred to Article 6 of European Convention of Human Rights which requires, "adequate and intelligent reasons must be given for judicial decisions".*
- o. In all common law jurisdictions judgments play a vital role in setting up precedents for the future. Therefore, for development of law, requirement of giving reasons for the decision is of the essence and is virtually a part of "Due Process".*

16. Since the order passed by the CIT(A) does not conform with the principles of natural justice nor meet the requirement of reasoned order, therefore, the order is set aside to the file of the CIT(A) for fresh disposal in accordance with law after affording reasonable opportunity of hearing to the appellant.

17. In the result, the appeals filed by the assessee stand partly allowed for statistical purposes.

Order pronounced in the open court on 31st July, 2025.

Sd/-
(SONJOY SARMA)
JUDICIAL MEMBER

Sd/-
(INTURI RAMA RAO)
ACCOUNTANT MEMBER

Cochin, Dated: 31st July, 2025

n.p.

Copy to:

1. The Appellant
2. The Respondent
3. The Pr. CIT concerned
4. The Sr. DR, ITAT, Cochin
5. Guard File

By Order

Assistant Registrar
ITAT, Cochin