

**IN THE INCOME TAX APPELLATE TRIBUNAL, RAJKOT BENCH, RAJKOT
BEFORE DR. ARJUN LAL SAINI, ACCOUNTANT MEMBER
AND
SHRI DINESH MOHAN SINHA, JUDICIAL MEMBER**

**आयकर अपील सं./ITA No. 535/RJT/2025
(Assessment Year: 2023-24)**

Akshar Jewellers, Nagar Road, Hetan Falia, Junagaadh - 362001	Vs.	Deputy/Assistant Commissioner of Income Tax, Circle-1(1), Rajkot – 360001
स्थायीलेखासं. /जीआइआरसं./PAN/GIR No.: AARFA4631N		
(अपीलार्थी/assessee)		(प्रत्यर्थी/Respondent)

निर्धारितकीओरसे/Assessee by : Shri Kalpesh Doshi, Ld. AR
राजस्वकीओरसे/Revenue by : Shri Sanjay Punglia, CIT-DR

सुनवाईकीतारीख/ Date of Hearing : 10/12/2025
घोषणाकीतारीख/Date of Pronouncement : 31/12/2025

आदेश/ORDER

Per, Dr. A. L. Saini, AM:

The present appeal has been filed by the Assessee, against the order passed by the Learned Commissioner of Income Tax (Appeal), National Faceless Appeal, Centre (NFAC), Delhi [hereinafter referred to as “CIT(A)”] dated 24.07.2025 arising in the matter of assessment order passed u/s. 143(3) of the Income Tax Act, 1961 (here-in-after referred to as “the Act”) relevant to the Assessment Year 2023-24.

2. Grievances raised by the assessee, which, being interconnected, will be taken up together, are as follows:

1. That, the Ld. CIT(A) has wrongly confirmed the assessment order passed u/s 143(3) r.w.s. 144B of the Act of the I.T. Act, 1961.



2. That, the Ld. CIT(A) has wrongly confirmed the rejection of books of account u/s 145(3) of the I.T. Act, 1961.

3. That, the Ld. CIT(A) has wrongly confirmed estimation of Gross Profit Rate @ 8% and wrongly made addition of Rs. 3,68,10,310/- on estimation basis.

4. That, the Ld. CIT(A) has wrongly confirmed initiation of penalty proceedings u/s 270A of the I.T. Act, 1961.

5. That, the Ld. CIT(A) has wrongly charged interest u/s 234B and 234C of the I.T. Act, 1961.

6. That, the findings of the Ld. CIT(A) are not justified and are bad-in-law.

7. The assessee craves to add, amend, alter or delete any of the above grounds of appeals.

3. Brief facts, as discernible from the orders of lower authorities are that the assessee is a firm and it has filed its return of income in Form ITR-5, in the Status of 'Firm' for the Assessment Year 2023-24, electronically on 30/10/2023, declaring the total income at Rs. 4,47,56,020/-. The said return was processed u/s 143(1) of the Act, by the CPC, on 31/10/2023, determining the tax liability at -Nil-.

4. Subsequently, the assessee's case was selected for "Scrutiny Assessment" under Computer Aided Scrutiny Selection [CASS], to verify the following issues, viz: (i) Low net profit by certain specific business codes and (ii) large investment from the Gems and Jewellery business. A notice u/s 143(2) of the Act was issued on 19/06/2024, and thereafter, a statutory notice u/s. 142(1) along with a specific questionnaire was issued on 05/08/2024, requiring the assessee to furnish the requisite information, details, explanation and supporting documents etc.



5. In response to these notices of the assessing officer, the assessee furnished the details and documents before the assessing officer.

6. The assessee is mainly involved in processing and wholesale trading in Gold and various types of gold ornaments i.e. Gems & Jewellery Business in the name & style of M/s. Akshar Jewellers. The firm mainly deals in manufacturing of gold ornaments from processing of pure gold [gold bar] and deals mainly on wholesale basis in domestic as well as overseas market. During the year under consideration, the firm has achieved total sales of Rs. 143.98 crores. Out of the total sales, export sales were of Rs. 17.94 crores and balance sales were of domestic. It is more than 95% of domestic sales are wholesale, that is direct to another retailers. The assessing officer noticed that assessee has not maintained day to day stock register or quantitative details of the principal items of raw material consumed and finished product obtained [as per Col. 35[a] & 35[b] of the tax audit report]. In the absence of day to day stock register/ quantitative details, the declared trading results are not found to be subject to verification and as such the provisions of section 145(3) of the I.T. Act, 1961 are clearly applicable. Therefore, assessing officer issued a further notice to the assessee to explain as to why the book results declared should not be rejected and an appropriate addition on this account should not be made.



7. In response to the above notice of the assessing officer, the assessee submitted before the assessing officer that assessee is maintaining the Inventory for each of the broad items on a regular basis. The assessee -firm has also been maintaining separate dedicated software in this regard. Further, the Tax Auditor, by inadvertent and unintentional mistake, has not mentioned, relevant details, in clause 35(a) & 35(b) of Form 3CD. Later on, the mistake was rectified by the chartered accountant. Besides, the assessee has given date-wise and party-wise purchases along with quantity in Gram for each purchases. Thus, it becomes very evident that we are maintaining quantitative details for each item in broad category, and complete details for each items (in gram), with detailed explanation, were submitted before the assessing officer.

8. The assessing officer examined the above reply of the assessee and observed that non -maintenance of day-to-day stock register/quantitative details as per the remarks given by the auditor in the audit report shows that assessee is not maintaining stock register. In view of the above facts and circumstances of the case, the assessing officer concluded that provisions of section 145(3) of the Act, were clearly applicable and the non-maintenance of day to day stock register or quantitative details was a sufficient reason for invoking the said provisions. Hence, by invoking the aforesaid provisions, the declared book results were rejected by the assessing officer. In compliance of the further show cause notices, the assessee vide his written submission dated 08/03/2025 & 09/03/2025, further contended that it has



maintained complete inventory record which has been submitted during the course of assessment proceedings.

However, assessing officer rejected the above submissions of the assessee and accordingly, on turnover of Rs. 143,98,27,957/-(as was reported by the assessee) gross profit of 8% was applied by the assessing officer which resulted in gross profit of Rs.11,51,86,237/-. Since, assessee has already offered the gross profit of Rs. 7,83,75,927/-, hence the same is reduced from estimated gross profit of Rs. 11,51,86,927 and this resulted in an addition of Rs.3,68,10,310/- (Rs.11,51,86,237- Rs.7,83,75,927) Hence, the assessing officer has made an addition of Rs.3,68,10,310/- on account of estimation of profit.

9. Aggrieved by the order of the Assessing Officer, the assessee carried the matter in appeal before the Ld. CIT(A) who has confirmed the action of the assessing officer. The ld.CIT(A) observed that non-furnishing the quantity details and value is not a minor error, therefore, the rejection of books of accounts and estimating the gross profit at 8% on the business turnover of Rs.143.98 Crores was correct. Therefore, learned CIT(A) did not interfere with the findings of the assessing officer and hence confirmed the addition made by the assessing officer.

10. Aggrieved by the order of the ld. CIT(A), the assessee is in further appeal before us.



11. Shri Kalpesh Doshi, Learned Counsel vehemently argued that assessee is a partnership- firm and assessing officer rejected the books of accounts despite the fact that assessee has submitted complete books of accounts which were audited by a chartered accountant. There was a minor and inadvertent mistake in preparing the Form No. 3CD, which was rectified later on and submitted before the assessing officer. The assessee also submitted quantitative details of day to day stock register. The assessing officer has not verified the quantitative details submitted by the assessee and without verifying the details and documents submitted by the assessee rejected the books of accounts of the assessee. The ld. Counsel submitted that no defect in the books of accounts were found by the assessing officer. The assessing officer only rejected the books of accounts stating that assessee has not maintained quantitative details of stock, however, the complete set of books of accounts which are audited cannot be rejected merely because the assessee has not explained quantitative details of the stock. However, the real fact is that the assessee has explained the quantitative details of the normal day to day basis, during the assessment proceedings. The Chartered Accountant while preparing the Form No. 3CD, audit report, by mistake did not mention the quantitative details in Form No. 3CD, therefore, later on, the Chartered Accountant rectified the mistake and submitted the rectified report before the assessing officer, which has not been considered by the assessing officer during the assessment proceedings. The assessee submitted complete set of books of accounts, cash book, ledger account, TDS details, GST return, stock register and made



compliance of other notices issued by the assessing officer during the assessment stage. Therefore, books of accounts of the assessee should not be rejected. Apart from this, the profit of the assessee in the current year, under consideration, is higher, as compared to the previous year, hence, books of accounts cannot be rejected where the assessee has shown the higher profit, as compared to the previous year.

12. The Id. Counsel also took us through the assessment order framed by the assessing officer in the previous assessment year 2022-23, and explained that assessee had submitted the entire audited books of accounts including stock results/stock details/stock register and previous year closing stock has become opening stock in the current year, and in the previous year, having the same set of facts and circumstances the books of accounts were not rejected, by the assessing officer. The assessment order of the assessing officer for the previous assessment year 2022-23 was submitted by the Id. Counsel, before the Bench, which is placed in the paper book page no. 107 and Id Counsel further argued that in the previous year the assessee is having the same set of facts and circumstances, however, books of accounts were not rejected, by the assessing officer and during the current year, the assessee has shown more profit, as compared to the previous year, hence books of accounts of the assessee should be more reliable and there should not be rejection of books of accounts merely on minor defect in filing form No.3CD, by Chartered Accountant, which was also rectified by the Chartered Accountant, with complete reconciliation with the previous year figures of closing stock. The assessing officer also did not find any mistake in the closing stock of the previous year.



13. The Learned Counsel also argued that assessee is maintaining the stock register on day to day, basis also, which was submitted during the assessment proceedings, and the previous year books of accounts were never rejected by the assessing officer. The ld. Counsel also relied on certain judgments wherein the assessee was not maintaining stock register, even then the books of accounts were not rejected by the assessing officer. For that ld. Counsel relied on the decision of Hon'ble Delhi High Court in the case of CIT vs. Smt. Poonam Rani 192 taxman 167 (Delhi) wherein Hon'ble High Court held that if stock register is not maintained by the assessee the books of accounts cannot be rejected. The ld. Counsel also relied on the judgment of the Hon'ble Bombay High Court in the case of PCIT v. Swananda Properties, 111 taxmann.com 94 wherein based on the same set of facts, it was held that revenue was not able to show any defect in assessee's records/ stock, therefore, books of accounts cannot be rejected. However, in the assessee's case, the assessee was maintaining day to day stock register also in addition to year- wise, closing stock, which were submitted during the assessment proceedings.

14. On the other hand, ld. D.R. for the Revenue submitted that in the original audited report of Chartered Accountant, the Chartered Accountant, while preparing the tax audit report, did not mention about maintenance of stock. Therefore, stock register was not maintained by the assessee. However, after some time, the assessee has submitted the revised rectified report and stated therein the quantitative details/ closing stock and day to day stock register



etc, which should not be accepted, because it is afterthought, hence, assessing officer has rightly rejected the books of accounts of the assessee. No doubt, in the previous year, the assessee had maintained quantitative details and stock details, however, in the current year, the assessee has failed to maintain proper stock registers, hence books of accounts of the assessee should be rejected.

15. The Id. D.R. further submitted that because of non-maintenance of stock details, the book result would be defective and therefore the assessing officer was right in rejecting the books of accounts of the assessee.

16. We heard both sides in detail and also perused the records of the case including the paper book filed by the assessee. We note that assessee under consideration is a Partnership- Firm and engaged in the business of manufacturing of Gold ornaments and also engaged in wholesale trade in the name of M/s Akshar Jewelers. The assessee- firm has filed its return of income on 30.10.2023, declaring a total income of Rs. 4,47,56.020. The assessee has duly maintained regular books of account as per the generally accepted accounting principle and also duly followed the accounting standards applicable. The assessee has also duly maintained day to day stock registers stating quantity of goods of each of the items of the stock in trade. The books of account are duly supported by bills, vouchers and supporting evidences. The books of accounts are duly maintained and audited u/s 44AB of the Act by a qualified Chartered Accountant and no defects have been found, by the assessing officer, during the assessment proceedings, except a



minor mistake in filing the particular in Form No.3CD, which was, later on, rectified by the assessee. The assessee -firm has duly complied with the notices issued during the course of assessment proceedings. The books of accounts of the assessee for the previous years and subsequent years, having same set of facts and circumstances, were not rejected by the assessing officer. It is duly stated by the assessee that the assessee- firm has been maintaining day to day stock details and year- wise, closing stock, along with all the supporting evidences.

17. It is also important to note that the assessee, under consideration has been subjected to a scrutiny assessment in assessment year (A.Y.) 2022-23 u/s 143(3) of the Act. The copy of assessment order for A.Y. 2022-23 is furnished before the Bench. The complete books of account, inventory records, and vouchers were examined and accepted as correct and complete without any adverse findings, by the assessing officer. For the current year, under consideration (A.Y. 2023-24), there has been no change in the nature of business, accounting methods, or record-keeping. All supporting documents and reconciliations were maintained and made available to the assessing officer. During the assessment, no discrepancies or unrecorded transactions were found, and no specific defect was pointed out, by the assessing officer. We also find that during the assessment proceedings, the assessee has submitted the following details:

- (i) Opening stock with quantity of the current year, which was the closing stock in the previous year (audited by Chartered Accountant), which has already been examined by the assessing officer, in the



previous year and previous year, books of accounts were not rejected, hence, we find that there should not be any error/mistake in the opening stock quantity.

- (ii) The assessee submitted details of current year entire purchases (audited by Chartered Accountant) with quantity details, these current year purchases, are not rejected by the assessing officer.
- (iii) The assessee submitted details of current year entire sales with quantity details, (audited by Chartered Accountant) these current year sales, are not rejected by the assessing officer.

Therefore, we note that in the assessee's case under consideration, the assessing officer accepted closing stock, which has become opening stock in the current year with necessary quantity details, and the assessing officer also accepted entire purchases with quantity details, and the assessing officer also accepted entire sales with quantity details, then there is no point to reject the books of accounts on the plea, that assessee had not submitted the details of closing stock. Presuming, but not admitting, and for the sake of argument, say, in the scrutiny assessment proceedings, if the assessee has submitted details of opening stock with quantity, purchase with quantity, sales with quantity, then in that circumstances, it was the duty of the assessing officer to work out the closing stock himself, with help of these details. As the entire detail were there before the assessing officer during the assessment proceedings and we find that the assessing officer did not take any pain to work out the closing stock with quantity and blamed the assessee without any reason, as the assessee has submitted entire quantity details of opening stock, purchase, and sales and therefore discharged the onus cast on



him (assessee-firm). Hence, books of accounts of the assessee cannot be rejected in these circumstances.

18. Therefore, we note that substantial documents and information, such as opening stock with quantity detail, purchase with quantity details and sales with quantity details, were submitted by the assessee during the assessment proceedings, and these figures were audited by a Chartered Accountant, moreover, these figures were accepted by the assessing officer, as correct, and no defects were found by the assessing officer. The pith and substance of the main details such as opening stock, purchase, sales with quantity details, are very important to work out the closing stock. The closing stock is worked out by taking the opening stock and adding the purchases and by subtracting, the sales quantity, will result into closing stock, that is, opening stock + purchases-sales= closing stock, this exercise could be done by the assessing officer himself without taking the help of the assessee. **The ‘tail’ cannot wag the ‘dog’**, that is, a minor mistake, committed by the Chartered Accountant of the assessee, while filling Form No.3CD, the assessee should not be penalised, particularly when the assessee has submitted the rectified report and particularly when the assessee has also submitted opening stock, purchase, sales with quantity details, from which closing stock can be easily worked out, during the assessment proceedings. The legislative intent behind Section 145(3) of the Act is to protect revenue in situations where there are genuine doubts about the reliability of accounts, however the section 145(3) would not be applied to penalize mere technical lapses or omissions unless they have a substantive impact on the true profit computation. In the



assessee's case under consideration, the net profit and the gross profit is more than the previous year.

19. During the course of assessment proceedings, the assessing officer raised specific query related to quantitative details and issued a show cause notice and assessee submitted audited figures of opening stock, purchases, sales with quantity details, therefore, to invoke the provisions of section 145(3) of the Act for rejection of books, is not acceptable, as no other defects or discrepancies in accounts, ledgers, stock registers, or accounting methods have been pointed out during the course of assessment proceedings. The assessee has duly maintained books of account along with all the supporting details. The books of account are also duly supported by the purchase and sale invoices and also supported by the day to day stock register. Therefore, the rejection of books of account u/s 145(3) of the I.T. Act is wrongly done by the assessing officer. In the assessee's case, the assessing officer has not pin-pointed a single substantive defect in the books of account. The only 'basis' provided by the assessing officer is the non-reporting of quantitative details in Clause No. 35 of Form 3CD, specifically in the original audit report, later on, the assessee rectified the same. The Inventory Movement Register with details of raw material and finished goods has been submitted by the assessee, before the assessing officer. The revised rectified report and inventory records together provided a complete information of the business transactions. All quantitative details were consistent with third-party documentation such as GST returns and supplier invoices. It is also stated that in response to notice dated 27/02/2025 concerning Unregistered Dealer (URD) expenditure and compliance, provided party-wise expenditure



summary, ledger extracts, and a detailed statement reconciling TDS and TCS returns with accounting records. Before rejecting books of account, the assessing officer has to prove that accounts are unreliable, incorrect or incomplete, which the assessing officer has failed to do so. We also find that, even if the assessee does not maintain stock details, the books of accounts should not be rejected as held in the case of Subhendu Kumar Subudhi vs. CIT [2022] 136 taxmann.com 87 (Orissa):

“Section 145, read with sections 143 and 133A, of the Income-tax Act, 1961-Method of accounting - Estimation of income (Gross profit) - Assessment year 2005-06 While completing assessment for assessment year in question, Assessing Officer noted that cashbook, ledger, purchase, sale, vouchers and cash memos were produced by assessee but stock register was not produced - Thereafter, proceedings under section 133A were initiated subsequent to period of assessment-Assessing Officer rejected valuation of closing stock by assessee for non-production of stock register and estimated it on basis of gross profit margin. Assessee submitted that with assessment having been completed under section 143(3) and after assessee had produced its books of account, question of invoking section 145 did not arise. Whether since in rejecting assessee's books of account under section 145A serious error was committed, order of Assessing Officer was to be set aside-Held, yes, [Paras 10 -123]in favour of assessee)”

20. Similar view was taken by the Hon`ble High Court of Delhi in the case of CIT vs. Smt. Poonam Rani [2010] 192. Taxman 167 (Delhi). The findings of the Hon`ble Court, in brief, is reproduced below:

*“Section 145 of the Income-tax Act, 1961-Method of accounting-Rejection of accounts Assessment year 2003-04. **Whether if stock register is not maintained by assessee, that may put Assessing Officer on guard against falsity of return made by assessee and persuade him to carefully scrutinize account books of assessee, but absence of one register alone does not amount to such a material as would lead to a conclusion that account books were incomplete or inaccurate - Held, yes.** Whether similarly, if rate of gross profit declared by assessee in a particular period is lower than gross profit declared by him in preceding year, that may alert Assessing Officer and serve as a warning to him to look into accounts more carefully, but a low rate of gross profit, in absence of any material*



pointing towards falsehood of account books, cannot, by itself, be a ground to reject account books under section 145(3)-Held, yes”

21. Based on these facts and circumstances, we note that assessing officer was not able to show any defect in assessee's records or in books of account maintained by assessee, therefore, provisions of section 145 can not be invoked for rejecting books of account. Hence, we are not inclined to accept the contention of the Assessing Officer, (in a rejecting the books of accounts of the assessee), in any manner and hence the addition so made by the assessing officer is deleted. Hence, this this appeal of the assessee is allowed.

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

Order pronounced in the open court on 31-12-2025.

Sd/-
(Dinesh Mohan Sinha)
Judicial Member

Rajkot

Dated: 31/12/2025

आदेश की प्रतिलिपि अग्रेषित / Copy of Order Forwarded to:-

1. Assessee
2. Revenue
3. Concerned CIT
4. CIT (A)
5. DR, ITAT, Rajkot
6. Guard file.

(True Copy)

Sd/-
(Dr. Arjun Lal Saini)
Accountant Member

By order/आदेश से,

Assistant Registrar/Sr.PS/PS
ITAT, Rajkot