



THE HIGH COURT OF DELHI AT NEW DELHI

% Judgment delivered on: 16.07.2008

+ **ITA 194/2007**

THE COMMISSIONER OF INCOME TAX-V ... Appellant

- versus -

**RELIANCE ELECTRONICS INDUSTRIES
INDIA LIMITED** ... Respondent

Advocates who appeared in this case:

For the Appellant : Ms Rashmi Chopra
For the Respondent : Mr Yasobant Das, Sr Advocate with Mr Amol Sinha
and Mr Praveen Chauhan

CORAM:-

HON'BLE MR JUSTICE BADAR DURREZ AHMED

HON'BLE MR JUSTICE RAJIV SHAKDHER

1. Whether Reporters of local papers may be allowed to see the judgment ?
2. To be referred to the Reporter or not ?
3. Whether the judgment should be reported in Digest ?

BADAR DURREZ AHMED, J (ORAL)

1. 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 assessee is engaged in the business of manufacture of television sets. The stocks worth Rs 79,25,776/- as per



valuation of closing stock as on 31.03.1998. The Assessing Officer required the assessee to substantiate the claim of obsolete stock and the consequent reduction in value of stock. The assessee 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 assessee'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 assessee preferred an appeal before the Commissioner of Income Tax (Appeals) who allowed the assessee's appeal and accepted the claim of the assessee 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



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 assessee'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 assessee by valuing the stock at market price. The tribunal concluded that the assessee 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 assessee and the nature of its business. The assessee 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.

BADAR DURREZ AHMED, J

RAJIV SHAKDHER, J

July 16, 2008

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