

AO can't make additions based upon inflated stock shown in stock statement submitted to bank: HC

Assessee could not be taxed based upon inflated stock shown in stock statement submitted to bank to avail cash credit limit

Section [69B](#) of the Income-tax Act, 1961 - Undisclosed investments (Scope of provision) - Assessment year 2004-05 - Whether assessee cannot be taxed based upon inflated stock shown in stock statement submitted to bank - Held, yes - Assessee declared value of stock to bank at higher figure than shown in account books and offered explanation that submission of stock statement before bank was a routine affair and stock declared to bank was purely on estimate basis and bank relying upon stock statement granted cash credit facility and never physically verified stock - Assessing Officer having found that value of stock declared to bank was higher than in account books made certain addition to assessee's income on account of undisclosed investment in stock - Whether burden was upon Assessing Officer to show that assessee had undisclosed income and merely by referring to a bank statement assessment could not have been completed - Held, yes - Whether since in instant case Commissioner (Appeals) had called for a remand report and remand report clearly brought out all facts and also enclosed inspection report submitted by bank which reflected correct details, lower authorities had committed error in not accepting case of assessee - Held, yes - Whether assessment order as well as appellate orders deserved to be set aside - Held, yes [Paras 6, 7 and 8] [In favour of assessee]

Pl. click below link for the Judgment:

<https://taxmann.com/research/direct-tax-laws/top-story/10101000000332267/ao-cant-make-additions-based-upon-inflated-stock-shown-in-stock-statement-submitted-to-bank-hc-caselaws>

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