

Addition made on estimate basis was to be set aside

Summary – The Ahmedabad ITAT in a recent case of Aroma Hightech Ltd., (the Assessee) held that addition made on estimate basis was to be set aside

Facts

- The assessee filed return declaring certain taxable income.
- In course of assessment, the Assessing Officer noted that there was slight increase in raw material consumption ratio. On the basis of said increase, the Assessing Officer estimated the increase in sales volume. He thus added the difference in estimate sales and sales declared in books of account to assessee's total income.
- The Commissioner (Appeals), however, deleted addition made by Assessing Officer.
- On revenue's appeal:

Held

- The ITAT stated that the income chargeable under the head profit and gains of business or profession or income from other source shall be computed in accordance with the method of accountancy employed by an assessee regularly, subject to sub-section (2) of section 145 of the Act. Sub-section (3) provides a situation, that if the Assessing Officer is unable to deduce the true income on the basis of method of accountancy followed by an assessee than he can reject the book result and the assessee's income according to his estimation or according to his best judgment.
- In the present case the Assessing Officer had only compared certain figures of raw-material *vis-à-vis* output without comprehending other aspects for consumption of other material as well as achievement of sales. Some of the item maybe lying in the closing stock or in semi-finished products. All sorts of such aspects have not been considered by the Assessing Officer while estimating unaccounted sales. On the other hand, the Commissioner (Appeals) has appreciated the facts in right perspective and no addition is called for on this issue.
- The order of the Commissioner (Appeals) on this issue, as upheld and ground of appeal of the revenue is rejected.