

**आयकर अपीलीय अधिकरण, कोलकाता पीठ 'सी', कोलकाता**  
**IN THE INCOME TAX APPELLATE TRIBUNAL "C" BENCH KOLKATA**

**श्री संजय गर्ग, न्यायिक सदस्य एवं श्री राजेश कुमार, लेखा सदस्य के समक्ष**  
Before Shri Sanjay Garg, Judicial Member and Shri Rajesh Kumar, Accountant Member

**I.T.A. No.38/Kol/2020**  
Assessment Year: 2014-15

**ACIT, Circle-10(2), Kolkata.....Appellant**

vs.

**M/s SKG Pulp & Paper Mills Pvt. Ltd.....Respondent**  
**88, Basantalal Sahah Road,**  
**Mahabirtala, Kolkata-700053.**  
**PAN: AAMCS6766L]**

**Appearances by:**

Shri Amal Sudhir Kamat, CIT-DR, appeared on behalf of the appellant.  
Shri Ashish Rastagi, AR, appeared on behalf of the Respondent.

Date of concluding the hearing : August 23, 2022

Date of pronouncing the order : November 22, 2022

**आदेश / ORDER**

**संजय गर्ग, न्यायिक सदस्य द्वारा / Per Sanjay Garg, Judicial Member:**

The present appeal has been preferred by the Revenue against the order dated 13.09.2019 of the Commissioner of Income Tax(Appeals)-4, Kolkata [hereinafter referred to as 'CIT(A)'] passed u/s 250 of the Income Tax Act (hereinafter referred to as the 'Act'). The Revenue in this appeal has taken the following grounds of appeal:

*1. That on the fact and circumstances of the case the Ld. CIT(A) has erred in holding the Assessment order passed u/s 143(3) of the Income Tax Act, 1961 as bad in law and void ab initio, alleging the Assessing Officer has exceeded the scope of limited scrutiny which is a contravention of the CBDT Instruction No.07/2014.*

*2. That the appellant craves leave to add to and or alter, amend, modify or rescind the grounds hereinabove before or at the time of hearing of this appeal.*

2. The brief facts of the case are that the case of the assessee was selected for limited scrutiny on the following issues:

*1. Large share application money received against un-allotted shares*

*2. Low income in comparison to high loans/advances and investment in shares.*

3. The Assessing Officer in respect of second issue i.e. 'low income in comparison to high loans/advances' called for information/details of loans and advances and after going through the said information, he issued notice u/s 133(6) to different parties as per the list provided by the assessee. The Assessing Officer, in the impugned assessment order, has noted that no party responded to the notices issued u/s 133(6) except one party namely Asian Suppliers & Services. The Assessing Officer observed that the assessee company had obtained high loans from the different entities for which it had been incurring high amount of interest/finance cost. The Assessing Officer further observed that the assessee company, on the one hand, is engaged in obtaining the loans on high finance cost and, on the other hand, provided/routed such borrowed funds to the bogus suppliers. The Assessing Officer also show-caused the assessee for the non-submission of answers by the respective parties to the queries raised vide notices issued u/s 133(6) of the Act to the various parties with whom the assessee company are claimed to have made the transaction. The assessee company could not submit any written submission in this respect except reconciliation statement in respect of only one company i.e. Asian Suppliers and Services. The assessee company was also show-caused as to why the aforesaid amount be not treated as bogus loans but no reply was filed by the assessee. Thereafter, the Assessing Officer held that the assessee had channelized the borrowed funds to provide bogus high loans/advances and on the other hand had claimed high interest expenses to suppress income so as to arrive at low income. The Assessing Officer further held that the unsecured loans shown to have been taken from related parties but excluding loans and advances taken from the Director to

the tune of Rs.64985084/-, were bogus. He accordingly added back the same to the income of the assessee.

4. In the first appeal, the ld. CIT(A) observed that the Assessing Officer had exceeded his jurisdiction by converting the 'limited scrutiny' into the 'full scrutiny' without obtaining the requisite permission from the competent authority. He observed that the Assessing Officer did not verify any of the reason for which the return was selected for limited scrutiny. That the Assessing Officer had issued notice to verify loans and advances given by the assessee, whereas, no notice was issued to verify any of the liabilities, however a huge addition amounting to Rs.64985084/- had been made in the assessment order. The ld. CIT(A) relying upon the CBDT Instruction No.7/2014 dated 26.09.2014 held that as per the said circular, the Assessing Officer ought to confine himself to the enquiry/verifications only on specific points on the basis of which the return was selected for limited scrutiny. Further, that for converting the said limited scrutiny to the complete scrutiny, approval of competent authority was required which, in this case, was absent. He, therefore, held that the Assessing Officer lacked jurisdiction to make the impugned addition on account of bogus loans which was the issue on the basis of which the case was selected for limited scrutiny. He accordingly deleted the impugned addition.

5. Being aggrieved by the above order of the CIT(A), the Revenue has come in appeal before us.

6. The ld. AR of the assessee, in this respect, has submitted that no loans/advances were taken by the assessee during the year under consideration. That all the loans were opening balances of earlier years and that no loan was given by the assessee to any party and even no investment was made in shares. He has further submitted that this

case being of limited scrutiny, the Assessing Officer exceeded his jurisdiction to make the addition on account of bogus loans. He, therefore, has submitted that the Id. CIT(A) has rightly deleted the addition so made by the Assessing Officer on this issue.

The Id. DR, on the other hand, has submitted that during the course of investment/scrutiny in respect of issue relating to 'low income in comparison to high loans/advances' that the Assessing Officer held that the assessee had booked high interest/finance cost shown on the loans/advances received by the assessee and further that the assessee has shown his loans/advances to have been paid to the bogus suppliers. The Assessing Officer, during the scrutiny of the aforesaid issue of 'low income in comparison to high loan/advances had come to the conclusion that in fact the assessee had shown bogus loan/advances and booked bogus interest expenditure to show his low income.

7. We have considered the rival contentions and gone through the record. Admittedly, the issue for limited scrutiny was in respect of "low income in comparison to high loans and advances and investment in shares". The Assessing Officer, while scrutinising the aforesaid issue, issued notices u/s 133(6) of the Act to the concerned creditors and called for information in respect of aforesaid loans/advances shown by the assessee. However, except one creditor, no creditor responded. Thereafter, the Assessing Officer asked the assessee to clarify the non-submission of answers to the queries raised vide notices issued u/s 133(6) of the Act by the concerned entities with whom the assessee had claimed to have made such loan transactions. However, the assessee company did not submit any submission in this regard except one reconciliation statement in respect of Asian Suppliers & Services. Thereafter, the Assessing Officer also show-caused the assessee in this respect but no response was received from the

assessee. The issue of 'low income in comparison to high loans and advances' was scrutinised by the Assessing Officer and the Assessing Officer concluded that the assessee had shown bogus interest, high finance cost/expenditure to lower down his taxable income. Therefore, it cannot be said that the Assessing Officer had exceeded his jurisdiction in scrutinising the aforesaid issue. Further, the Assessing Officer while making the scrutiny on the above issue, came to conclusion that in fact, the loans obtained by the assessee, itself, were bogus. The Assessing Officer reached to this conclusion only on examination of the issue for which the limited scrutiny was done relating to "low income in comparison to high loans and advances". Therefore, in our view, it was not a case where the Assessing Officer had exceeded his jurisdiction as the Assessing Officer did not scrutinise any other issue, rather, has made the impugned additions while making scrutiny on the issue for which the case of the assessee was selected for assessment. The limited scrutiny issue, in our view, was only indicative of something suspicious which needs to be examined and during examination on that issue, if the Assessing Officer reaches to the conclusion that the high loans shown by the assessee, in fact were bogus, in our view, the Assessing Officer was justified in making addition in this respect and that cannot be said to be a case of Assessing Officer exceeding his jurisdiction. The Assessing Officer, of course, cannot extend the limited scrutiny by way of extending his scrutiny on some other issue which is not related or part of the limited scrutiny issue but in case of scrutiny on the limited issue itself, as in this case the i.e. 'high loans in comparison to low income' and the Assessing Officer reaches to the conclusion that, in fact, the high loans were bogus that cannot be said to be the case of exceeding his jurisdiction or scrutiny on some other issue.

8. However, we note that the Ld. CIT(A) has not decided the relevant issues on merits.

9. In view of the above discussion, the impugned order of the ld. CIT(A) is set aside and the matter is restored to the file of the ld. CIT(A) to decide the issues afresh on merits in the light of observations made above and of course, after giving due opportunity to the assessee to present its case before him.

10. In the result, the appeal of the Revenue is treated as allowed for statistical purposes.

***Kolkata, the 22<sup>nd</sup> November, 2022.***

Sd/-  
[राजेश कुमार /**Rajesh Kumar**]  
लेखा सदस्य /**Accountant Member**

Sd/-  
[संजय गर्ग /**Sanjay Garg**]  
न्यायिक सदस्य /**Judicial Member**

Dated: 22.11.2022.

RS

*Copy of the order forwarded to:*

1. ACIT, Circle-10(2), Kolkata
2. M/s SKG Pulp & Paper Mills Pvt. Ltd
3. CIT (A)-
4. CIT- ,
5. CIT(DR),

//True copy//

By order

Assistant Registrar, Kolkata Benches