

**IN THE INCOME TAX APPELLATE TRIBUNAL
"A" BENCH : BANGALORE**

BEFORE SHRI PRASHANT MAHARISHI, VICE PRESIDENT
AND
SHRI KESHAV DUBEY, JUDICIAL MEMBER

ITA No.691/Bang/2025
Assessment year : 2018-19

Mr. Awaji Ganapathi Bhat Vittal, # 308/14, "Sharada Jewellers", Mandipet, Davangere – 577 001. PAN : AFNPA 5319N	Vs.	The Deputy Commissioner of Income Tax, Central Circle 1[1], Bengaluru.
APPELLANT		RESPONDENT

Appellant by	:	Shri V. Srinivasan, Advocate
Respondent by	:	Shri Balusamy N., , Jt.CIT(DR)(ITAT), Bengaluru.

Date of hearing	:	16.12.2025
Date of Pronouncement	:	13.02.2026

ORDER

Per Prashant Maharishi, Vice President

1. ITA No. 691/Bang/2025 for assessment year 2018 – 19 is filed by Awaji Ganapathi Bhat Vittal (the assessee/appellant) against the appellate order passed by the CIT(Appeals)-11,

Bangalore (the learned CIT – A) dated 27th of January 2025 wherein the appeal filed by the assessee against the reassessment order passed by the Deputy Commissioner of Income Tax, Central Circle – 1 (1), Bengaluru (the AO) under section 147 the Income Tax Act, 1961 [the Act] dated 31st of March 2023, was dismissed.

2. The assessee is aggrieved with the reopening of the assessment, transfer of jurisdiction under section 127 and the addition made of ₹ 5,469,543 as unexplained investment under section 69 of the Act .
3. The brief facts of the case shows that that assessee is an individual engaged in the business of trading of gold and silver jewellery and articles in the name of his proprietary concern, Sharada Jewellers, Mandipet, Davangere. Assessee is also carrying on the business of layout developer and renting out of the property. He filed his return of income on 1st March 2019 at a total income of ₹ 5,540,390/-. This return was treated as invalid return of income for the assessment year and further the AO noted that information is received in the case of the assessee as per the risk management system and consequently notice under section 148A (b) was issued to the assessee on 8 March 2022. Consequently after obtaining the reply of the assessee, notice under section 148 and an order under section 148A (d) was passed on 26th of March 2022. The AO noted that

the assessee has admitted income during the course of survey proceedings and filed the return of income however the same return of income was treated as invalid and therefore the reasons were recorded for reopening of the assessment.

4. Facts show that a survey proceeding was conducted in the business premises of the assessee's proprietary concern on 2 August 2017. During the survey, it was found that for assessment year 2017 – 18 assessee has not filed any return of income and therefore the stock of gold and silver jewellery and articles available in the business premises of the assessee's proprietary ship concern was inventorised and duly served to the assessee. Consequent to that notice under section 148 was issued.
5. During the course of survey, Shri Vasant Ganapati Bhat was asked to produce the books of accounts however it was informed that the books of accounts were not updated after 31st of March 2016 since the return of income was not filed by the assessee for assessment year 2017 – 18. However assessee provided the books of accounts as on 31st of March 2016 wherein the book stock available of gold was valued at ₹ 6,543,843 and silver articles were valued at ₹ 2,418,615. This fact was recorded as per question No. 8 during the course of survey. The closing stock was also worked out as on the date of survey by taking the opening balance of gold

and silver as on 1 April 2016, by adjusting the sales and purchase up to the date of survey and the book stock was worked out for gold jewellery at ₹ 5,527,085 and silver articles were determined at ₹ 304,239/-. This was also confirmed by Mr Vasant Ganapathy Bhat in question No. 9 in his statement dated 2 August 2017. Thereafter an inventory was prepared for gold and silver jewellery found in the premises. As per physical verification of the stock of gold jewellery was valued at ₹ 8,389,602 and silver articles available were valued at ₹ 2,911,265. Based on this the question was asked to the person concerned about the difference between the book stock and physical stock amounting to ₹ 2,862,517 of gold and ₹ 2,607,026 of silver. Thus the difference between book stock and physical stock was worked out at Rs. 54,69,543/-.

6. Later, on 11 October 2017 the assessee submitted a letter that there is a difference in the stock of ₹ 1,946,392 comprising of the difference in the book value of the stock as on the date of survey of ₹ 712,992 and in silver of ₹ 1,233,350. In the letter the assessee agreed that as per the Department valuation the stock as on the date of survey was found to be ₹ 11,300,870/-. Therefore the assessee was issued a show cause notice on 18 March 2023 wherein the learned assessing officer rejected the contention of the assessee of the excess stock amount of ₹ 19,46,342/- and

stated that assessee has failed to explain the source of the excess stock found of ₹ 2,862,517/- of gold and ₹ 2,607,026/- of the silver with documentary evidences. Therefore it was proposed to make an addition under section 69 of the Act.

7. With respect to the undisclosed stock to the extent of ₹ 5,496,543, the assessee submitted that as on the date of the survey the income tax return for the year ended on 31st of March 2017 was not filed. Therefore the value of book stock as on the date of survey was arrived at ₹ 5,527,085 considering provisional values for opening stock. Subsequently during the course of survey proceedings the actual value of opening stock were arrived at after the finalisation of the accounts for the year ended on 31.3.2017 at ₹ 9,019,995 which was also filed in the return of income for assessment year 2017 - 18. Further the calculation during survey, sales value was reduced from stock to arrive at closing stock. The sales includes certain portion of profit. Therefore in fact the cost of the goods sold must be reduced from opening stock and purchases considering the above, the actual opening stock was prepared as on 31st of July 2017 wherein the difference of the physical stock and book stock was recalculated and arrived at ₹ 1,946,342. Therefore the actual difference is only that which the assessee has owned in the return of income. The assessee further stated

that undeclared stock cannot be taxed under section 69 of the Act as assessee is a jeweller and the stock is stock in trade which should be part of the business income.

8. The learned assessing officer rejected the contention of the assessee and taxed ₹ 5,469,543 as undisclosed investment under section 69 of Act and determined the total income of the assessee at Rs.1,10,09,933 as per order passed under section 147 of the Act on 31st of March 2023.
9. The assessee aggrieved with the same preferred an appeal before the learned CIT – A wherein the identical contentions were raised however, same were rejected stating that itemwise inventory of the gold and silver jewellery in articles were not filed to substantiate the valuation. Accordingly appeal of the assessee was dismissed.
10. In appeal before us the learned authorised representative did not press ground No. 1 with respect to the validity of the assessment order, ground No. 2 with respect to the assumption of jurisdiction under section 148 of the Act and ground No. 3 with respect to the assumption of jurisdiction under section 127 of the Act. Therefore all these grounds are dismissed.
11. The solitary issue pressed before us is with respect to the addition of ₹ 5,469,543 as unexplained investment under section 69 of the Act being alleged difference in valuation of

closing stock as on the date of survey and it was argued that there was only a difference of ₹ 1,946,342 which was already disclosed by the assessee in its return of income, which was held to be invalid but the computation of income started from the returned income. The learned authorised representative furnished paper book containing 95 pages. His contention was that the survey took place on 2nd of August 2017 where the return of income for assessment year 2017 - 18 was not filed. It was filed on 27 February 2018. He referred to the annual accounts wherein the closing stock as on 31st of March 2017 was shown at ₹ 90,19,955/-. He submits that the same has been accepted by the learned assessing officer for the assessment year 2017 - 18 and therefore that figure has become final. He further referred to page No. 68 of the paper book which is the show cause notice issued by the learned assessing officer on 18 March 2023 and page No. 71 the reply of the brother of the assessee was recorded that his brother who is the proprietor of the business is the right person to explain the reconciliation of the stock difference worked out. He further referred to the show cause notice reproduced at paragraph No. 15 of the assessment order and reply of the assessee at paragraph No. 16 of the assessment order. He further referred to the letter dated 23 March 2023 submitted by the assessee before the assessing officer wherein in paragraph No. 2 he explained that the assessee has given a complete

detail about the difference between the actual stock and the book stock as on the date of survey is only ₹ 1,946,342. He therefore submitted that the addition made by the learned assessing officer is incorrect. He submitted that assessee himself has offered a sum of ₹ 19,46,342 in the return of income filed by the assessee which is held to be invalid.

12. The learned departmental representative vehemently supported the order of the learned lower authorities.
13. We have carefully considered the rival contention and perused the orders of the learned lower authorities. Undisputedly during the course of survey at the business premises of the assessee on 2 August 2017 physical stock of gold and silver was found at Rs.1,13,00,870/-. The book stock as on that date worked out by the survey party is only ₹ 5,831,324. Naturally as on the date of the survey as the return of income was not filed for 31st of March 2017, only the details of stock as on 1 April 2016 were available. According to that the opening stock as on 1 April 2016 was found to be of ₹ 8,962,458. The purchases for financial year 2016 - 2017 was recorded at ₹ 8,291,470/-. Sales for the same period was also recorded at ₹ 9,830,556/- and therefore the learned assessing officer noted that the closing stock as on 31st of March 2017 should be ₹ 7,423,372. (₹ 8,962,415+ ₹ 8,291,470 - ₹ 9,830,556] . So, the opening stock as on 1 April 2017 worked out by the survey party, the

purchases to the date of survey were found to be of ₹ 2,477,956/- and sales for the corresponding period was found to be ₹ 4,270,004/-. Thus the closing stock was worked out by the survey party as on the date of survey at ₹ 5,831,324/-. The physical stock was found at ₹ 1,13,00,867/- and therefore the difference of ₹ 5,469,543 was worked out and added to the total income of the assessee.

14. Now at the time of filing of the return of income, the actual stock available with the assessee as on 31st of March 2017 which is as per the profit and loss account and the balance sheet enclosed with the return of income for assessment year 2017 - 18 records that the closing stock available with the assessee was ₹ 9,019,955/-. Therefore the closing stock recorded by the survey party as on 31st of March 2017 was ₹74,23, 372/- , therefore there was a difference of 15,96,583 between the actual stock as on 31st of March 2017 recorded by the survey party and actual stock as per the books of account and return of income filed by the assessee which is accepted by the learned AO.
15. Further similarly for working out the stock by the survey party as on the date of survey , the sales is of ₹ 40,73,782. If we take the opening stock as at 1 April 2017 as per the closing stock of 31st of March 2017 from the audited annual accounts of the assessee, it would be ₹ 9,019,955/-. The

closing stock would be arrived at ₹ 9,354,528 according to the working as per the trading account prepared on that date. The actual stock found as on the date of the survey as per the survey party was ₹ 11,300,870/-, therefore, the only addition that could have been made in the hands of the assessee on account of the difference in the closing stock would have been ₹ 1,946,342 only. The same amount has already been offered by the assessee in the return of income.

16. Though such return of income is held to be invalid however the assessee has already included the same and further the assessing officer has computed the income starting from that amount only. Thus the amount of income offered by the assessee in the return of income filed under section 148 of the Act which is also as per the return of income filed under section 139 (1) of the Act of ₹ 5,540,390 already includes a sum of ₹ 1,946,342/-.
17. Thus we hold that the addition made by the learned assessing officer of the further sum of ₹ 5,469,543 to the total income of the assessee is not correct and deserves to be deleted. Accordingly the orders of the learned lower authorities are reversed and the AO is directed to retain the addition of the excess stock to the extent of ₹ 1,946,342/- only which is already shown in the return of income. Accordingly ground No. 4 and 5 of the appeal are allowed.

18. No other grounds are pressed before us, therefore those are dismissed.

19. In the result appeal of the assessee is partly allowed.

Pronounced in the open court on this 13th day of February, 2026.

Sd/-

(KESHAV DUBEY)
JUDICIAL MEMBER

Sd/-

(PRASHANT MAHARISHI)
VICE PRESIDENT

Bangalore,
Dated, the 13th February, 2026.

/ Desai S Murthy /

Copy to:

1. Appellant
2. Respondent
3. Pr. CIT
4. CIT(A)
5. DR, ITAT, Bangalore.

By order

Assistant Registrar
ITAT, Bangalore.