

Books of account couldn't be rejected due to non-maintenance of day-to-day stock register

Summary – The High Court of Gujarat in a recent case of Jaytick Intermediates (P.) Ltd., (the Assessee) held that Non-maintaining of day-to-day stock register is not a ground to reject books of account

Facts

- The assessee was a manufacturing unit.
- The Assessing Officer rejected assessee's books of account on ground that the assessee had not maintained day-to-day stock register and there were serious discrepancies in the stock register.
- Assessee contended that the Assessing Officer had wrongly assessed the income on the basis of the stock register, as there were differences as compared to the audited books of account.
- On appeal, the Commissioner (Appeals) held that change of method of accounting on account of modvat could not be a reason for rejecting the books of account and section 145(2) was not applicable to assessee's case.
- On revenue's appeal, the Tribunal upheld the action of the Assessing Officer in rejecting the books of account of assessee.
- On appeal before the High Court:

Held

- The assessee is a manufacturing unit and it has to pay the excise duty. It is the specific contention of the assessee that the books of account maintained by it are tallying and the excise duty is paid on that basis. The stock register is not tallying with the other books of account only because some of the items were not deleted from the stock register. Taking into account the decision of this Court in *CIT v. Symphony Comfort Systems Ltd.* [\[2013\] 35 taxmann.com 533/216 Taxman 225 \(Guj.\) \(Mag.\)](#) not maintaining the day to day stock register is not a ground to reject the books of account.
- In *CIT v. Smt. Poonam Rani* [\[2010\] 192 Taxman 167/326 ITR 223 \(Delhi\)](#) it was held that if stock register is not maintained by the assessee that may put the Assessing Officer on guard against the falsity of the return made by the assessee and persuade him to carefully scrutinize the account books of the assessee. But the absence of one register alone does not amount to such a material as would lead to the conclusion that the account books were incomplete or inaccurate. Similarly, if the rate of gross profit declared by the assessee in a particular period is lower as compared to the gross profit declared by him in the preceding year, that may alert the Assessing Officer and serve as a warning to him, to look into the accounts more carefully and to look for some material which could lead to the conclusion that the accounts maintained by the assessee were not correct. But, a low rate of gross profit, in the absence of any material pointing towards falsehood of the account books, cannot, by itself, be a ground to reject the account books under section 145(3).

- In view of above observations and considering the facts of the case, the view taken by Commissioner (Appeals) is required to be accepted by setting aside the impugned order of the Tribunal.