

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

**BEFORE SHRI INTURI RAMA RAO, AM
AND SHRI ANIKESH BANERJEE, JM**

**ITA No. 617/Coch/2025
Assessment Year: 2017-18**

Gopu Nandilath Gopalakrishnan Appellant
Guruvayoor Road, Punkunnam, Thrissur 680002
[PAN: ACCPG7719G]

vs.

Asst. Commissioner of Income Tax-2, Thrissur Respondent

Assessee by: Shri Anil D. Nair, Advocate
Revenue by: Shri Sanjit Kumar Das, CIT-DR

Date of Hearing: 28.10.2025
Date of Pronouncement: 30.10.2025

ORDER

Per: Inturi Rama Rao, AM

This appeal filed by the assessee is directed against the order of the National Faceless Appeal Centre, Delhi (NFAC) dated 12.08.2025 for Assessment Year (AY) 2017-18.

2. Brief facts of the case are that the appellant is an individual engaged in the business of dealing in domestic appliances. The return of income for AY 2017-18 was filed on 03.11.2017 disclosing income of Rs. 2,06,37,450/-. Against the said return of income, the assessment was completed by the ACIT, Circle 2(1), Thrissur

(hereinafter called "the AO") vide order dated 27.12.2019 passed u/s. 143(3) of the Act at a total income of Rs. 6,07,26,452/-. While doing so, the AO made addition on account of valuation of closing stock of Rs. 3,77,16,583/- by holding that the appellant had valued the closing stock by excluding the component of VAT amount, invoking the provisions of section 145A of the Act.

3. Being aggrieved, an appeal was filed before the CIT(A), who vide the impugned order confirmed the action of the AO.

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

5. The learned counsel for the assessee submits that the AO having adopted the inclusive method of valuing closing stock should have also revalued the opening stock adopting the same method. In this regard reliance is also placed on the decision of the coordinate bench in the case of Baby Sebastain in ITA No. 869/Coch/2022 dated 31.10.2023.

6. On the other hand, the ld. CIT-DR opposed the above submission and submitted that opening stock need not be disturbed.

7. We have heard the rival contentions and perused the material available on record. Provisions of section 145A as inserted by Finance Act, 1998 w.e.f. 01.04.1999 amended by Finance Act (2) w.e.f. 01.04.2010 provides that valuation of purchases, sales and

inventory shall be made in accordance with the method of accounting regularly employed by the assessee and such valuation shall be further adjusted to include the amounts of tax, duty, cess or any fees actually paid or incurred by the appellant to bring the goods to the place of location and conditions as on the date of valuation. It is undisputed fact that in the present case, valuation of inventory was not adjusted to include the amount of any tax or duty. Therefore, the AO had rightly revalued the closing stock by adjusting the closing inventory to include the amount of tax or duty actually paid or incurred by the appellant. There is no dispute with regard to computation of valuation of the closing stock as adopted by the AO. However, we find merit in the contention of the appellant that when the AO revalued the closing stock, he is bound to revalue the opening stock on the same basis. This view is supported by the decision of the Hon'ble Delhi High Court in the case of CIT v. Mahavir Aluminium [2008] 297 ITR 77, wherein the Hon'ble High Court following the ratio of the Privy Council in the case of CIT vs. Ahmadabad Cotton Mfg. Co. AIR 1930 PC 56, wherein it was observed that it was necessary to make adjustments in opening stock, when closing stock is revalued.

8. Respectfully following the ratio of the above decision, we are of the considered opinion that valuation of the opening stock is also required to be revalued on the same basis as adopted for revaluation of closing stock and, therefore, we remand the matter back to the file

of the AO to revalue the opening stock as well on the same basis as adopted for revaluation of the closing stock after affording opportunity of being heard to the assessee.

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

Order pronounced in the open court on 30th October, 2025.

Sd/-
(ANIKESH BANERJEE)
JUDICIAL MEMBER

Sd/-
(INTURI RAMA RAO)
ACCOUNTANT MEMBER

Cochin, Dated: 30th October, 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