IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCHES : G : NEW DELHI

BEFORE SHRI ANUBHAV SHARMA, JUDICIAL MEMBER
AND
SHRI AMITABH SHUKLA, ACCOUNTANT MEMBER

ITA No.6081/Del/2025
Assessment Year : 2020-21

Rahul Singhal, C/o CA Vaibhav Goel, 75, Navyug Market, 1st Floor, Ghaziabad, Uttar Pradesh.	Vs.	ITO, Ward 2(3)(2), Bulandshahr.

PAN: ATGPS9430B

ITA No.5943/Del/2025
Assessment Year : 2020-21

ITO, Ward 2(3)(2), Bulandshahr.	Vs.	Rahul Singhal, 17/21, Panni Nagar, Opp. Reliance petrol Pump, Khurja Road, Bulandshahr, Uttar Pradesh. PAN: ATGPS9430B

Assessee by	: Shri Vaibhav Goel, CA
Revenue by	: Shri Manish Gupta, Sr. DR
Date of Hearing	: 06.04.2026
Date of Pronouncement	: 24.04.2026

ORDER

PER ANUBHAV SHARMA, JM:

These are cross appeals preferred by the assessee as well as the Revenue against the order dated 24.07.2025 of the Ld. Commissioner of Income-tax

(Appeals), NFAC, Delhi (hereinafter referred to as the First Appellate Authority or 'the ld. FAA' for short) in appeal No. NFAC/2019-20/10182295, filed before him against the order dated 27.09.2022 passed u/s 143(3) r.w.s. 144B of the Income-tax Act, 1961 (hereinafter referred to as 'the Act') by the Assessment Unit, Income-tax Department (hereinafter referred to as the Ld. AO, for short).

2. Heard and perused the records the appellant had filed its return of income for AY 2020-21 declaring total Turnover of Rs 24,67,57,594/- and GP ratio of 1.84%. That, the case of the appellant was selected for scrutiny assessment on the ground that the selling dealers from the whom the appellant had made purchases had either not filed ITR or have filed non-business ITR or shown substantial lower turnover. During the course of the assessment proceedings, the appellant had submitted the details of purchases like purchase bill, bilty, stock register etc.

3. That, the case of department is that Assessment Unit made verification from the selling dealers and four of the selling dealers has denied undertaking any transaction with the appellant. Thus, the Ld AO made addition of the entire amount aggregating to Rs 3,77,13,080/- u/s 69C of the Act. Then with respect to other selling dealers who had not responded to the notices issued by the assessment unit, Ld. AO made addition of 8% on purchases value, thus, the addition was aggregated to Rs.14639233 (ie 8% on Rs 182990406). Further, with

respect to difference in ledger balance of M/s Jain Sons India, addition of Rs 26,41,990/- was made by the Ld AO u/s 41(1) of the Act.

4. At the first appellate stage the assessee has succeeded as with regard to addition of the entire amount aggregating to Rs 3,77,13,080/- u/s 69C of the Act being erroneous and learned CIT(A) sustained this by applying 8% on account of profit embedded in the alleged bogus purchases. The other two additions were sustained and accordingly both the sides are in appeal before this tribunal. The respective **grounds are accordingly reproduced below.**

ITA No. 6081/Del/2025 (Assessee Appeal)

"1. That, on facts and circumstances of the case, Ld CIT(A) erred in dismissing the appeal without appreciating the evidences and submissions made by the appellant.

2. That on facts and circumstances of the case, Ld CIT(A) erred in confirming the action of the Ld AO while upholding addition of Rs.30,17,046/- at rate of 8% on bogus purchases of Rs.3,77,13,080/-alleging it as element of undisclosed profit embedded in it.

3. That on facts and circumstances of the case, Ld CIT(A) erred in confirming the action of the Ld AO while upholding addition of Rs.146,39,233/- at rate of 8% on unsubstantiated purchases of Rs.182,9,90,406/-alleging it as element of undisclosed profit embedded in it.

4. That on facts and circumstances of the case, Ld CIT(A) erred in confirming the action of the Ld AO while upholding addition of Rs.26,41,990/- on account of excess amount claimed to have been payable to M/s Jain Sons India Mathura.

5. That on facts and circumstances of the case, Ld CIT(A) erred in confirming the addition without following the principles of natural justice. That, no opportunity of cross-examination was granted to the appellant.

6. That the Appellant craves leave to add/alter any/all grounds of appeal before or at any time of the hearing of the Appeal."

ITA No. 5943/Del/2025 (Department Appeal)

"1. On facts and circumstances of the case and in law, the Ld CIT(A) has erred in admitting the additional evidence submitted by the assessee inspite of submission of the Assessing Officer in the remand report that the appellant did not fulfill any condition stipulated in Rule 46A(1) of the Income tax Rules.

2. On facts and circumstances of the case and in law, the Ld. CIT(A) has erred in admitting the additional evidences submitted by the assessee under Rule 46A(1) of Income Tax Rules without recording the reasons and the circumstances prescribed in Rule 46A(1) under which the additional evidences were being admitted.

3. On facts and circumstances of the case and in law, the Ld. CIT(A) has erred in admitting the additional evidences in absence of the rebuttal from the assessee as regards the submission of the Assessing Officer on merits of the petition for. admitting additional evidence.

4. On facts and circumstances of the case and in law, the Ld. CIT(A) has erred in interpreting the remand report to the benefit of the assessee ignoring the finding of the AO where after verification of tax invoices, ledger, GSTIN status etc., it was revealed that the GSTIN were suo-moto cancelled for these entities and that the relevant purchase entries were created to balance the credits in the guise of purchases from these entities.

5. On facts and circumstances of the case and in law, the Ld.CIT(A) has erred in allowing estimation of profit @ 8% on bogus purchase of Rs. 3,77,13,080/- even when the suppliers had categorically denied about the transactions and the assessee failed to rebutt the findings of the AO in the remand report.

6. That the appellant craves leave to add, modify, amend or delete any of the grounds of appeal at the time of hearing and all the above grounds are without prejudice to each other."

5. Ld. AR submitted that the copy of such statement and the opportunity to cross-examine these selling dealers had not been provided to the appellant. That, the Ld AO has made addition without issuing show cause notice. That, para 3.4.5 of the order at Page 17 reproduces the proposal for addition to be estimated at GP of 5% as against 1.84% disclosed by the appellant. However, the assessment was completed without rejecting the book result or doubting the sales. Neither

any defect in the books of accounts of the appellant had been mentioned in the assessment order nor has the assessment been made u/s 144 of the Income Tax Act 1961. Consequently, no disallowance of profit element can be made. Reliance is placed on the decision in Principal Commissioner of Income-tax, (Central)-1 vs. Forum Sales (P.) Ltd. [2024] 160 taxmann.com 93 (Delhi)/[2024] 298 Taxman 533 (Delhi)/[2024] 468 ITR 392 (Delhi)[01-03-2024] - [Para 17 to 24]; Income-tax Officer vs. Vohra Solvex (P.) Ltd. [2025] 178 taxmann.com 150 (Amritsar - Trib.)/[2025] 126 ITR(T) 71 (Amritsar - Trib.)[29-04-2025] [Para 12 & 13].

6. Then without prejudice to what has been submitted and strictly in the alternative, it was submitted that the even if the addition were to be made on the gross profit margin of the Appellant, the same ought to be restricted to a mere 1.84% which is the actual gross margin disclosed by the Appellant in its books of accounts. In the submissions filed, the total sales and purchases made by the Assessee-Appellant along with the Gross Profit Margin and Net Profit Margin derived by the Assessee-Appellant is tabulated as under. –

Total Sales	**Total Purchases**	**Alleged unproved Purchases**	**GP Margin**	**NP Margin**
24,67,57,593	23,96,66,036	22,07,03,486 (37713080 + 182990406)	1.84	0.87

7. Ld. DR has relied the impugned orders the part of the assessment order where the assessing officer has reproduced the statements and the inspection report. It was contended that the Ld. CIT(A) has fallen in error in not appreciating the fact that there was failure on the part of the alleged sellers to even respond to the notices and their transactions were also doubtful as their GSTIN was suo motto cancelled. It was submitted that the learned CIT(A) has fallen in error in not confirming the additions and giving benefit to the assessee of GP rate to be applied on bogus purchases.

8. We have given thoughtful consideration to the material on record and in regard to the issue on which both the sides are in appeal, we find that additions made by the Ld AO are merely based on suspicion ignoring the crucial fact that the AO had primary information with respect to purchases made by the appellant through sharing of information from GSTN portal wherein the selling dealer had duly disclosed the sales made to the appellant in his GSTR-1 and GSTR-1 would have been filed by the selling dealer using his own credentials only if the registration was active at the time of transaction. Mere subsequent cancellation of registration retrospectively or non-response to notices issued u/s 133(6) of the Act would not affect the genuineness of the transaction undertaken prior to cancellation. Assessee has pleaded that purchases were made through a broker whose details were provided in the submissions to Learned CIT(A) and also taken a plea that assessee may also have been duped by the intermediary. That is

a quite reasonable explanation to discard the suspicion and hold that any subsequent changes made by the sellers in their GSTN portal details cannot be a basis to doubt the purchases. This also to some extent explains the evidence which was collected by the verification unit regarding the identity of the sellers or their denial with regard to the transaction as assessee had been purchasing the goods through a broker.

9. In aforesaid context, we find quantitative records have been produced to show opening stock, purchases, sales and closing stock. Same have not been doubted by pointing out any infirmity and to justify estimating profit at 8%. When the GP rate reflected in present year is not doubted with any evidences or past references then no trading addition was required to be made without holding gross profit disclosed by assessee was not reasonable. If the assessee provides quantitative tally of stock records, payment from books and Eway bills of movements of goods of the purchases and quantitative details of sales are accepted, purchases should not reasonable be treated as completely bogus, then same may indicate the transaction is "untested" (grey market) rather than entirely "bogus" (fictitious).

10. Ld. AR has also pointed out that the present assessment was completed under Section 143(3) of the Act. The Division Bench of the Hon'ble Karnataka High Court in the case of **CIT v. Anil Kumar & Co. [2016] 67 taxmann.com**

278 has held that in cases where the Revenue had failed to reject the books of account and proceeded to an estimation of income without framing the assessment under Section 144 of the Act, such an action is unsustainable as per law. The relevant paragraph of the said decision is reproduced as under:-

> *"11. Insofar as the estimation of gross profit made by the Assessing Officer modified by the Commissioner of Income-tax (Appeals), the Tribunal has rightly held that when the books of account of the assessee had not been rejected and assessment having not been framed under section 144 of the Income-tax Act the said authorities were in error in resorting to an estimation of income and such exercise undertaken by them was not sustainable. Section 145(3) of the Act lays down that the Assessing Officer can proceed to make assessment to the best of his judgment under section 144 of the Act only in the event of not being satisfied with the correctness of the accounts produced by the assessee. In the instant case the Assessing Officer has not rejected the books of account of the assessee. To put it differently the Assessing Officer has not made out a case that conditions laid down in section 145(3) of the Act are satisfied for rejection of the books of account. Thus, when the books of account are maintained by the assessee in accordance with the system of accounting, in the regular course of his business, the same would form the basis for computation of income. In the instant case it is noticed that neither the Assessing Officer nor the Commissioner of Income-tax (Appeals) have rejected the books of account maintained by the assessee in the course of the business. As such the Tribunal has rightly rejected or set aside the partial addition made by the Assessing Officer for arriving at gross profit and sustained by the Commissioner of*

Income-tax (Appeals) and rightly held that the entire addition made by the Assessing Officer was liable to be deleted. The said finding is based on sound appreciation of facts and it does not give rise for framing substantial question of law."

11. The decision which ld. DR has relied in the case of Global Stainless Vs. ACIT vide ITA No. 3990/Del/2025, order dated 20.03.2026 does not help the case of revenue as that was the case of making addition u/s 68 of the Act on account of alleged unsecured loans in those circumstances the Bench had given findings that banking channel entries do not justify a transaction, if otherwise it is established to be bogus transaction. Similarly, decision relied upon Hon'ble Supreme Court in N.K. Proteins Ltd. Vs. DCIT (2017) 84 taxmann.com 195 (SC) and Kanak Impex (India) Ltd. Vs. PCIT (2025) 180 taxmann.com 790 (SC) are distinguishable on facts as their too the provisions of Section 69C of the Act were invoked in regard to unexplained expenditure on account of bogus purchase. However, here the assessee has filed all relevant evidences dispelling suspicion arising out of responses of sellers while all the quantitative aspects of the financials and books of account were accepted.

12 In the light of aforesaid discussion we are of the considered view that the additions which were made by the Ld. Assessing Officer doubting the

purchase and consequent addition on the basis of profit in respect of the above purchases at 8% deserves to be deleted. Ld. CIT(A) has also erred in following this approach with regard to alleged bogus purchase. Accordingly, corresponding grounds raised by department are rejected and sustained in the appeal of the assessee.

12. Coming to the issue of addition account of alleged difference in ledger balance of M/s Jain Sons India, Mathura. The case of ld. tax authorities has been that M/s Jain Sons India Mathura, had showed a receivable of **Rs.19,61701** only while assessee in his ledger has shown a closing balance to M/s Jain Sons India, Mathura of **Rs.4,63,691/-.**

12.1 Now when assessee supports the claim on the basis of invoices and payments made through bank statement then ld. tax authorities were in bounden duty to examine the same. However, that has not been done. At page 293 & 294 assessee has provided ledger account of Ms/ Jain Sons India, Mathura, the payment have been reflect through HDFC Bank account No. 443301. Thus, in the absence of any factual finding to the contrary making addition alleging that difference has not been reconciled by the assessee with documentary evidence an addition of alleged excess

liability of Rs.26,41,990/- was not justified. Accordingly, the corresponding ground in the appeal of the assessee deserves to be allowed.

13. As a consequence of aforesaid discussion the appeal of department is dismissed and that of assessee is allowed. The impugned additions made by the assessing officer stand deleted.

Order pronounced in the open court on 24.04.2026.

Sd/-	Sd/-
(AMITABH SHUKLA)	(ANUBHAV SHARMA)
ACCOUNTANT MEMBER	JUDICIAL MEMBER

Dated: 24th April, 2026.

Rohit, Sr. PS

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(A)
5. DR

Asstt. Registrar, ITAT, New Delhi