

IN THE INCOME TAX APPELLATE TRIBUNAL
PUNE BENCH "B", PUNE

BEFORE SHRI R.S. SYAL, VICE PRESIDENT AND
SHRI PARTHA SARATHI CHAUDHURY, JUDICIAL MEMBER

ITA No. 129/PUN/2018

निर्धारण वर्ष / Assessment Year : 2013-14

ACIT, Circle-6, Pune	Vs.	M/s. Rajmal Manikchand & company, 1144, Raviwar Peth, Pune 411 002 PAN : AABFR5077M
Appellant		Respondent

Assessee by
Revenue by

Shri Sarvesh Khandelwal
Shri Sardar Singh Meena

Date of hearing

13-05-2022

Date of pronouncement

18-05-2022

आदेश / ORDER

PER R.S. SYAL, VP :

This appeal by the Revenue is directed against the order passed by the CIT(A)-4, Pune on 19-07-2017 in relation to the assessment year 2013-14.

2. The only issue raised in this appeal is against the deletion of addition of Rs.7,44,89,054/- made by the Assessing Officer (AO) on account of suppression of the value of closing stock of Gold and Silver.

3. Tersely stated, the facts of the case are that the assessee is a Jeweller who filed its return declaring total income of Rs.2.12

crore and odd. During the course of assessment proceedings, the AO observed that the assessee had not properly valued the closing stock of Gold and Silver. On being called upon to explain the reasons, the assessee submitted that the Gold was valued by taking minimum stock throughout the year at opening rate and the balance quantity was valued at average purchase rate. Similarly, the silver was stated to be valued at average rate of opening stock and purchases. The assessee submitted the details of opening stock, purchases, making charges, sales and closing stock of Gold jewellery and explained that minimum stock of 32854.96 grams was valued at Rs.659.37 per gram, being, the rate adopted for valuing it in the preceding year and the balance stock of 355.17 grams was valued at the average purchase rate during the year at Rs.2741.54 per gram, in addition to stock of 3600 grams introduced by the partner which was valued at Rs.2841.66 per gram. Not convinced with the assessee's method of valuation, the AO valued the entire closing stock of 36810.13 grams at average purchase price, inclusive of labour charges, at Rs.2754.76 per gram and worked out an addition of Rs.6,85,36,156/-. Similar procedure was adopted for making addition in Silver account, with the overall addition on the valuation of inventory made at

Rs.7,44,89,054/-. The ld. CIT(A) deleted the addition, against which the Revenue has come up in appeal before the Tribunal.

4. Having heard the rival submissions and gone through the relevant material on record, it is seen that the dispute in question relates only to the manner of valuation of closing stock of Gold and Silver. The assessee furnished valuation of Opening stock, Purchases, Majuri (labour), Sales and Closing stock of Gold before the AO as under:

	Weight in grams	Amount (Value)	Rate
Opening stock	34,351.88	2,26,50,651/-	659.37
Purchases	27,236.51	7,46,42,876/-	2740.54
Majuri		3,87,431/-	
Sales	24778.26	7,67,91,939/-	3099.16
Closing Stock	36,810.13	3,28,67,267/-	892.89

and the bifurcation of the valuation of closing stock was given as under :

Minimum stock at opening rate (32,854.96*659.37) – Rs.2,16,63,575/-
Balance stock at Average rate is (355.17*2741.54) – Rs.9,73,714/-
Stock introduced by Partner (3600*2841.66) – Rs.1,02,29,976/-

5. It can be seen from the above discussion that the addition has primarily been made in the above referred 'Minimum stock' of 32854.96 grams, coming from the opening inventory which the assessee valued at Rs.659.37 per gram, being, at the same rate as adopted for the opening stock valuation; but the AO valued it at the

average purchase price, inclusive of labour, at Rs.2754.76 per gram. The assessee submitted before the authorities below that it was regularly valuing 'Minimum stock' at the opening rate and other stock at the average purchase price. We have examined the quantitative tally of Gold jewellery which shows that the opening stock stood at 34351.88 grams. Minimum stock on 11-8-2012 fell to 32854.960 grams and the assessee took this level of minimum inventory in the closing stock for valuing the same at the opening stock valuation rate. The assessee is regularly following 'Last in First out (LIFO)' system of accounting whereby that the last purchase made is first sold. In this method, the items previously purchased remain in stock and the items last purchased are considered as issued for the purposes of sale and the valuation of closing stock is done at the rate at which the inventory earlier acquired and still in stock, was purchased. The assessee was regularly following this method. No change in the method of valuation took place during the year. We have examined the assessee's balance sheet for the preceding year which shows closing stock of Gold at 34351.88 grams with rate of Rs.659.37 per gram. The same value of closing stock of last year has been taken as opening stock of the current year. If we proceed to distort the

valuation of closing stock by taking even the stock purchased in earlier years and still in stock at its market value at the close of the year and not at its historic price, then the corresponding adjustment would be required to be made in the value of opening stock as well, which exercise would be income as well as tax neutral. It is not the case of the AO that the assessee changed its method of valuation of closing stock during the year. The same method of valuation, applied in the earlier years, has been adopted for the year under consideration as well. Only when a method of valuation is changed by the assessee during the year that the corresponding adjustment is not required to be made in the value of the opening stock. If, on other hand, if the method of valuation remains the same as it was and the AO carries out some alterations in the method of valuation of closing stock, then such alterations would have also to be given effect in the valuation of opening stock. As the assessee has been consistently valuing its stock of jewellery in the same manner under the LIFO as it was doing in the earlier years which was also accepted by the Department by means of assessment orders passed u/s.143(3) for the assessment years 2010-11 and 2015-16, we hold that the ld. CIT(A) was fully

justified in continuing with the same method of valuation. We, therefore, uphold the impugned order on this count.

6. Both the sides are in agreement that the addition on account of valuation of closing stock of Silver has also been done in the same manner as was done in the preceding year and the AO simply tinkered with the valuation of closing stock on the basis of average rate of purchases. The decision in respect of valuation of Gold jewellery as rendered hereinabove applies with full force to the valuation of closing stock of Silver also. We, therefore, uphold the impugned order on this score as well.

7. In the result, the appeal is dismissed.

Order pronounced in the Open Court on 18th May, 2022.

Sd/-
(PARTHA SARATHI CHAUDHURY)
JUDICIAL MEMBER

Sd/-
(R.S.SYAL)
VICE PRESIDENT

पुणे Pune; दिनांक Dated : 18th May, 2022
Satish

आदेश की प्रतिलिपि अग्रेषित/Copy of the Order is forwarded to:

1. अपीलार्थी / The Appellant;
2. प्रत्यर्थी / The Respondent;
3. The CIT(A)-4, Pune
4. The Pr.CIT-3, Pune
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, पुणे “B” /
DR ‘B’, ITAT, Pune
6. गार्ड फाईल / Guard file

आदेशानुसार/ BY ORDER,

// True Copy //

Senior Private Secretary
आयकर अपीलीय अधिकरण ,पुणे / ITAT, Pune

		Date	
1.	Draft dictated on	13-05-2022	Sr.PS
2.	Draft placed before author	18-05-2022	Sr.PS
3.	Draft proposed & placed before the second member		JM
4.	Draft discussed/approved by Second Member.		JM
5.	Approved Draft comes to the Sr.PS/PS		Sr.PS
6.	Kept for pronouncement on		Sr.PS
7.	Date of uploading order		Sr.PS
8.	File sent to the Bench Clerk		Sr.PS
9.	Date on which file goes to the Head Clerk		
10.	Date on which file goes to the A.R.		
11.	Date of dispatch of Order.		

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