

आयकर अपीलीयअधिकरण, विशाखापटणम पीठ, विशाखापटणम  
IN THE INCOME TAX APPELLATE TRIBUNAL,  
VISAKHAPATNAM "DIVN" BENCH, VISAKHAPATNAM  
श्री विजय पाल राव, उपाध्यक्ष एवं श्री एस बालाकृष्णन, लेखा सदस्य के समक्ष

BEFORE SHRI VIJAY PAL RAO, HON'BLE VICE PRESIDENT  
&  
SHRI S BALAKRISHNAN, HON'BLE ACCOUNTANT MEMBER  
(Hybrid Hearing)

आयकर अपील सं./ I.T.A. No.32/Viz/2025  
(निर्धारण वर्ष / Assessment Year : 2019-20)

The Assistant Commissioner of Income Tax, Circle-1(1), Vijayawada. (अपीलार्थी/ Appellant)	Vs.	GM Cables & Switches Private Limited, Vijayawada. PAN: AAFCG3325C (प्रत्यर्थी/ Respondent)
अपीलार्थी की ओर से/ Assessee by	:	Sri Rushabh Mehta, CA
प्रत्यर्थी की ओर से / Revenue by	:	Dr. Aparna Villuri, Sr. AR
सुनवाई की तारीख / Date of Hearing	:	28/04/2025
घोषणा की तारीख/Date of Pronouncement	:	20/05/2025

ORDER

PER S. BALAKRISHNAN, AM:

This appeal is filed by the Revenue against the order of the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi vide DIN & Order No. ITBA/APL/S/250/2024-25/1070746857(1), dated 29/11/2024 for the AY 2019-20 arising

out of the order passed U/s. 147 of the Income Tax Act, 1961 (“the Act”), dated 24/11/2023.

2. Brief facts of the case are that the assessee filed its return of income admitting a total income of Rs. 2,21,42,270/- on 24/10/2019. Subsequently, a search action U/s. 132 of the Act was conducted on the group of M/s. GM Modular Pvt Ltd and M/s. Gold Medal Electricals Group. Thereafter, a notice U/s. 153A was issued on 5/11/2020 and in response to the notice, the assessee filed the return of income admitting the same total income on 10/12/2020. The Ld. AO accepted the return of income and passed the assessment order U/s. 153A of the Act assessing the total income at Rs. 2,21,42,270/- on 7/8/2021. Subsequently, the case was reopened U/s. 147 of the Act and notice U/s. 148 of the Act was issued. In response, the assessee filed the return of income admitting the same total income of Rs. 2,21,42,270/-. Thereafter, notice U/s. 143(2) was issued on 26/07/2023. Further, notice U/s. 142(1) of the Act was also issued to the assessee from time to time. It was observed by the Ld. AO that during the course of the search proceedings it was noticed that various One World Group entities

have shown purchases and sales to the entities controlled and managed by one Mr. Rajesh G. Mehta. Further, during the course of post search proceedings, a statement on oath of Sri Rajesh G. Mehta, one of the Key Persons of the One World Group of Companies, was also recorded on 8/2/2020 wherein he admitted that various One World Group entities have made bogus sale transactions with various entities controlled and managed by Sri Rajesh G. Mehta. It was observed that Sri Rajesh G. Mehta also controls and manages M/s. Aneri Fincap Limited. During the course of the assessment proceedings, summons U/s. 131 of the Act dated 16/02/2021 were issued and since there was no response, the Ld. AO concluded that M/s. Aneri Fincap Ltd is a paper company and is only engaged in bogus accommodation entries to various beneficiaries. Subsequently, it was observed by the Ld. AO that the assessee has taken accommodation entries in the form of bogus loan from M/s. Aneri Fincap Ltd for Rs. 66,25,000/-. Thereafter, the Ld. AO issued a show cause notice U/s. 142(1) of the act dated 26/07/2023. Further, another show cause notice dated 11/09/2023 was issued to show case as to why the interest paid on undisclosed loans should not be treated as

unexplained expenditure U/s. 69C r.w.s. 115BBE of the Act. Considering the replies to the show cause notice, the Ld. AO concluded that the assessee has received the loan of Rs. 66,25,000/- as accommodation entry during the impugned assessment year and the Ld. AO therefore proceeded to add an amount of Rs. 66,25,000/- as unexplained cash credit U/s. 68 r.w.s 115BBE of the Act. Simultaneously, the Ld. AO also made an addition of Rs. 9,98,217/-being the interest payment made to M/s. Aneri Fincap Ltd on the premise that originally the unsecured loan is merely an accommodation entry and interest expenses claimed on such principal amount cannot be considered as genuine and hence disallowed as unexplained expenditure U/s. 69C r.w.s. 115BBE of the Act. On being aggrieved by the order of the Ld. AO, the assessee filed an appeal before the Ld. CIT(A).

3. Before the Ld. CIT(A) the assessee made various submissions stating that M/s. Aneri Fincap Ltd is a listed entity with Bombay Stock Exchange and assessee has earlier taken loan during the FY 2015-16 and 2016-17 which was challenged before the Ld. CIT(A). It was observed that the predecessor CIT(A) has deleted the addition

made U/s. 68 and 69C of the Act for the interest in both the assessment years. Considering the above submissions, the Ld. CIT(A) by following his predecessor's decision in the assessee's own case concluded that the loan from M/s. Aneri Fincap Ltd is not an accommodation entry and therefore allowed the appeal of the assessee. The Ld. CIT(A) also deleted the addition made U/s. 69C of the Act towards the interest expenditure claimed by the assessee. On being aggrieved by the order of the Ld. CIT(A), the Revenue is in appeal before us by raising the following grounds of appeal:

1. *The order of the Ld. CIT(a) is erroneous on facts and in circumstances of the case.*
2. *The Ld. CIT(A) erred in deleting the additions of Rs. 66,25,000/- and Rs. 9,98,317/- based on the contention of the assessee that the appellant has submitted all the related documents ie., copy of PAN, ITR, ledger accounts, confirmation of loan, bank statements showing transaction of loan taken and interest paid thereon through banking channel in connection with M/s. Aneri Fincap Ltd ignoring the fact that none of the directors of M/s. Aneri Fincap Limited appeared before the Assessing Officer in response to summons U/s. 131 issued during the course of assessment proceedings.*
3. *The Ld. CIT(A) erred in deleting the addition of Rs. 66,25,000/- and Rs. 9,98,317/- ignoring the fact that during the course of search operation, a statement on oath of Sri Rajesh G. Mehta was recorded wherein he admitted that he was only providing bogus sales and purchase bills to various entities, and there was no actual supply of goods. He further stated that M/s. Aneri Fincap Limited was one of the Oneworld Group of entities controlled and managed by one Shri Rajesh G. Mehta.*
4. *The Ld. CIT(A) while passing impugned order ignored that a statement on oath of Shri Urvil A. Jain, one of the key persons of the Oneworld Group of companies was also recorded on 8/2/2020, wherein he also admitted that various Oneworld group entities had made bogus purchase / bogus sale transactions with the various entities controlled and managed by Shri Rajesh G. Mehta. M/s. Aneri Fincap Ltd also one of the entity in oneworld group entities,*

- from who, the assessee alleged to have obtained loan of Rs. 66,25,000/- and alleged to have paid interest of Rs.9,98,317/-*
5. *The Ld. CIT(A) while allowing the appeal filed by the assessee ignored the fact that M/s. Aneri Fincap Limited is a paper company, without doing any genuine business activity, cannot be considered as genuine. Further, the company was only engaged in providing bogus accommodation entries to various beneficiaries, as per the statement on oath given by Sri Rajesh G Mehta who was one of the key person who controls and manages M/s. Aneri Fincap Limited.*
  6. *The Ld. CIT(A) erred in allowing the appeal filed by the Assessee by ignoring the fact that the documentary evidences, on which the CIT(A) relied upon were submitted by the assessee itself on behalf of its alleged lender ie., M/s. Aneri Fincap Limited had not submitted any documentary evidence directly to the CIT(A) with regard to payment of loan of Rs. 66,25,000/- and interest of Rs. 9,98,317/- paid by the assessee.*
  7. *The Ld. CIT(A) while allowing the appeal filed by the assessee, ignored the well known facts with regard to procedure followed by bogus entry providers that the entry providers collect the said amount in cash and make deposit into the bank account and later the same will be routed through banking channels to the entity for which it intends to provide bogus vouchers or accommodation entry for providing the alleged loan.*
  8. *Further, this case falls in exceptional category as per the Circular No. 5/2024, dated 15/03/2024 issued by the CBDT in F.No. 279/Misc-142/2007-ITJ(Pt.) vide para 3.1(b) viz., “cases involving organized tax evasion including cases of bogus capital gain/loss through penny stocks and cases of accommodation entries.*
  9. *Any other ground that may be urged at the time of appeal hearing.”*

4. The Learned Departmental Representative (“Ld. DR”) referred to para-4 of the order of the Ld. AO wherein it was stated that transaction in One world Group companies including M/s. Aneri Fincap Ltd are merely accommodation entries. Further, the Ld. DR also submitted that even though the tax effect is below the specified limits, the Revenue is in appeal before the Tribunal since the case falls in the exceptional category as per the Circular No. 05/2024, dated 15/03/2024 issued by the CBDT as raised in the Ground

No.8 before us. He therefore pleaded that the order of the Ld. CIT(A) be set aside.

5. Per contra, the Ld. AR submitted that the case does not fall under the exceptional category and is not maintainable because of the low tax effect. Further, on merits, he also submitted that M/s. Aneri Fincap Ltd is a Non-Banking Finance Company which is into the lending business and is a listed entity in the Bombay Stock Exchange. He further submitted that as alleged by the Ld. AO there are no purchase and sales transactions with M/s. Aneri Fincap Group Companies. He further submitted that the assessee company has taken only an unsecured loan and repays interest on unsecured loans after deduction of Tax at Source. The Statement given by Mr. Urvil A Jain relied on by the Revenue pertains to One World Entity and not to M/s. Aneri Fincap Ltd. He also submitted that there is no nexus between the One World Group entity and the assessee company. Since unsecured loans have been considered as genuine in earlier years, the further unsecured loans taken during the impugned assessment year cannot be considered as accommodation entries. He further submitted that the case does not fall under the category of exception as prescribed by the CBDT

Circular No. 5/2024. He reiterated that there are no purchases and sales transaction with One World Group companies. He therefore pleaded that the order of the Ld. CIT(A) be upheld.

6. We have heard both the sides and perused the material available on record. From the submissions of the Ld. AR, we find that the assessee has taken unsecured loans from M/s. Aneri Fincap Ltd amounting to Rs. 1.50 Crs during the FY 2015-16 and 2016-17. This fact was not disputed by the Revenue and the Ld. CIT(A) has considered that the unsecured loans to be genuine transaction and not merely an accommodation entry while adjudicating the appeals for the FY 2015-16 and 2016-17 in the assessee's own case. It is also noticed that the assessee has taken Rs. 66.25 lakhs as unsecured loans from M/s. Aneri Fincap Ltd during the impugned assessment year which was again considered as accommodation entry and not genuine in nature by the Revenue. The findings of the Ld. CIT(A) in para 6.5 is reproduced below for reference:

*“6.5. During the appellate proceedings as well as assessment proceedings, the appellant has duly provided the identity by submitting the PAN and copy of ITR of M/s. Aneri Fincap Ltd. Further, to prove the genuineness of the transaction the appellant has submitted its bank statement reflecting the said transaction along with TDS certificates which shows that TDS had been deducted on the interest paid. Further,*

*with respect to the creditworthiness, the appellant has submitted annual accounts and bank statements of the lender also. As per MCA portal the status of lender company is shown as "active". It shows that M/s. Aneri Fincap Limited is a genuine company. Thus, the addition of Rs. 66,25,000/- on account of unsecured loan and Rs. 9,98,317/- on account of interest on the loan deserved to be deleted. Accordingly, the AO is directed to delete the addition made of Rs. 66,25,000/- U/s. 68 of the Act and Rs. 9,98,317/- U/s. 69C of the Act. Hence, the ground of appeal no.2 is allowed."*

7. We find that the Ld. CIT(A) has examined the creditworthiness and the bank statements of the lender M/s. Aneri Fincap Ltd. No adverse material has been brought before us by the Revenue to state that the transaction is a bogus entry. Further, as submitted by the Ld. AR, the assessee has not entered into any sale or purchase transaction with M/s. Aneri Fincap Ltd but has only taken unsecured loan during various years. In the light of these facts and circumstances as cited above, we find no infirmity in the order of the Ld CIT(A) thereby dismissing all the grounds raised by the Revenue.

8. In the result, appeal filed by the Revenue is dismissed.

Pronounced in the open Court on 20<sup>th</sup> May, 2025.

Sd/-  
(VIJAY PAL RAO)  
उपाध्यक्ष/VICE PRESIDENT

Sd/-  
(S. BALAKRISHNAN)  
लेखा सदस्य/ACCOUNTANT MEMBER

Dated : 20/05/2025  
OKK - SPS

आदेश की प्रतिलिपि अग्रेषित / Copy of the order forwarded to:-

1. निर्धारिती/ The Assessee – GM Cables & Switches Private Limited, KS Vyas Traffic Complex, Opp. Indiragandhi Municipal Stadium, 2<sup>nd</sup> Floor, MG Road, Vijayawada, Andhra Pradesh-520002.
2. राजस्व/The Revenue – Assistant Commissioner of Income Tax, Circle-1(1), Central Revenue Building, Mahathmaj Gandhi Road, Near Collector Office, Governorpet, Vijayawada, Andhra Pradesh-520002.
3. The Principal Commissioner of Income Tax,
4. आयकर आयुक्त (अपील)/ The Commissioner of Income Tax
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, विशाखापटणम/ DR, ITAT, Visakhapatnam
6. गार्ड फ़ाईल / Guard file

आदेशानुसार / BY ORDER

Sr. Private Secretary  
ITAT, Visakhapatnam