

**IN THE INCOME TAX APPELLATE TRIBUNAL
COCHIN BENCH****BEFORE SHRI INTURI RAMA RAO, AM
AND SHRI PRAKASH CHAND YADAV, JM****ITA No.224 & 225/Coch/2024
Assessment Years: 2018-19 & 2020-21**

Joyalukkas Lifestyle Developers Private Limited Appellant
Ernakulam.
PAN: AACCA0417E

vs.

Asst. Commissioner of Income Tax Respondent
Kochi.

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

Date of Hearing: 30.05.2025
Date of Pronouncement: 27.06.2025

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

These are two different appeals filed by the assessee are directed against the different orders of the National Faceless Appeal Centre, Delhi for the AY 2018-19 and 2020-21.

2. Since the identical facts and issues are involved in these two appeals, these were heard together and disposed of vide this common order.

3. For the sake of clarity and convenience, the facts involved in ITA No. 224/Coch/2024, AY 2018-19 are stated herein under.

4. At the outset, it is noticed that both the appeals are filed with a delay of 20 days and 21 days for the AYs 2018-19 and 2020-21 respectively. On the issue of belated filing of the appeals, it is the submission of the appellant that the order U/s. 250 was not served physically. Further, though the order was sent through mail, it was opened by the staff of the appellant company who inadvertently missed to communicate to the responsible officials. There is no deliberate intent in filing the appeals belatedly. Considering the reasons advanced by the appellant, we find that there is a reasonable and sufficient cause in filing the appeals beyond the prescribed time limit. Therefore, we hereby condone the delay of 20 days and 21 days for the AYs 2018-19 and 2020-21 respectively and proceed to adjudicate the appeals on merits.

5. Briefly the facts of the case are that the appellant company is engaged under the Companies Act, 1956. It is engaged in the business of construction and sale of flats. The Return of Income for the AY 2018-19 was filed on 31/10/2018 declaring a loss of Rs. 1,38,75,805/-. Against the said return of income, the assessment was completed by the National Faceless Assessment Centre vide order dated 27/07/2021 passed U/s. 143(3) r.w.s 144B of the Income Tax Act, 1961 (in short "the Act") at a total income of Rs. 11,62,36,662/-. While doing so, the Assessing Authority made an addition of Rs. 13,01,12,467/- on account of under valuation of closing stock. During the course of the assessment proceedings, the Assessing Authority had noticed

that the project undertaken by the appellant company was completed and the occupancy certificate was granted. The Assessing Authority also noticed that in Schedule-19 of Profit & Loss Account for the year under consideration, the value of the closing stock was shown at Rs. 108,42,70,567/-. However, the appellant company had shown the realisable value of the stock @ 88% of Rs. 108,42,70,567/- which works out to Rs. 95,41,58,100/-. In these circumstances, the appellant was show caused as to why the value of the closing stock should not be adopted at Rs. 108,42,70,567/- and the appellant had not filed any explanation for adopting the value of closing stock @ 88% of the closing stock. In these circumstances, the Assessing Authority proceeded to make an addition of difference amount of Rs. 13,01,12,467/- in the assessment year under consideration.

6. Being aggrieved by the above assessment order, an appeal was filed before the CIT(A) who vide the impugned order held that the appellant has failed to satisfactorily explain the realisable value of the unsold inventory only @88% of the cost price and therefore, following the salutary principle that the value of stock should be on the basis of the lower cost or the market value whichever is less confirmed the addition.

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

8. It is submitted that depending upon the then prevailing market conditions, the realisable value is estimated @ 88% of the cost of the unsold

flats. It is further submitted that the method of valuation adopted by the assessee company is in accordance with the principle that the closing stock should be valued at the lower of the cost or market value price whichever is less. It is further submitted that no profit would arise on the valuation of closing stock.

9. On the other hand, the Ld. Sr. DR submits that since the assessee has failed to substantiate the valuation adopted by it, the lower authorities were justified. The Assessing Authority was justified in making the addition on account of valuation of closing stock and therefore, no interference is called for.

10. We heard both the rival submissions and perused the material available on record. The issue that arises for our consideration is whether the CIT(A) was justified in confirming the addition made by the Assessing Authority on account of valuation of closing stock of Rs. 13,01,12,467/-. The undisputed facts of the case are that the cost of closing stock as on 31/03/2018 is Rs. 108,42,70,567/- . However, the appellant company is of the opinion that the realisable value of the unsold stock of the flats would be only 88% of the actual cost incurred on unsold flats. It is a settled principle of law that the closing stock should be valued at the lower of cost or realisable value whichever is less. It is the contention of the appellant company that the appellant has followed the same principle for valuing the closing stock. However, it is incumbent upon the assessee company to prove that the realisable value is only 88% of the actual cost of the unsold flats. No

evidence whatsoever was produced before the lower authorities or before us to show that the actual realisable value is only 88% of the actual cost of unsold flats. Thus, the appellant company has failed to substantiate the valuation adopted by it. In these circumstances, we are of the considered opinion that the Assessing Authority was justified in adopting the value of unsold stock of flats at Rs. 108,42,70,567/- and making an addition of Rs. 13,01,12,467/-. Therefore, we do not find any merit in the appeal filed by the assessee.

11. In the result, appeal filed by the assessee stands dismissed.

ITA No. 225/Coch/2024
(AY 2020-21)

12. Since the identical facts are involved this appeal with that of the assessee's appeal in ITA No. 224/Coch/2025, AY 2018-19, equally holds good for the AY 2020-21. However, we do not find any illegality in the finding of the CIT(A) that the value of the closing stock adopted for the AY 2018-19 can be adopted as opening stock for the AY 2020-21. Therefore, we do not find any merit in the appeal filed by the assessee.

13. In the result, appeal filed by the assessee stands dismissed.

14. Ex-consequenti, both the appeals filed by the assessee are dismissed.

Order pronounced in the open court on 27th June, 2025.

Sd/-
(PRAKASH CHAND YADAV)
JUDICIAL MEMBER

Sd/-
(INTURI RAMA RAO)
ACCOUNTANT MEMBER

Cochin, Dated: 27th June, 2025

okk sps

Copy to:

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

Assistant Registrar
ITAT, Cochin