(2008) 07 DEL CK 0086

In the Delhi High Court

Case No : ITA 194 of 2007

The Commissioner of Income — APPELLANT

Vs

Reliance Electronics Industries India Limited — RESPONDENT

Date of Decision : 16-07-2008

Acts Referred:

Citation : (2008) 07 DEL CK 0086

Hon'ble Judges : Rajiv Shakdher, J;Badar Durrez Ahmed, J

Bench : Division Bench

Advocate : Rashmi Chopra, for the Appellant; Yasobant Das Amol Sinha and Praveen Chauhan, for the Respondent

Final Decision : Dismissed

Judgement

Badar Durrez Ahmed, J.—The present appeal pertains to the assessment year 1998-99 and is directed against the tribunal''s order dated 02.06.2006 in ITA No. 2364/Del/2002. The issue before the tribunal was - whether the CIT (Appeals) had wrongly deleted the addition of Rs 72,96,314/- on account of obsolete stock ? The assessed is engaged in the business of manufacture of television sets. The stocks worth Rs 79,25,776/- as per the books of account were taken by the assessed at Rs 6,29,461/- in valuation of closing stock as on 31.03.1998. The Assessing Officer required the assessed to substantiate the claim of obsolete stock and the consequent reduction in value of stock. The assessed explained the same by stating that the material was very old and had become unusable and obsolete. A valuation certificate of a chartered engineer was also furnished in support of the assessor?s claim. Not being satisfied with the Explanation given by the assessee, the Assessing Officer added the amount of Rs 72,96,314/-.

2. Being aggrieved by this order, the assessed preferred an appeal before the Commissioner of Income Tax (Appeals) who allowed the assessor?s appeal and accepted the claim of the assessed on account of obsolete stock. The CIT (Appeals) found as a question of fact that the basis of valuation of closing stock was the approximate market value as estimated by the qualified Chartered

Engineer. In his order, he also noted that the statement of the Chartered Engineer recorded on 04.02.2002 revealed that he had relied on technical information available in literature and checked up the market price of the components. The said Chartered Engineer also denied having any connection with the assessee. The statement also revealed that the Chartered Engineer had personally inspected the stock and found them to be stored in a non-air conditioned store and most of it was found in a damp condition. In the Chartered Engineer''s estimation, the stock had been rendered unusable because of the physical condition and technical obsolescence and it was because of this that the value was taken at ''Nil'' or at a ''very small'' value and that, too, merely because of the presence of some metallic and other parts. The said statement of the Chartered Engineer as well as his certificate was accepted by the Commissioner of Income Tax (Appeals) and the assessor?s appeal was allowed.

3. The tribunal, while considering the revenue''s appeal, confirmed the findings of the Commissioner Income Tax (Appeals). The tribunal also came to the conclusion that neither was there any change in the method of valuation in comparison to previous years nor was there any deviation from the method adopted by the assessed by valuing the stock at market price. The tribunal concluded that the assessed had valued its closing stock at the approximate market value as estimated by a qualified Chartered Engineer and that the Assessing Officer could not point out any defect in the valuation report. Consequently, the tribunal was of the view that the valuation report prepared by a technically qualified person cannot be disregarded keeping in view the facts and circumstances of the case of the assessed and the nature of its business. The assessed was in the business of manufacturing television sets which required electronic components in respect of which technical obsolescence was a well-known fact. On the basis of this, the tribunal rejected the revenue''s appeal.

4. Considering the aforesaid, we find that the decision of the tribunal turns entirely on facts and no substantial question of law arises for our consideration. This appeal is dismissed.

