

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

**BEFORE SHRI INTURI RAMA RAO, AM  
AND SHRI PRAKASH CHAND YADAV, JM**

**ITA No.458/Coch/2023  
Assessment Year:2012-13**

M/s. Alukkas Realtors India Private Limited ..... Appellant  
JOS Alukkas Tower,  
Ikkanda Warriar Road, Thrissur,  
Trichur-680001, Kerala.  
PAN: AAGCA7352N

vs.

ACIT ..... Respondent\  
Circle-1(1),  
Trissur.

Appellant by: Shri Arun Raj S, Advocate  
Respondent by: Smt. Leena Lal, Sr. D.R.

Date of Hearing: 29.05.2025  
Date of Pronouncement: 27.06.2025

**ORDER**

**Per: Inturi Rama Rao, AM**

This appeal filed by the assessee is directed against the order of the Ld. Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi (in short "CIT(A)"), dated 27/04/2023 for Assessment Year (AY) 2012-13.

2. Briefly the facts of the case are that the assessee is a company incorporated under the Companies Act, 1956, which is engaged in the business of property development. The Return of Income for the AY 2012-13 was filed on 29/09/2012 declaring an income of Rs. 86,83,700/-. Against the said return of income, the assessment was completed by the ACIT, Circle-1(1), Thrissur (hereinafter referred to as "AO") vide order dated 27/03/2015 passed u/s. 143(3) of the Income Tax Act, 1961 (in short "the Act") at a total income of Rs. 2,78,58,165/- by holding that the appellant had not recognized the income in respect of the unsold flats as the appellant is following the system of percentage of completion method as per Accounting Standard (in short "AS")-7. Therefore, the AO rejecting the books of accounts, made an addition by holding that the method of accounting followed by the assessee is not showing clear taxable income and hence the provisions of section 145 are applicable.

4. Being aggrieved, an appeal was filed before the CIT(A) contending that the method of calculation of profit in respect of the two projects adopted by the AO is erroneous, inasmuch as the AO had recognised the income on entire project cost irrespective of the fact that whether the sale agreement was entered into in respect of all the flats or not. It is further contended that the AO ought not to have taxed the hypothetical income disregarding the AS-9. Further, it is contended that the appellant had been continuously following the same method of revenue recognition from the business of construction. Further contended there would not be any impact on the computation of the

taxable income. The CIT(A) however, confirmed the action of the AO by holding that the profits should be computed following the AS-7 only.

5. Being aggrieved by the order of the CIT(A), the appellant is in appeal before us in the present appeal.

6. It was contended that the lower authorities had grossly erred in taxing the hypothetical income even in respect of the flats which were not sold or not entered into agreement with the prospective buyers. It is further contended that the appellant had been continuously following the same method of recognizing the income and the lower authorities ought not to have rejected the method of accounting regularly followed by the appellant and there were no circumstances warranting rejection of books of accounts. It is further contended that in the absence of any Joint Development Agreement between the land owner and the appellant company, it is only a construction agreement between the appellant and the prospective buyer.

7. On the other hand, the Ld. Sr-DR submits that the orders passed by the lower authorities are reasoned orders and therefore, no interference by the Tribunal is required.

8. We heard the rival submissions and perused the material available on record. The issue in the present appeal that arises for our consideration is whether the CIT(A) was justified in confirming the action of the AO in making the addition of Rs. 2,78,58,165/- by rejecting the books of accounts. On perusal of the Assessment Order, it would reveal that the AO was of the

opinion that the appellant company should have followed percentage of completion method. The AO nowhere had discussed the method of accounting followed by the appellant in the earlier years and whether there is any deviation from the method of accounting followed by the assessee from the earlier years. It is equally settled position of law that the provisions of section 145 requires that an assessee should follow a consistent method of accounting though a change in the method of accounting is not barred if it is made for a bonafide reasons once for all and consistently followed thereafter. Where a particular method of accounting is consistently followed, the AO cannot pick and choose any particular year for inference that the system does not reflect the correct income for the year as held by the Hon'ble Delhi High Court in the case of CIT vs. Moon Light Builder and Developers 307 ITR 197 (Del). Further, the assessee has the choice of following a particular method of accounting. Where such a particular method of accounting is adopted and followed consistently, it is not open to the AO to question the same by imposing a different method especially having accepted the same in the preceding assessment year as held by the Hon'ble Supreme Court in the case of **Wallace Flour Mills Company Ltd vs Collector Of Central Excise** (1990) 186 ITR 440 (SC). In the present case, in the absence of any discussion by the AO as regards the method of accounting followed by the assessee in the preceding assessment year, it is difficult for us to adjudicate the issue in the present appeal. Therefore, in these circumstances, we are of the considered opinion that this matter requires a remand to the AO for de novo adjudication of the issue in appeal keeping in view the legal position

discussed supra after affording a reasonable opportunity of being heard to the assessee. We make it clear that all other contentions raised by the appellant are kept open before the AO.

9. In the result, appeal filed by the assessee stands partly allowed.

Order pronounced in the open court on 27<sup>th</sup> June, 2025.

Sd/-  
**(PRAKASH CHAND YADAV)**  
**JUDICIAL MEMBER**

Sd/-  
**(INTURI RAMA RAO)**  
**ACCOUNTANT MEMBER**

Cochin, Dated: 27<sup>th</sup> 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