

**IN THE INCOME TAX APPELLATE TRIBUNAL
COCHIN BENCH****BEFORE SHRI INTURI RAMA RAO, AM
AND SHRI PRAKASH CHAND YADAV, JM****ITA No. 176/Coch/2024
Assessment Year:2012-13**

Copperstone Builders Appellant
VI/436/C, Kollamkudimughal Road,
Thrikkakara P.O, Kakkanad,
Kerala – 682030.
PAN: AAFFC6466P

vs.

The Income Tax Officer Respondent
NCW-1(1),
Kochi, Kerala.

Appellant by: Smt. Parvathy Ammal, CA
Respondent by: Smt. Leena Lal, Sr. D.R.

Date of Hearing: 30.05.2025
Date of Pronouncement: 26.06.2025

ORDER**Per: Inturi Rama Rao, AM**

This appeal filed by the assessee is directed against the order of the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi (in short "CIT(A)"), dated 10/01/2024 for Assessment Year (AY) 2012-13.

2. Briefly the facts of the case are that the appellant is a partnership firm engaged in the business of construction and sale of flats. The return of income for the AY 2012-13 was filed on 27/09/2012 declaring a total income of Rs. 6,23,210/-. The same was revised on 17/10/2012 at a total income of Rs. 13,03,210/-. Against the said Return of Income the assessment was completed by the Income Tax Officer, Non-Corporate Ward-1(1), Kochi (hereinafter referred to as "AO") vide order dated 28/03/2015 passed U/s. 143(3) of the Income Tax Act, 1961 (in short "the Act") at a total income of Rs. 1,69,07,110/-. While doing so, the AO made an addition of Rs. 1,56,03,899/- by holding that there was a difference between the value of closing Work-in-Progress (in short "WIP") as on 31/03/2011 and opening WIP as on 01/04/2011 and consequently there was a suppression of the income for the AY 2012-13. Accordingly, made an addition of Rs. 1,56,03,899/-.

3. Being aggrieved by the above assessment order, an appeal was filed before the CIT(A), contending that the variation between the value of closing WIP as on 31/03/2011 and opening WIP as on 01/04/2011 is on account of transfer of the expenditure wrongly booked under the sundry debtors / sundry creditors found during the course of the VAT audit. It is submitted that the profits for the AY 2012-13 are not affected and therefore, no addition is called for. However, the CIT(A) after consideration of the above submissions of the appellant, confirmed the action of the AO by merely holding that the

appellant suppressed the profit for the year under consideration by inflating the opening WIP.

4. Being aggrieved the appellant is in appeal before us in the present appeal.

5. It is contended that there is no impact on the profits for the year under consideration, inasmuch as, the opening WIP and the closing WIP are valued on the same basis. It is further submitted that the variation between the value of the closing WIP of the immediate preceding year and opening WIP of the year under consideration is only on account of non-accounting of the expenditure incurred in the earlier years and wrongly booked under the sundry debtors / sundry creditors account.

6. On the other hand, the Ld. Sr. DR submits that CIT(A) confirmed the order of the AO following salutary principle of law that the opening stock as well as the closing stock should be valued on the same basis and therefore, no interference is called for.

7. We heard the rival submissions and perused the material available on record. The AO made an addition of Rs.1,56,03,899/- by noticing the variation on the value of the opening WIP for the year under consideration as compared to the value of the closing WIP of the immediate preceding year. No doubt the appellant had submitted an explanation before the AO as well as the CIT(A) explaining the reasons for variation. From the reasons given by the appellant, it is case of the appellant that the expenditure incurred earlier

grouped under sundry debtors / sundry creditors was transferred to opening WIP for the year under consideration as it was found during the course of the VAT audit. It is evident from the explanation given by the appellant that there is no variation between the value of the opening WIP and closing WIP for the year under consideration. However, the AO was of the opinion that because of the variation between the value of closing WIP of preceding assessment year and the value of opening WIP of the current assessment year, the addition is warranted. We are of the considered opinion that the view held by the AO that the addition is warranted is unjustified in view of the fact that even going by the version of the AO, the addition if at all is warranted should be made only in the preceding assessment year and not for the assessment year under consideration inasmuch as there is no variation between the value of the opening WIP and closing WIP for the year under consideration. It is open to the AO to re-assess the taxable income for the immediate preceding assessment year by following the procedure known to the law. In these circumstances, the appeal filed by the assessee stands allowed.

8. In the result, appeal filed by the assessee is allowed.

Order pronounced in the open court on 26th June, 2025.

Sd/-
(PRAKASH CHAND YADAV)
JUDICIAL MEMBER

Sd/-
(INTURI RAMA RAO)
ACCOUNTANT MEMBER

Cochin, Dated: 26th June, 2025

okk sps

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

Assistant Registrar
ITAT, Cochin