

**IN THE INCOME TAX APPELLATE TRIBUNAL "B" BENCH,  
MUMBAI**

**BEFORE SHRI AMIT SHUKLA, JUDICIAL MEMBER  
AND**

**SHRI GIRISH AGRAWAL, ACCOUNTANT MEMBER**

**ITA No.5813 5814 5815 & 5816  
Assessment Year: 2020-21 To 2023-24**

Begani Jewels Ground Floor, Songadh Apartments, 48 N.S. Patkar Marg, Grant Road, S. O. Mumbai 400007  PAN: (AADFM0424D)	vs	Asst. Commissioner of Income Tax Central Circle 3(2), Mumbai Room No. 402, 4 <sup>th</sup> Floor, Kautilya Bhawan, BKC, Mumbai 400051
Appellant		Respondent

**ITA No.5744 5745 5746 & 5747  
Assessment Year: 2020-21 To 2023-24**

Asst. Commissioner of Income Tax Central Circle 3(2), Mumbai Room No. 402, 4 <sup>th</sup> Floor, Kautilya Bhawan, BKC, Mumbai 400051	vs	Begani Jewels Ground Floor, Songadh Apartments, 48 N.S. Patkar Marg, Grant Road, S. O. Mumbai 400007  PAN: (AADFM0424D)
Appellant		Respondent

Present for:

Appellant by : Shri Rushabh Mehta, CA

Respondent by : Shri Leyaqt Ali Aafaqui, Sr. AR

Date of Hearing : 19.11.2025

Date of Pronouncement : 11.12.2025

**ORDER**

**PER GIRISH AGRAWAL, ACCOUNTANT MEMBER:**

Details of the captioned appeals filed by the Assessee and Revenue are tabulated below:

Sr. No.	ITA No.	Order of CIT(A)		Assessment order			Assessment year	Appeal by
		No.	Date	Passed by	Date	Passed u/s.		
1.	5813/Mum/2025	ITBA/APL/S/250/2025-26/1078746793(1)	22.07.2025	CIT(A) 51, Mumbai	29.03.2025	147	2020-21	Assessee
2.	5814/Mum/2025	ITBA/APL/S/250/2025-26/1078747123(1)	22.07.2025	CIT(A) 51, Mumbai	29.03.2025	147	2021-22	Assessee
3.	5815/Mum/2025	ITBA/APL/S/250/2025-26/1078748158(1)	22.07.2025	CIT(A) 51, Mumbai	29.03.2025	147	2022-23	Assessee
4.	5816/Mum/2025	ITBA/APL/S/250/2025-26/1078748395(1)	22.07.2025	CIT(A) 51, Mumbai	29.03.2025	143(3)	2023-24	Assessee
5.	5744/Mum/2025	ITBA/APL/S/250/2024-25/1078746793(1)	22.07.2025	CIT(A) 51, Mumbai	29.03.2025	147	2020-21	Revenue
6.	5745/Mum/2025	ITBA/APL/S/250/2024-25/1078747123(1)	22.07.2025	CIT(A) 51, Mumbai	29.03.2025	147	2021-22	Revenue
7.	5746/Mum/2025	ITBA/APL/S/250/2025-26/1078748158(1)	22.07.2025	CIT(A) 51, Mumbai	29.03.2025	147	2022-23	Revenue
8.	5747/Mum/2025	ITBA/APL/S/250/2025-26/1078748395(1)	22.07.2025	CIT(A) 51, Mumbai	29.03.2025	143(3)	2023-24	Revenue

2. Grounds taken by the Assessee and Revenue are reproduced as under:

**ITA No 5813/Mum/2025 AY 2020-21:**

*“1. (a) The assessment order passed u/s. 147 of the IT Act by the Id. Assessing Officer is without jurisdiction, invalid and bad in law and is also not in accordance with the procedures laid down in the Act.*

*(b) The reopening of assessment u/s. 148 of the Act by the Jurisdictional Assessing Officer is invalid as the notice ought to have been issued by the Faceless Assessing Officer in view of the amendment in section 151A of the Act and therefore, the entire reassessment proceedings is vitiated and consequently, the assessment order passed by the Jurisdictional Assessing Officer u/s. 147 of the Act is void-ab-initio, invalid and bad in law.*

*2. (a) The Id. CIT(A) erred in facts and law in upholding addition u/s. 28 of the Act to the tune of Rs. 63,41,679/- by applying 'average GP percentage on the cost of comparable companies' in respect of certain specified items identified by the Id. Assessing Officer. The addition has been upheld on mere surmises and conjectures without appreciating that no corroborative evidence is found during the course of search proceedings or assessment proceedings.*

*(b) The id. CIT(A) erred in law and facts in failing to appreciate that determination of the final sale price would always be the commercial prerogative of the businessman and influenced by various factors and that the pricing decision fall within the legitimate domain of business discretion and that the revenue cannot sit on the armchair of a businessman to decide about the sale price of the item.”*

**ITA No 5814/Mum/2025 AY 2021-22:**

*“1. (a) The assessment order passed u/s. 147 of the IT Act by the Id. Assessing Officer is without jurisdiction, invalid and bad in law and is also not in accordance with the procedures laid down in the Act.*

*(b) The reopening of assessment u/s. 148 of the Act by the Jurisdictional Assessing Officer is invalid as the notice ought to have been issued by the Faceless Assessing Officer in view of the amendment in section 151A of the Act and therefore, the entire reassessment proceedings is vitiated and consequently, the assessment order passed by the Jurisdictional Assessing Officer u/s. 147 of the Act is void-ab-initio, invalid and bad in law.*

*2. (a) The Id. CIT(A) erred in facts and law in upholding addition u/s. 28 of the Act to the tune of Rs. 97,22,854/- by applying 'average GP percentage on the cost of comparable companies' in respect of certain specified items identified by the Id. Assessing Officer. The addition has been upheld on mere surmises and conjectures without appreciating that no corroborative evidence is found during the course of search proceedings or assessment proceedings.*

*(b) The Id. CIT(A) erred in law and facts in failing to appreciate that determination of the final sale price would always be the commercial*

prerogative of the businessman and influenced by various factors and that the pricing decision fall within the legitimate domain of business discretion and that the revenue cannot sit on the armchair of a businessman to decide about the sale price of the item.”

**ITA No 5815/Mum/2025 AY 2022-23:**

*“1. (a) The assessment order passed u/s. 147 of the IT Act by the Id. Assessing Officer is without jurisdiction, invalid and bad in law and is also not in accordance with the procedures laid down in the Act.*

*(b) The reopening of assessment u/s. 148 of the Act by the Jurisdictional Assessing Officer is invalid as the notice ought to have been issued by the Faceless Assessing Officer in view of the amendment in section 151A of the Act and therefore, the entire reassessment proceedings is vitiated and consequently, the assessment order passed by the Jurisdictional Assessing Officer u/s. 147 of the Act is void-ab-initio, invalid and bad in law.*

*2. (a) The Id. CIT(A) erred in facts and law in upholding addition u/s. 28 of the Act to the tune of Rs. 7,89,435/- by applying 'average GP percentage on the cost of comparable companies' in respect of certain specified items identified by the Id. Assessing Officer. The addition has been upheld on mere surmises and conjectures without appreciating that no corroborative evidence is found during the course of search proceedings or assessment proceedings.*

*(b) The Id. CIT(A) erred in law and facts in failing to appreciate that determination of the final sale price would always be the commercial prerogative of the businessman and influenced by various factors and that the pricing decision fall within the legitimate domain of business discretion and that the revenue cannot sit on the armchair of a businessman to decide about the sale price of the item.”*

**ITA No 5816/Mum/2025 AY 2023-24:**

*1. The assessment order passed u/s. 143(3) of the IT Act by the Id. Assessing Officer is without jurisdiction, invalid and bad in law and is not in accordance with the procedures laid down in the Act.*

*2. (a) The Id. CIT(A) erred in facts and law in upholding addition u/s. 28 of the Act to the tune of Rs. 46,78,471/-by applying 'average GP percentage on the cost of comparable companies' in respect of certain specified items identified by the Id. Assessing Officer. The addition has been upheld on mere surmises and conjectures without appreciating that no corroborative evidence is found during the course of search proceedings or assessment proceedings.*

*(b) The Id. CIT(A) erred in law and facts in failing to appreciate that determination of the final sale price would always be the commercial prerogative of the businessman and influenced by various factors and that the*

*pricing decision fall within the legitimate domain of business discretion and that the revenue cannot sit on the armchair of a businessman to decide about the sale price of the item."*

**ITA No 5744/Mum/2025 AY 2020-21:**

*"1. "Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in restricting the addition for suppressed sales from Rs. 4,27,01,971/- to Rs. 63,41,679/- by replacing the AO's item-wise Cascade vs Tally comparison with a uniform 15.65% GP on-cost benchmark derived solely from assessee-furnished comparable."*

*2. "Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in holding that the action of the Assessing Officer in applying a 50% adjustment to Cascade tag prices was arbitrary and resulted in absurd gross profit figures, without appreciating that the said adjustment was a conservative and rational method to identify suppressed sales based on the assessee's own records."*

*3. "Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred failed to appreciate that stock valuation made by the Departmental Valuer and sales realization serve different purposes, and therefore comparison of implied sales with stock valuation is misconceived and irrelevant for determining suppression of income."*

*4. "Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in ignoring the fact that the assessee failed to furnish detailed item-wise reconciliation for 103 jewellery items where recorded sale price was significantly lower than the corresponding Cascade tag price, despite being afforded repeated opportunities."*

*5. ". Whether on the facts and circumstance of the case and in law, the Ld. CIT(A)) failed to appreciate that no documentary evidence such as customer communications, negotiation approvals, or contemporaneous records were furnished by the assessee to substantiate steep reductions in sale prices, which rendered the AO's reliance on Cascade and Tally records as the only available basis for income determination."*

*6. "Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in the deletion of Rs. 3,63,60,292/- undermines the statutory mandate under Section 28 to make reasonable estimates of unaccounted income using operational records. The Ld. CIT(A)'s approach substitutes the actual evidence with generalized assumptions submitted by the assessee, disregarding the Departmental Valuer's corroborative report which leads to substantial under-assessment and loss to the exchequer."*

*7. " Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in law and on facts in treating the AO's methodology as arbitrary, whereas the same constituted a reasonable and accepted procedure under Section 28 of*

*the Act for estimating suppressed business income in the absence of satisfactory explanation by the assessee."*

**ITA No 5745/Mum/2025 AY 2021-22:**

*"1. "Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in restricting the addition for suppressed sales from Rs.4,00,81,163/- to Rs.97,22,854/- by replacing the AO's item wise Cascade vs Tally comparison with a uniform 14.83% GP-on cost benchmark derived solely from assessee-furnished comparable."*

*2. "Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in holding that the action of the Assessing Officer in applying a 50% adjustment to Cascade tag prices was arbitrary and resulted in absurd gross profit figures, without appreciating that the said adjustment was a conservative and rational method to identify suppressed sales based on the assessee's own records."*

*3. "Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred failed to appreciate that stock valuation made by the Departmental Valuer and sales realization serve different purposes, and therefore comparison of implied sales with stock valuation is misconceived and irrelevant for determining suppression of income."*

*4. "Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in ignoring the fact that the assessee failed to furnish detailed item-wise reconciliation for 57 jewellery items where recorded sale price was significantly lower than the corresponding Cascade tag price, despite being afforded repeated opportunities."*

*5. ". Whether on the facts and circumstance of the case and in law, the Ld. CIT(A)) failed to appreciate that no documentary evidence such as customer communications, negotiation approvals, or contemporaneous records were furnished by the assessee to substantiate steep reductions in sale prices, which rendered the AO's reliance on Cascade and Tally records as the only available basis for income determination."*

*6. "Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in the deletion of Rs. 3,03,58,309/- undermines the statutory mandate under Section 28 to make reasonable estimates of unaccounted income using operational records. The Ld. CIT(A)'s approach substitutes the actual evidence with generalized assumptions submitted by the assessee, disregarding the Departmental Valuer's corroborative report which leads to substantial under-assessment and loss to the exchequer."*

*7. "Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in law and on facts in treating the AO's methodology as arbitrary, whereas the same constituted a reasonable and accepted procedure under Section 28 of the Act for estimating suppressed business income in the absence of satisfactory explanation by the assessee."*

**ITA No 5746/Mum/2025 AY 2022-23:**

1. *"Whether on the facts and circumstance of the case and in law. the Ld. CIT(A) erred in restricting the addition for suppressed sales from Rs.2,57,15,639/- to Rs.7,89,435/- by replacing the AO's item wise Cascade vs Tally comparison with a uniform 12.38% GP-on cost benchmark derived solely from assessee-furnished comparable."*
2. *"Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in holding that the action of the Assessing Officer in applying a 50% adjustment to Cascade tag prices was arbitrary and resulted in absurd gross profit figures, without appreciating that the said adjustment was a conservative and rational method to identify suppressed sales based on the assessee's own records."*
3. *"Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred failed to appreciate that stock valuation made by the Departmental Valuer and sales realization serve different purposes, and therefore comparison of implied sales with stock valuation is misconceived and irrelevant for determining suppression of income."*
4. *"Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in ignoring the fact that the assessee failed to furnish detailed item-wise reconciliation for 143 jewellery items, where, recorded sale price was significantly lower than the corresponding Cascade tag price, despite being afforded repeated opportunities."*
5. *". Whether on the facts and circumstance of the case and in law, the Ld. CIT(A)) failed to appreciate that no documentary evidence such as customer communications, negotiation approvals, or contemporaneous records were furnished by the assessee to substantiate steep reductions in sale prices, which rendered the AO's reliance on Cascade and Tally records as the only available basis for income determination."*
6. *"Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in the deletion of Rs.2,49,26,204/- undermines the statutory mandate under Section 28 to make reasonable estimates of unaccounted income using operational records. The Ld. CIT(A)'s approach substitutes the actual evidence with generalized assumptions submitted by the assessee, disregarding the Departmental Valuer's corroborative report which leads to substantial under-assessment and loss to the exchequer."*
7. *"Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in law and on facts in treating the AO's methodology as arbitrary, whereas the same constituted a reasonable and accepted procedure under Section 28 of the Act for estimating suppressed business income in the absence of satisfactory explanation by the assessee."*

**ITA No 5747/Mum/2025 AY 2023-24:**

1. *"Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in restricting the addition for suppressed sales from Rs.2,95,64,653/- to Rs.47,78,471/- by replacing the AO's item wise Cascade vs Tally comparison with a uniform 14.27% GP-on cost benchmark derived solely from assessee-furnished comparable."*
2. *"Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in holding that the action of the Assessing Officer in applying a 50% adjustment to Cascade tag prices was arbitrary and resulted in absurd gross profit figures, without appreciating that the said adjustment was a conservative and rational method to identify suppressed sales based on the assessee's own records."*
3. *"Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred failed to appreciate that stock valuation made by the Departmental Valuer and sales realization serve different purposes, and therefore comparison of implied sales with stock valuation is misconceived and irrelevant for determining suppression of income."*
4. *"Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in ignoring the fact that the assessee failed to furnish detailed item-wise reconciliation for 86 jewellery items, where, recorded sale price was significantly lower than the corresponding Cascade tag price, despite being afforded repeated opportunities."*
5. *"Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) failed to appreciate that no documentary evidence such as customer communications, negotiation approvals, or contemporaneous records were furnished by the assessee to substantiate steep reductions in sale prices, which rendered the AO's reliance on Cascade and Tally records as the only available basis for income determination."*
5. *"Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in the deletion of Rs.2,48,86,182/- undermines the statutory mandate under Section 28 to make reasonable estimates of unaccounted income using operational records. The Ld. CIT(A)'s approach substitutes the actual evidence with generalized assumptions submitted by the assessee, disregarding the Departmental Valuer's corroborative report which leads to substantial under-assessment and loss to the exchequer."*
7. *"Whether on the facts and circumstance of the case and in law, the Ld. CIT(A) erred in law and on facts in treating the AO's methodology as arbitrary, whereas the same constituted a reasonable and accepted procedure under Section 28 of the Act for estimating suppressed business income in the absence of satisfactory explanation by the assessee."*

3. Additions made in the present appeals contested by the assessee are to be tested on the touch stones of effect of there being no corroborative evidence found during the course of search proceedings or assessment proceedings to make the addition and that the commercial prerogative for the determination of final sale price is always with the business man which is influenced by various factors. According to the assessee, addition made u/s.28 by applying average GP percentage on the cost of comparable companies for certain specified items identified by the ld. AO is not justifiable.

4. Identical issue is involved in this set of eight appeals, wherein both revenue and assessee are in cross appeals. The difference is only on account of quantum of addition. Accordingly, all these appeals are taken up together for adjudication by passing this consolidated order. We take appeal for AY 2020-21 as the lead case to draw our facts and make our observations to arrive at the findings which shall apply mutatis-mutandis to all the other appeals.

4.1. Fact of the matter is that assessee is engaged in the business of jewellery wherein the business is of trading of cut and polished diamonds and color stones and manufacturing and selling of diamonds and color stone jewellery. A search and seizure action was undertaken in the case of Balkrishan Industries Limited Group on 11.03.2024, which included the assessee and its partners also.

5. Assessee had filed its original return of income u/s. 139(1) for AY 2020-21, reporting total income at Rs. 2,82,62,170/-. Owing to search action, notice u/s. 148 was issue on 31.03.2024 in response to which assessee filed its return, reporting total income at Rs. 2,89,87,170/- by including additional income at Rs.7,25,000/-, on account of application

of GP income on sales found recorded in Cascade software (used for inventory management), but not in Tally software, used for maintaining books of accounts and filing income tax return. In respect of this additional income of Rs. 7,25,000/- offered by the assessee in its return in response to notice u/s.148, ld. AO observed in paragraph 6 of the impugned assessment order that there were certain items for which no reconciliation was found, valued at Rs. 1,16,80,045/-. Ld. AO noted that according to the assessee, the same could not be traced from its Tally software on account of huge volume of items which remained unreconciled. Thus, assessee had suo-moto offered to tax the said unreconciled amount on GP basis by taking the rate of 6.19% as reported in the books of accounts, which came to Rs. 7,22,995/-, rounded to Rs. 7,25,000/-. Thus, assessee included this amount and paid taxes on the said income. On account of this inclusion of additional income in respect of unreconciled items, ld. AO did not make addition in the reassessment as assessee had made suo-moto offer in its return in response of notice u/s. 148.

6. In the course of search action, certain sales related data was pulled out by the search party from the software known as Cascade. According to the assessee, this software was specifically got designed from software company for managing inventory of finished jewellery. Thus, it was an additional tool to maintain inventory at shop, as submitted by the assessee. This software was not used for preparation of financial accounts. Assessee maintained its regular books of accounts on Tally software based on which the return of income is also filed. Explanation furnished by the assessee on the usage of its Cascade software for inventory management and recording of actual final sales in the Tally software is reproduced below.

*“Jewellery is made on job work basis. All the raw materials (diamonds, colour stones and gold) issued to job workers are entered in Cascade software and job issue slip' is generated. This enables the assessee to keep a track of items issued to job workers.*

*Once the item is manufactured by the job worker, the item code is created in Cascade. This enables the assessee to keep a track of finished items manufactured by the job workers. The item code is an alphanumeric number in series. For instance, Bangles will have reference number starting with 'BNG', necklace with 'NEC', bracelet with 'BRC, ear-ring with 'EAR', ring with 'RNG', etc.*

*For maintaining physical stock of finished jewellery items, a photograph is clicked and a tag is printed for each item from the Cascade software. This enables the assessee to maintain physical stock of finished items at its store. A Tag Price (Reference price) is given to the finished item so that at any given point the Tag Price of the item can be quoted to the customer.*

*When the customer likes any item and express his/her strong intention to buy the item during initial conversation with such customer, the item is given to the customer for selection / approval and when it is almost certain the sale would eventually happen based on verbal confirmation, the sale entry is recorded in the Cascade software for reference purpose although the formal sale may happen in due course once the final written signed invoice is issued to the Voutsard movem customer after finalization of sales terms.*

*1. The actual final sales done by the assessee is recorded in the Tally software which is used to maintain financial records and Financial Statements are also drawn from such books of accounts maintained in Tally software.”*

7. From the above, it is noted that according to the assessee, Cascade software is used as far as sales are concerned, to record the outward movement of the inventory for reference purpose. What goes into the Tally software wherein financial records are maintained and financial statements are drawn therefrom, is the actual final sales done by the assessee, once the final written signed invoice is issue to the customer after finalization of sales terms. Assessee also clarified that the displayed figure in the Cascade software are just “tag” or “reference price” which is determined by the management as a bench mark. Assessee explained the business practices in the segment in which it deals by submitting that in the diamond jewellery industry, it is a common practice to set the tag price at a much higher level than the

realizable sale price. It is primarily used as a marketing strategy to create an impression of greater value and exclusivity in the minds of the prospective customer even though the actual saleable price which the customer agrees to pay is usually much lower. This is a widely prevalent practice within the high end diamond jewellery industry.

7.1. According to the assessee, real price at which the jewellery is sold to a customer is usually much lower than the tag price for which several factors like size, shape, quality and design of the jewellery have a bearing on the final sale price. Additionally, market trends, supply and demand conditions, preferences of individual buyers and the perceived value of a customer also has a vital role in determining the final sale price. Once the final price is agreed by issuing a final written signed invoice to the customer, the same is entered in the Tally software at the agreed final sale price with the customer. In the Cascade software, this sale transaction is recorded with its tag price so as to track its outward movement from the inventory. Thus, the difference between the tag price in Cascade software and the final sale price recoded in the Tally software is not an unaccounted or unrecorded sale value as alleged by the Id. AO. Assessee submitted detailed reconciliation to explain the difference between the tag price/reference price in the Cascade software vis-à-vis the final and actual sale price in the Tally software. For the purpose of explaining the difference, it used the word "discount" as a nomenclature. This difference is not the real discount which the assessee offerses to its customers while concluding the deal for sale made by it. While submitting the reconciliation of sales reflected in Cascade with the actual sale as per Tally software, it was explained that value displayed in Cascade software is an artificially inflated price which is much higher than the actual realizable value of the item. There is

nothing brought on record, neither by the ld. AO nor by the ld. DR to controvert this modus-operandi of the conduct of business as per the industry practices. Further, ld. AO has not established with anything found and seized during the course of search that actual sale took place at the tag/reference price which remained unrecorded.

7.2. The difference in the tag price as recorded in Cascade software and the final sale price as recorded in Tally software is not real as substantiated by the valuation report issued by the Department appointed Registered Valuer who valued the jewelry items lying in stock on the date of search for which the valuation was done as per rule 11UA of the Income-Tax Rules, 1962 [ the Rules] based on market valuation i.e. the value such jewellery would fetch, if sold in the open market on the date of valuation. Based on this valuation report, it arrived at an approximate value of Rs. 141 Cr. whereas the total value of the tag price of the same items entered in Cascade software was approximately Rs. 400 Cr. This significant difference being 2.80 times higher than the valuation arrived at by the appointed registered valuer of the Department in itself substantiates the explanation furnished by the assessee, claims the ld. Counsel of the assessee.

8. Contrary to this, ld. AO observed that Valuation by the Departmental Valuer was conducted at cost and does not include profit element in the items. In this respect, it is noted that cost is a historical concept and valuation is always done based on current value i.e. market value on the date when valuation is done. Rule 11UA also requires that valuation is to be done at a value which the item would fetch, if sold in the open market, on the date of valuation. If the stand of the ld. AO is accepted, then it would require taking into consideration various data which would include date of purchase, cost of manufacturing, quantity

manufactured and sold, method of valuation i.e. FIFO or weighted average which is not feasible for the Departmental Valuer to consider for the valuation made in the course of search for voluminous stock items which are as many as 2291 in number.

9. It is also noted that if the tag price as per Cascade software is considered as the sale price of the items it gives rise to absurd results. Assessee furnished the working based on the treatment given by the Id. AO to demonstrate the absurdity which comes out in terms of unrealistic and absurd gross profit percentage. The said working is tabulated below:

Sr. No.	Particulars	Rs.
1	Total Sale price of items in respect of which addition is made	8,89,19,391
2	Total cost of items in respect of which addition is made	7,81,02,406
3	Total profit declared on items in respect of which addition is made (1-2)	1,08,16,985
4	Difference above 50% added by AO	4,27,01,971
5	Updated sale price considered by AO (At 50% discount) (1+4)	13,16,21,362
6	Updated profit as per AO (3+4)	5,35,18,956
7	Resultant GP% on sales after addition by AO (6/5 X 100)	40.66%
8	Resultant GP% on cost after addition by AO (6/2 X 100)	68.52%

10. From the above table, it was pointed out before us that the resultant gross profit on sales stands at 40.66% and at 68.52% on cost which is highly unrealistic and absurd in the line of business in which assessee deals in. To support its contention, assessee had furnished the details of GP margins, both on sales and cost basis, of comparable companies engaged in similar line of business. Based on the working of the comparable company's average GP margin on sales came to 13.47%

and on cost basis at 15.65%. Thus, assessee demonstrated evidently with verifiable data that the approach adopted by ld. AO of considering difference between the recorded sales and 50% of the tag price as additional income lead to absurdity. Details of comparable furnished by the assessee is tabulated below:

Sr. No.	Companies	Amount in	Sales	Cost	GP	GP% on sales	GP% on cost
1	Waman Hari Pethe sons Pvt. Ltd.	Lakhs	61,169	54,157	7,012	11.46%	12.95%
2	Thangamayil Jewellery Ltd.	Lakhs	1,69,196	1,48,691	20,505	12.12%	13.79%
3	Khanna Jewellers Pvt. Ltd.	Lakhs	43,105	37,923	5,182	12.02%	13.66%
4	TBZ	Lakhs	1,80,987	1,55,633	25,353	14.01%	16.29%
5	Kalyan Jewellers	Million	78,458	64,549	13,909	17.73%	21.55%
					<b>Average</b>	<b>13.47%</b>	<b>15.65%</b>

11. Even the ld. AO himself accepted the absurdity whereby he observed that it would lead to sale price multiple of cost of more than 3 times which is impossible to realize in the assessee's line of business. Relevant paragraphs from the impugned assessment order for the observations made by the ld. AO while accepting the contention of the assessee are extracted below:

*"5.8.1 The assessee has contended that in case Updated Tag price as per Cascade software is considered as sale price, then it would give rise to absurd results as it would lead to Sate price multiple of cost of more than 3 times which is impossible rate In the assessee's line of business) This submission of the assessee along with its fr other contentions merits consideration. The jewellery business, particularly in the luxury segment, does not typically operate at such high multiples, as the cost-to-sale price ratio is generally much lower. In view of this, while excessive discounts are questionable, however, existence of normal discounts cannot be ruled out especially in such high end jewellery business. It is a fact that the assessee has limited customers and in order to maintain the same along with the need to maintain profits to keep running the business,*

*these tactics of keeping prices higher is no new thing. It is the psychology of the customers to get impressed by discounts which was used by assessee. As most of the raw material used by the assessee is diamonds, which is highly subjective product with high margin, it is possible for the assessee to provide high discounts. The assessee has clarified that the tag prices displayed in the Cascade software are not reflective of the actual sale prices but are instead artificially inflated reference prices. This marketing strategy, commonly practiced in the jewellery industry, is aimed at creating a perception of higher value and exclusivity. The assessee has convincingly demonstrated that these inflated prices are not intended for actual transactions but serve merely as starting points for customer negotiations. Hence, in order to meet the ends of justice, it would be fair and appropriate to consider discounts upto 50% within the acceptable range so as to avoid absurd results.*

*5.8.2 Based on the item wise reconciliation as given in the para 5.7.1 above, it is observed that discounts have indeed been offered by the assessee. With respect to the acceptability of the Updated Tag Price, the contention of the assessee is justified as the same was found from the seized material and therefore verifiable.*

*5.8.3 The assessee has limited clientele and has stated that the items made on customization, if rejected, cannot be sold to other customers and therefore was sent for dismantling. The contention is acceptable from the fact there are certain items which were present in the Cascade software but not recorded in Tally software. The assessee claimed that they are the items sent for dismantling and hence are not sold. This primarily proves that the assessee caters to the high end customers. This also shows that assessee makes customized jewellery based on the specifications of the customers.”*

12. From the perusal of the impugned assessment order, it is also observed that ld. AO has reproduced certain images whereby the tag price as well as the offered price after discount are mentioned. It is noted from these images that the tag price is certainly not the sale price and, therefore, the difference between the tag price and actual real sale price cannot lead to treat the same as unrecorded sale price in the hands of the assessee. Further, when the ld. AO in para 5.8.3 notes that assessee has limited clientele, one fails to understand what prevented the ld. AO to directly enquire from the customers of the assessee about the actual and real sale price of the items sold to the concerned customer by exercising powers vested in him under the provisions of the Act. From the perusal of the impugned assessment order, we are unable to discern if any such enquiry was conducted by ld. AO from the customers/

clientele of the assessee to ascertain the actual real sale price at which the items were sold by the assessee vis-a-vis the tag price of the same item recorded in the Cascade software.

13. Before the ld. AO, assessee furnished item wise details of tag price as per the Cascade software and sale value as per Tally software and also details of corresponding gross profit reported by the assessee on such sale items. Assessee summarized its analysis on this data submission to demonstrate that it has disclosed a reasonable amount of GP margin of 16.86% on cost basis which is more than the industry average of 15.65% on similar cost basis. Brief analysis in this respect is tabulated below:

Category	No. of items	Tag Price as per Cascade	Sale Amount as per Tally	Cost as per Tally	Gross Profit	Average GP% on cost
Items where assessee has reported profit	86	23,31,31,395	8,04,58,855	6,88,48,476	1,16,10,379	16.86%
Items where no profit/ loss is reported	2.	1,12,146	26,788	26,788	0	0.00%
Items sold at loss	15	2,99,99,183	84,33,748	92,27,143	-7,93,395	-8.60%
Total	103	26,32,42,724	8,89,19,391	7,81,02,407	1,08,16,984	13.85%

13.1. Accordingly, from the above factual details tabulated above, the methodology adopted by ld. AO fails to address the very absurdity it sought to correct by applying a 50% discount on Cascade Tag Prices and treating the balance amount as unaccounted sales which is devoid of any statistical data or reasoning, yielding patently unrealistic results. Such an approach of ld. AO is based on estimation, without any element of corroborative data, moreover, ignoring the most clinching fact on record in terms of Departmental Valuation Report which in itself

demonstrates that the current market value arrived at in the valuation exercise is significantly lower than the tag price recorded in the Cascade software.

14. In respect of reconciliation furnished by the assessee, ld. AO observed that no reconciliation was provided for certain items appearing in the Cascade software. In this respect, ld. AO generalized the approach of considering Cascade Tag Price on all the items by holding that assessee itself suo-moto considered the unreconciled amount appearing in Cascade software for offering income in the return filed in response to notice u/s. 148. Such an extrapolation by the ld. AO is unwarranted and not tenable. Assessee had given its justifications and reasoning for the discrepancies which percolated. The reasoning given in this respect is extracted below:

*“1. The primary reason for discrepancy is that in the Department working Original Cascade Tag price’ of items sold is considered whereas ‘Updated Cascade Tag price ought to have been considered. It is pertinent to note that the ‘Updated Cascade Tag price’ is already forming part of the seized material Accordingly. the reconciliation submitted above now duly considers this.*

*2. Few sale items considered in the Department working are those items which are actually returned by the customers and then sold to other customers Hence, such items ought to have not been considered. The explanation of such items has already been given in our ‘Reconciliation of amounts entered into Cascade software and Sales as per Tally submitted earlier.*

*3. Few sale items considered in the Department working are those items which belonged to the customers which were given to us for remaking for which only labour charges are charged by us from the customer. The amount appearing in Cascade is for the whole value of such jewellery items (which is calculated by the Cascade software automatically based on the specifications inputted) whereas the amount appearing in Tally represents labour charges of remaking of jewellery. This difference does not represent any discount given and therefore, the same ought to have been ignored. The explanation of such items has already been given in our ‘Reconciliation of amounts entered into Cascade software and Sales as per Tally’ submitted earlier.”*

15. In respect of addition made by the ld. AO, it is pertinent to note that no significant undisclosed asset either in original form or converted

form or any other significant incriminating material was discovered/unearthed during the search action which would represent the alleged undisclosed income by way of suppression of sales in the Tally software. During the course of search action only cash of approximately Rs. 2 Cr. was found and seized. Assessee had already offered income of approximately Rs. 2.30 Cr. for the assessment years from AY 2017-18 to AY 2024-25 in respect of reconciled items appearing in Cascade software which is higher than the amount of cash found and seized during the course and search.

16. In respect of the above, it is worth noting that in order to substantiate the price actually realized by the assessee from its customers on sale by items, it had submitted the following documentary evidences during the course of assessment. These documents stands as testimoney to the price realized by the assessee on the sale of items which have not been controverted or disproved by the Id. AO. These documentary evidences include:

- (i) Copy of invoices raised
- (ii) Copy of ledger account of the customer in the books of the assessee
- (iii) Copy of sales voucher extracted from Tally software.

17. The GP rate of 15.65% on cost as per the comparable is reasonable and is based on data to arrive at correct income in the hands of the assessee. Since the accuracy of sales figures itself is in dispute, it is more appropriate to apply the GP percentage on cost rather than on sales. Thus, while applying so, the GP percentage of comparable fairly matches with the results of the assessee. It is worth noting here that the GP rate of 15.65% on cost basis once accepted by the authorities below on an aggregation, then the item wise GP percentage

ascertainment is not tenable. There are many items on which profit earned by the assessee is less than the said GP rate of 15.65%. There are items which the assessee has sold at loss also. All these details are already tabulated, when assessee gave its analysis to demonstrate its GP percentage on cost of 16.86%. Also, there is no incriminating material found during the course of such for each of such identified items whereby the itemized GP percentage is to be arrived at for the purpose of making addition in the hands of the assessee. From the perusal of the order of the ld. CIT(A), in paragraph 6.4.10, it is noted that the GP percentage of 15.65% on cost arrived at by way of aggregation has been directed to be applied for itemized GP percentage computation to make addition towards suppressed sales. By adopting such a methodology, ld. CIT(A) has concluded to sustain the addition to the extent of Rs.63,41,679/- as against the addition made by ld. AO. He thus, deleted the addition of Rs. 3,63,60,292/-. We do not find any rationality for sustaining such an addition, based on itemized GP percentage determination by applying the percentage of GP arrived at in aggregation. It is unrealistic and impractical that assessee earns identical GP percentage on each of the item of sale. Assessee has already demonstrated that it has earned GP percentage at cost which is in line with the industry margin as well as has submitted data for items on which there was no profit or loss as well as items on which it incurred loss. Thus, the addition sustained by ld. CIT(A) is not tenable. Accordingly, the addition made by ld. AO in toto is deleted. The basis which forms for arriving at our conclusion can be summarized as follows:

- a. Tag prices in Cascade are reference prices, which are considerably higher than the final sale prices.

b. Assessee claimed that this pricing method is common in the high-end jewellery industry, where the initial price is set higher for marketing purpose to create an impression of greater value and exclusivity in the minds of the customer and also for negotiation purpose.

c. The final sale price is typically much lower, and various factors such as quality, design, market demand, and customer perception play a role in determining the final price and the final sale price is accurately reflected in the assessee's Tally accounting software. Assessee has submitted that the discrepancy is attributed to such high difference between the display price and the real sale price.

d. Assessee also emphasized that "Discount" word was used in post search and assessment proceedings for nomenclature purpose to explain the reconciliation and the difference amount between the Cascade tag price and the actual sale price cannot be said to be real discount usually given in other industries.

e. Assessee also relied on the valuation report prepared by the Department's appointed registered valuer at the time of search action to show that the tag prices entered into Cascade are substantially higher than the realisable value of the items.

f. Assessee has disputed the difference figure of Rs. 26,10,97,840/- stated in the show cause notice and has provided a revised difference with detailed reconciliation, considering updated tag prices, returns, remade items, etc. Assessee contends that if the Cascade tag price were to be considered as the sale price, it would lead to unrealistic results, with the sale price being

more than three times the cost, which is not feasible in its business.

g. Assessee also highlighted that no substantial undisclosed assets or incriminating material were found during the search or assessment proceedings and that there is no evidence to support the claim that sales were made at the inflated Cascade tag prices, and if that was the case, search party would have discovered much larger undisclosed assets, which was not the case.

18. Considering the above detailed discussion and the factual matrix backed by corroborative documents and data analytics, ground no. 2 raised by the assessee in its appeal is allowed and grounds raised by the revenue in this respect are dismissed. Since issue raised in all the appeals, both by assessee and revenue are identical except for variation in the quantum, our aforesaid findings apply mutatis mutandis to the entire set of these appeals.

19. In the result, appeals of the assessee are allowed and appeals of the revenue are dismissed.

Order pronounced in the open court on 11.12.2025.

Sd/-  
[Amit Shukla]  
Judicial Member

Sd/-  
[Girish Agrawal]  
Accountant Member

*Dated: 11.12.2025.*

*Divya Ramesh Nandgaonkar  
Stenographer*

Copy to:

1. The Appellant
2. The Respondent
3. DR, ITAT, Mumbai
4. Guard File
5. CIT

BY ORDER,

(Dy./Asstt. Registrar)  
ITAT, Mumbai