

**IN THE INCOME TAX APPELLATE TRIBUNAL  
MUMBAI BENCH "A" MUMBAI**

**BEFORE SHRI OM PRAKASH KANT (ACCOUNTANT MEMBER)  
AND  
SHRI ANIKESH BANERJEE (JUDICIAL MEMBER)**

**ITA No. 360/MUM/2026  
Assessment Year: 2024-25**

Mahendra Kalyanji Ghelani  
14-K, 1<sup>st</sup> Floor, Rajabhadur  
Mansion, Hamam Street, Fort,  
Mumbai – 400023.

**PAN NO. AABPG8441Q**

**Assessee**

**Vs.** Dy. Commissioner of Income Tax  
– 16(3)  
Aaykar Bhawan, M. K. Road,  
Mumbai – 400020.

**Respondent**

Assessee by : Shri Nilesh Kariya  
Revenue by : Shri Rajesh Kumar Yadav, (CIT DR)

Date of Hearing : 02/04/2026  
Date of pronouncement : 08/04/2026

**ORDER**

**PER OM PRAKASH KANT, AM**

This appeal by the assessee is directed against order dated 05.01.2026 passed by the learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi [in short 'the ld. CIT(A)'], for assessment year 2024-25, raising following grounds:

*"1. The Learned National Faceless Appeal Centre (Ld. NaFAC) has erred in dismissing the appeal on the technical ground of non-acceptance of additional evidence within meaning of R.46A of the Income Tax Rules, 1962 despite the fact that the Appellant was prevented by the sufficient cause from producing the same at the time of assessment before the*

*Learned Assessing Officer (Ld. AO) thereby deciding the appeal arbitrarily, hastily and without application of mind.*

*2. That the Ld. NaFAC erred in ignoring the essence of the documents submitted as additional evidence which just supports the documents already submitted at the time of Assessment and even if it is not admitted then too the claim of the Appellant be adjudicated on merits.*

*3. That the Ld. NaFAC has failed to adjudicate any of the grounds of appeal and has not addressed the issues on their merits.*

*4. That the Ld. NaFAC has violated the principles of natural justice by failing to provide a reasonable opportunity of being heard to the appellant.”*

2. Briefly stated, facts of the case are that the assessee filed return u/s. 139(1) of the Income Tax Act, 1961 (in short ‘the Act’) on 30.01.2024 declaring total income at Rs. 3,46,71,980/-. The case of the assessee was selected for scrutiny assessment. During the course of assessment proceedings, the Assessing Officer (AO) noticed that the assessee had claimed substantial exempt income under section 10 of the Act. The assessee was, therefore, called upon to furnish complete details including the nature of income, identity of the parties, and supporting documentary evidence, specifically, with respect to income derived from Category II Alternative Investment Funds (AIFs), the assessee was required to furnish: (i) Nature and characterization of income; (ii) Details of AIFs from which income was earned; (iii) Documentary evidence establishing that such funds qualified as Category II AIFs; (iv) Profit and loss statements or broker/ intermediary summaries; and (v) Relevant statutory provisions supporting the claim of exemption

2.1 The assessee furnished certain account statements; however, the same were found inadequate to substantiate the claim of exemption. A specific show cause notice dated 15.10.2025 was issued fixing compliance on 24.10.2025. No response was filed thereto by the assessee along with the documentary evidence with regards to claim of exempt income on account of AIF. In the absence of satisfactory explanation and supporting evidence, the AO treated the claimed exempt income of ₹84,22,553/- as taxable under the head “Income from Other Sources.”

3. In first appellate proceedings, the assessee filed an application for admission of additional evidence under Rule 46A of the Income Tax Rules, 1962, contending that relevant supporting documents could not be furnished before the AO due to inadvertent non-response to the show cause notice. The ld. CIT(A), however, rejected the application holding that: (i) the reasons furnished were general and not sufficient; (ii) The assessee failed to justify non-production of evidence before the AO; and (iii) The conditions prescribed under Rule 46A were not satisfied Accordingly, the ld. CIT(A) declined to admit additional evidence and confirmed the addition made by the AO. Relevant finding of the ld. CIT(A) is reproduced as under:

*“5.3 During the appellate proceedings, appellant has submitted a petition for additional evidence stating as under*

*“Unfortunately having missed to respond to the last Show Cause Notice for reasons mentioned above, appellant could not submit the*

*further supporting evidence in form of the communication from the Fund specifying the exempt status of the income distributed."*

*It is seen that the appellant has submitted a general reasoning for non-submission of such additional evidence before the AO, inspite of being specifically called upon to do so. The additional evidence is admissible at the first appellate stage only if the appellant was prevented by a sufficient cause to produce the same before the AO. In the present case, appellant has given a casual reason which does not justify the admission of additional evidence at this stage. It is further noted from the assessment order that the account statement submitted before AO did not justify the class and type of the AIFs. No explanation was given which could establish and prove that the AIF exemption claimed was allowable and appellant has also failed to quote relevant provision of Income Tax Act, 1961 as per which such exemption is claimed. In view of the same. I do not find that the reasons for admission of additional evidence are satisfied within the meaning of Rule 46A of the Income Tax Rules. Accordingly, I am inclined to agree with the findings of AO and the addition made by the AO is hereby confirmed."*

4. The learned counsel for the assessee submitted that: (i) All requisite details had substantially been furnished during assessment proceedings; (ii) The show cause notice dated 15.10.2025 was inadvertently missed as it was diverted to the SPAM folder; (iii) No SMS alert, which is ordinarily issued by the department, was received; and (iv) The assessee became aware of the adverse inference only upon receipt of the assessment order. It was contended that the failure to respond was neither deliberate nor contumacious but arose due to bona fide and technical reasons. Accordingly, the additional evidence filed before the Id. CIT(A) deserved admission under Rule 46A.

5. We have considered the rival submissions and perused the material available on record. The core issue before us is whether the

ld. CIT(A) was justified in rejecting the additional evidence under Rule 46A of the Rules.

5.1 It is a settled principle of law that the rules of procedure are handmaidens of justice and cannot be applied in a manner that defeats substantive rights. Where an assessee demonstrates a bona fide and reasonable cause for non-compliance during assessment proceedings, the appellate authority ought to adopt a liberal approach in admitting additional evidence, particularly when such evidence is crucial for adjudication on merits.

5.2 In the present case, the explanation furnished by the assessee, namely, non-receipt or inadvertent overlooking of the show cause notice due to its diversion to the SPAM folder, coupled with absence of SMS intimation—appears plausible and constitutes a reasonable cause. There is nothing on record to suggest any deliberate defiance or lack of diligence on the part of the assessee.

5.3 In our considered view, the ld. CIT(A) has adopted an unduly technical approach in rejecting the additional evidence without appreciating the surrounding circumstances and the principles of natural justice.

5.4 Accordingly, we set aside the impugned order of the ld. CIT(A) on the issue in dispute and restore the matter back to him for fresh adjudication. The ld. CIT(A) shall: (i) Admit the additional evidence filed by the assessee; (ii) Examine the same on merits; (iii) If

necessary, call for a remand report from the Assessing Officer; and (iv) Adjudicate the issue in accordance with law after providing adequate opportunity of hearing. While doing so, the Id. CIT(A) shall specifically examine: (i) The applicability of Section 115UB of the Act; (ii) Whether the concerned investment funds are duly registered with SEBI; and (iii) Fulfillment of statutory conditions governing taxability of AIF income ; (iv) any other verification deemed fit in facts and circumstances of the case.

6. The ground no. 1 of the appeal of the assessee is accordingly allowed. The remaining grounds on the merit are therefore rendered academic and we are not adjudicating upon at this stage.

7. In the result, the appeal of the assessee is allowed for statistical purpose.

**Order pronounced in the open Court on 08/04/2026.**

**Sd/-  
(ANIKESH BANERJEE)  
JUDICIAL MEMBER**

**Sd/-  
(OM PRAKASH KANT)  
ACCOUNTANT MEMBER**

Mumbai;  
Dated: 08/04/2026  
Karishma J. Pawar, Sr. P.S.

**Copy of the Order forwarded to :**

1. The Appellant
2. The Respondent.
3. CIT
4. DR, ITAT, Mumbai
5. Guard file.

*ITA No. 360/Mum/2026  
Mahendra Kalyanji Ghelani*

//True Copy//

BY ORDER,

(Assistant Registrar)  
**ITAT, Mumbai**