
(2004) 08 P&H CK 0147
In the Punjab And Haryana At Chandigarh
Case No : IT Appeal No. 171 of 2003

Commissioner of Income Tax

APPELLANT

Vs

G.H.I. Polymers

RESPONDENT

Date of Decision : 23-08-2004

Acts Referred:

Income Tax Act, 1961 — Section 145(2)

Citation : (2004) 192 CTR 477 : (2005) 142 TAXMAN 476

Hon'ble Judges : N.K. Sud, J; Adarsh Kumar Goel, J

Bench : Division Bench

Advocate : D.S. Patwalia, for the Appellant; S.K. Mukhi, for the Respondent

Final Decision : Dismissed

Judgement

N.K. Sud, J.—Revenue has preferred this appeal u/s 260A of the IT Act, 1961 (for short "the Act"), against the order of the Income Tax Appellate Tribunal, Chandigarh Bench, Chandigarh (for short "the Tribunal"), dt. 22nd Nov., 2002 relating to asst. yr. 1994-95 whereby Revenue's appeal against the order of the CIT (A) has been partly allowed.

2. The assessee-firm derives income from trading in plastic granules. For the asst. yr. 1994-95 it declared total sales at Rs. 4,04,32,759 on which GP rate worked out to 3.06 per cent against 4.64 per cent of the immediately preceding year. The AO observed that the assessee did not furnish complete details of closing stock in terms of quantity, quality and value and, therefore, it was not possible to verify the stocks and its value. He also noticed that the assessee had made certain purchases from its sister-concern and had sold the same goods immediately thereunder at a lower rate. In view of these defects, he invoked the provisions of Section 145(2) of the Act and estimated the income by applying GP rate of 5 per cent which resulted an addition of Rs. 5,61,043 to the total income.

3. The assessee filed an appeal before the CIT(A), Ludhiana, who accepted the book version of the assessee and deleted the addition made by the AO of Rs.

5,61,043 vide order dt. 25th July, 1996.

4. Revenue preferred an appeal before the Tribunal challenging the order of the CIT(A), Ludhiana. The assessee produced the stock register showing imported and domestic stocks separately and the same was verified in the presence of the Departmental Representative. The Tribunal also noticed that books maintained in similar manner had been accepted in the earlier years. The Tribunal, however, upheld objection of the Revenue that the assessee had purchased goods from its sister-concerns at an inflated rate which was evident from the fact that the sale of the same goods was made immediately after the purchase at a lower rate. A detailed chart was got prepared in respect of the purchases from the sister-concerns and the corresponding sales effected by the assessee. It was found that the assessee had suffered a loss of Rs. 24,555 in this process. The Tribunal accordingly restored the addition to the extent of Rs. 24,555 only.

5. A perusal of the order of the Tribunal shows that the stock register produced by the assessee was fully verified by the Tribunal in the presence of the Departmental Representative. Thus, the objection of the AO that there was no detail in respect of closing stocks did not survive. The only other objection of the AO regarding the purchases made from the sister-concern at an inflated price has duly been dealt with by the Tribunal and the resultant loss in the process has been disallowed.

In view of the above, we find no merit in this appeal which is accordingly dismissed.