

**IN THE INCOME TAX APPELLATE TRIBUNAL SURAT BENCH, SURAT  
(HYBRID HEARING)**

**BEFORE SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER &  
SHRI BIJAYANANDA PRUSETH, ACCOUNTANT MEMBER**

I.T.A. Nos. 224 to 226/SRT/2024  
(Assessment Years: 2011-12, 2015-16 & 2016-17)

BSAS Infotech Ltd., B-319, L.B. Apartment, Salabatpura, Surat-395002	Vs.	Deputy/Assistant Commissioner of Income Tax, Circle-1(1)(1), Surat
<span style="color: magenta;">[PAN No.AADCB4202B]</span>		
<b>(Appellant)</b>	..	<b>(Respondent)</b>

<b>Appellant by :</b>	Shri P M Jagasheth, CA
<b>Respondent by:</b>	Shri Ajay Uke, Sr. DR

<b>Date of Hearing</b>	10.07.2025
<b>Date of Pronouncement</b>	.07.2025

ORDER

**PER SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER:**

These are appeals filed by the Assessee against the order passed by the Ld. Commissioner of Income Tax (Appeal), (in short “Ld. CIT(A)”), National Faceless Appeal Centre (in short “NFAC”), Delhi vide orders dated 12.01.2024 passed for A.Ys. 2011-12, 2015-16 and 2016-17. Since common facts and issues are involved for all the years under consideration before us, all the appeals are being taken up together.

2. The assessee has raised the following grounds of appeal:

**ITA No. 224/Srt/2024 (A.Y. 2011-12)**

“1. On the facts and in the circumstances of the case as well as the law on the subject, the learned Commissioner of the Income Tax (Appeals) has erred in confirming the action of the Assessing Officer in re-opening the assessment u/s.147 of the Act, 1961 and issuing notice u/s. 148 of the Income tax Act, 1961.

2. *On the facts and in the circumstances of the case as well as the law on the subject, the learned Commissioner of the Income Tax (Appeals) has erred in confirming the action of the Assessing Officer in making addition of Rs.50,00,000/- on account of unsecured loan as alleged accommodation entry in form of unsecured loan received from the shell/bogus company M/s. Vanguard Jewels Limited controlled by entry operator, Shri Pravin Kumar Jain is treated as unaccounted u/s.68 of the Income Tax Act, 1961.*

3. *On the facts and in the circumstances of the case as well as the law on the subject, the learned Commissioner of the Income Tax (Appeals) has erred in confirming the action of the Assessing Officer in making addition of Rs.1,00,000/-on account of commission expenses for arrange for such accommodation entries in form of unsecured loan u/s. 69 of the Income Tax Act, 1961.*

4. *On the facts and in the circumstances of the case as well as the law on the subject, the learned Commissioner of the Income Tax (Appeals) has not offered adequate opportunities to hear the case and passed ex-parte order and hence the case may please be set aside and restored back to the CIT(A) or AO.*

5. *It is therefore prayed that the above addition may please be deleted as learned members of the tribunal may deem it proper.*

6. *Appellant craves leave to add, alter or delete any ground(s) either before or in the course of the hearing of the appeal.”*

**ITA No. 225/Srt/2024 (A.Y. 2015-16)**

“1. *On the facts and in the circumstances of the case as well as the law on the subject, the learned Commissioner of the Income Tax (Appeals) has erred in confirming the action of the Assessing Officer has erred in making addition of Rs.75,00,000/- on account of loan received from the parties treated as alleged bogus unsecured loan u/s.68 of the Income Tax Act, 1961.*

2. *On the facts and in the circumstances of the case as well as the law on the subject, the learned Commissioner of the Income Tax (Appeals) has erred in confirming the action of the Assessing Officer has erred in making addition of Rs.44,82,660/- on account interest paid on unsecured loans treated as alleged unexplained expenses on bogus unsecured loans.*

3. *On the facts and in the circumstances of the case as well as the law on the subject, the learned Commissioner of the Income Tax (Appeals) has erred in confirming the action of the Assessing Officer has erred in making addition of Rs. 1,50,000/- on account of alleged commission paid to arrange unsecured loans treated as alleged unexplained expenses on bogus unsecured loans.*

4. *It is therefore prayed that the above addition may please be deleted as learned members of the tribunal may deem it proper.*

5. *Appellant craves leave to add, alter or delete any ground(s) either before or in the course of the hearing of the appeal.”*

**ITA No. 226/Srt/2025 (A.Y. 2016-17)**

“1. *On the facts and in the circumstances of the case as well as the law on the subject, the learned Commissioner of Income Tax (Appeals) has erred in confirming the action of the Assessing Officer has erred in making addition of Rs. 46,24,248/- on account of disallowance of interest expenses on unsecured loans.*

2. *It is therefore prayed that the above addition may please be deleted as learned members of the tribunal may deem it proper.*

3. *Appellant craves leave to add, alter or delete any ground(s) either before or in the course of the hearing of the appeal.”*

**We shall first start with assessee’s appeal in ITA No. 224/Srt/2024 for A.Y. 2011-12. Since the facts and issues for consideration are largely similar for balance years as well, our observations for this year shall also apply to the balance years in appeal before us, as well.**

3. The brief facts of the case are that the assessee company filed its return of income for A.Y. 2011-12 declaring total income of Rs. 2,25,570/-. The case of the assessee was reopened on the basis of information received from Investigation Wing, Mumbai after obtaining necessary approval under Section 148 of the Act. During the course of re-assessment proceedings, the Assessing Officer noted that on perusal of details furnished by the assessee company, it is seen that the assessee company had received unsecured loan amounting to Rs. 50,00,000/- from M/s. Vanguard Jewels Pvt. Ltd. during the impugned year under consideration. The Assessing Officer noted that he was in possession of information received from Investigation Wing, Mumbai in which search and seizure action under Section 132 of the Act was carried out in the case of Shri Pravin Kumar Jain and other, which resulted in collection of evidences which proved that Shri Pravin Kumar Jain and others, through

various benami concerns provide accommodation entries to various parties in respect of bogus unsecured loans and bogus purchases. As per list available with the Assessing Officer, he was of the view that the assessee company had received accommodation entries in the form of unsecured loans amounting to Rs. 50,00,000/- from a concern, M/s. Vanguard Jewels Pvt. Ltd. of Pravin Kumar Jain Group, a Mumbai based entry operator. On further investigation, the Assessing Officer noted that the said company M/s. Vanguard Jewels Pvt. Ltd. was having no financial position and was clearly not in a position to advance a sum of Rs. 50,00,000/- to the assessee company. Further, certain notices were also issued to the lender company, which were returned unserved by the Postal Department, which also caused serious doubts on the identity, genuineness and creditworthiness of the lender. During the course of assessment proceedings, the assessee submitted that a crucial aspect in this case is that the assessee had taken loan from M/s. Vanguard Jewels Pvt. Ltd. amounting to Rs. 50,00,000/- on 15.07.2010, but the assessee had also repaid this loan back to the lender company within the same Financial Year on 31.03.2011. Accordingly, the assessee submitted that since the loan was received and repaid back by the assessee company to the lender within the same Financial Year and that also through banking channels, it is clear that provisions of Section 68 of the Act are not attracted in the instant case. However, the Assessing Officer did not agree with the contentions of the assessee and added a sum of Rs. 50,00,000/- as income of the assessee under Section 68 of the Act, with the following observations:

*“3.12 It is seen that a search and seizure action u/s 132 of the I T Act was carried out by the Investigation Wing, Mumbai in the case of Praveen Kurnar Jain and others, which resulted in collection of evidences and other findings, which conclusively proved that Shri Pravin Kumar Jain and other, through a benami concerns, run and operated*

by them in the name of their employees, provided accommodation entries to various parties in respect of the bogus unsecured loan and bogus purchases. Various evidences found and seized from the premises of Shri Pravin Kumar Jain and others proved the above facts. As per list available with this office, it is found that the assessee company has received accommodation entries in the form of unsecured loan amounting to Rs.50,00,000/- from the concern M/s. Vanguard Jewels Limited of Pravinkumar Jain Group, a Mumbai based entry operator. The group was indulged in giving such accommodation entries and the directors/ proprietors of such paper companies/concerns admitted the entire nature of bogus transactions in their statements recorded on oath. Shri Praveen kumar Jain is the key person and looks after overall business of the bogus paper concern/companies. On the basis of report of Investigation Wing, Mumbai, it is clearly found that M/s. Vanguard Jewels Pvt. Ltd. is proved shell company, handled by Shri Pravin Kumar Jain, an entry provider.

....

4. In light of the discussion held above, accommodation entry in the form of unsecured loan amounting to Rs.50,00,000/- received from the shall/bogus company M/s. Vanguard Jewels Limited, controlled by an entry operator Shri Pravin Kumar Jain is hereby treated as unaccounted u/s.68 of the I.T Act and added back to the total income of the assessee for A.Y.2011-12. Penalty proceedings u/s.271(1)(c) of the Act for concealment of income, are also being initiated in assessee's case separately."

4. Further, the Assessing Officer added a sum of Rs. 1,00,000/- being 2% of the commission paid by the assessee for obtaining accommodation entry of Rs. 50,00,000/-, as income of the assessee.

5. In appeal, Ld. CIT(A) dismissed the appeal of the assessee with the following observations:

*"In the above order, the Hon'ble ITAT placed the statement of Mr. Pravin Kumar Jain which was recorded u/s.132(4) of the Act, by the Investigation Wing of Mumbai, wherein Mr. Pravin Kumar Jain given list of 52 companies, out of which 13 Mr. Pravin Kumar Jain is a director in 13 of them and the remaining concerns are shown in the name of dummy directors, partners and proprietors, whose effective control and management was under the control of Mr. Pravin Kumar Jain. In the list, Vanguard Jewels Ltd is mentioned at Sr.No. 16. Thus, it is clear that the appellant is a beneficiary of accommodation entry in the form of unsecured loan from M/s. Vanguard Jewels Ltd through the entry provider i.e. Mr. Pravin Kumar Jain."*

6. The assessee is in appeal before us against the aforesaid order passed by Ld. CIT(A) confirming the additions in the hands of the assessee. Before

us, the Counsel for the assessee submitted that in the instant case, it is an undisputed fact that loans were received and repaid by the assessee within the same Financial Year. It is also an admitted fact that both the loans as well as repayment back to the lender were through banking channels. Accordingly, in the instant case, there is no question of invoking the provisions of Section 68 of the Act. The assessee also placed confirmation show of M/s. Vanguard Jewels Pvt. Ltd. alongwith bank statement to show that firstly, loan was taken and repaid back within the same Financial Year and also both the receipt as well as repayment of loan were through banking channels.

7. In response, Ld. DR placed reliance on the observations made by Assessing Officer and Ld. CIT(A), in their respective orders.

8. Before adjudicating on the issue, we note that in the A.Y. 2015-16 and 2016-17, the facts are largely similar in which the contention of the assessee was that the loans which had been received had been repaid by the assessee in due course. In these years, the assessee had further submitted that the assessee had also deducted tax at source on interest payments with respect to these loans taken from various parties. Further, it was submitted that both the taking of loans as well as subsequent repayment were through banking channels. The assessee also furnished confirmation of the parties as well as details of repayment of loan alongwith tax deduction at source on such interest, which had accrued on the loan repayment. The Ld. DR has not disputed the fact that loans had been obtained as well as repaid through banking channels and also that for A.Y. 2015-16 and 2016-17, the assessee had also paid interest to the concerned parties and also deducted tax source.

9. We have heard the rival contention and perused the material on record.

10. It would be useful to refer to some judicial precedents on the subject. In the case of **CIT, Rajkot-I vs. Ayachi Chandrashekhar Narsangji 42 taxmann.com 251 (Gujarat)**, the Gujarat High Court held that where Department had accepted repayment of loan in subsequent year, no addition was to be made in current year on account of cash credit. While passing the order the Gujarat High Court made the following observations:

*“6. Having heard Shri Pranav Desai, learned Counsel appearing on behalf of the revenue and on perusal of the order passed by the CIT(A) confirmed by the ITAT, it appears that CIT(A) was satisfied with respect to the genuineness of the transaction and creditworthiness of Shri Ishwar Adwani and, therefore, deleted the addition of Rs.1,45,00,000/- made by the Assessing Officer. **It is required to be noted that as such an amount of Rs.1,00,00,000/- vide cheque no. 102110 and an amount of Rs.60 lakh vide cheque no. 102111 was given to the assessee and out of the total loan of Rs.1.60 crore, Rs.15 lakh vide cheque no. 196107 was repaid and, therefore, an amount of Rs.1,45,00,000/- remained outstanding to be paid to Shri Ishwar Adwani. It has also come on record that the said loan amount s been repaid by the assessee to Shri Ishwar Adwani in the immediate next financial year and the Department has accepted the repayment of loan without probing into it.** In the aforesaid facts and circumstances of the case, when the ITAT has held that the matter is not required to be remanded as no other view would be possible, we see no reason to interfere with the impugned order passed by the ITAT. No question of law, much less substantial question of law arises in the present Tax Appeal. Hence, the present Tax Appeal deserves to be dismissed and is accordingly dismissed.”*

11. Further in the case of **PCIT vs. Ambe Tradecorp Pvt. Ltd. 145 taxmann.com 27 (Gujarat)**, the Gujarat held that where assessee took loan from two parties and assessee had furnished requisite material showing identity of loan givers and that assessee was not beneficiary as loan was repaid in subsequent year, no addition under section 68 could be made on account of such loan. While passing the order the Gujarat High Court made the following observations:

“5. As discussed above, since the requisite material was furnished by assessee showing the identity and since the assessee was not beneficiary when the loan was repaid in the subsequent year, even the ingredients of creditworthiness and genuineness of transaction were well satisfied.

6. The Tribunal rightly recorded in para 29 of the judgment,

*"Once repayment of the loan has been established based on the documentary evidence, the credit entries cannot be looked into isolation after ignoring the debit entries despite the debit entries were carried out in the later years. Thus, in the given facts and circumstances, were hold that there is no infirmity in the order of the Ld. CIT-A. "*

7. *For the reasons recorded above, no question of law muchless substantial questions arises in this appeal. It stands meritless and accordingly dismissed."*

12. In the case of **PCIT vs. Ojas Tarmake Pvt. Ltd. 156 taxmann.com 75 (Gujarat)**, the Gujarat High Court held that where assessee showed unsecured loans received during relevant assessment year and AO made addition on ground that assessee failed to discharge onus of liability as laid down under section 68, since amount of loan received by assessee was returned to loan party during year itself and all transactions were carried out through banking channels, impugned addition was to be deleted.

13. In the case of **Rajhans Construction Pvt. Ltd. vs. ACIT 140 taxmann.com 370 (Surat-Trib.)**, the Surat Tribunal held that where assessee availed unsecured loan from an entity and repaid same within a short span of time, along with interest, Assessing Officer was not justified in making addition under section 68 in respect of said loan.

14. In the case of **JCIT(OSD) vs. Mieza School Pvt. Ltd. in ITA No. 772/Ahd/2019 vide order dated 24.06.2022** while dealing with the similar issue the ITAT Ahmedabad made the following observations:

“7. We have heard the rival contentions and perused the material on record. With regards to addition under section 68 of the Act, we are of the considered view that the Ld. CIT(Appeals) has after appreciation of evidence placed on record by the assessee during the course of appeal proceedings has deleted the additions. During appeal, the assessee was able to produce the confirmation from the creditors in support of genuineness of the transaction, loan agreement with M/s Sandesh Procon LLP, bank statement and audited balance sheet of M/s Sandesh Procon LLP evidencing the above transaction were also placed on record to prove the genuineness of transaction. Further, the fact that the loan was repaid back with interest, on which TDS was duly deducted also lends support to the genuineness of transaction. In the case of **Shree Samruddhi Overseas Trading Co. v. DCIT in ITA Number I.T.A. Nos. 909 & 910/Ahd/2018**, the Ahmedabad ITAT held that repayment of loan points towards genuineness of transaction in the following words:

**The repayment of loan exists as a strong mitigating circumstance and transcends all considerations.** We thus find that the documents placed by the assessee before the Revenue authorities sufficiently discharge the onus towards the identity and genuineness of the transaction and creditworthiness of the lender contemplated under s.68 of the Act.

7.1 In the case of **Ayachi Chandrashekhhar Narsangji [2014] 42 taxmann.com 251 (Gujarat)**, **Hon'ble Gujarat High Court held that where department had accepted repayment of loan in subsequent year, no addition was to be made in current year on account of cash credit.** In view of the above facts and the judicial precedents by the jurisdictional High Court, we are of the considered view that Ld. CIT(Appeals) has not erred in facts and in law in deleting the additions made by the Ld. Assessing Officer u/s 68 of the Act.

7.2 In the result, ground number 1 of the Revenue's appeal is hereby dismissed.”

15. In the case of **Hit Iron & Steel Pvt. Ltd. vs. ITO in ITA No. 379/Ahd/2018 vide order dated 29.08.2022** while passing the order the Tribunal made the following observations:

“5. We have heard the rival contentions and perused the material on record. In our considered view, the assessee has reasonably discharged the onus case upon it in the instant set of facts. We note that the assessee has been able to demonstrate that he has repaid the loan amount back to the lender in the subsequent year through banking channels. The fact that the loan was repaid back, in our view, also lends support to the genuineness of transaction. In the case of **Shree Samruddhi Overseas Trading Co. v. DCIT in ITA Number I.T.A. Nos. 909 & 910/Ahd/2018**, the Ahmedabad ITAT held that repayment of loan points towards genuineness of transaction in the following words:

*The repayment of loan exists as a strong mitigating circumstance and transcends all considerations. We thus find that the documents placed by the assessee before the Revenue authorities sufficiently discharge the onus towards the identity and genuineness of the transaction and creditworthiness of the lender contemplated under s.68 of the Act.*

5.1 *In the case of **Ayachi Chandrashekhar Narsangji [2014] 42 taxmann.com 251 (Gujarat)**, Hon'ble Gujarat High Court held that where department had accepted repayment of loan in subsequent year, no addition was to be made in current year on account of cash credit.*

5.2 *We further note that all details regarding the parties in respect of the loan transaction were duly submitted before the Revenue Authorities. The additions are proposed to be made on the basis of statement of by Shri Praveen Kumar Jain who stated that he was engaged in the business of providing accommodation entries in the form of bogus unsecured loans, bogus share application money etc. The Department has made addition on the ground that the assessee company had received a sum of 1,00,00,000/- from M/s Nakshatra Business Private Limited (Hema trading company Private Limited), which was one of the companies operated by Shri Praveen Kumar Jain Group. However, apparently this figure too was incorrect since the Ld. CIT(Appeals) observed that the assessee had taken loan of Rs. 50 lakhs only and accordingly gave part relief to the assessee. We further note that the Tribunals on various occasions have deleted the additions made in respect of loans taken from the above entities which were later found be repaid back in subsequent years. In the case of **Deepak Shah v. ACIT in ITA number 4206/Mumbai/2017**, the Mumbai ITAT has on similar facts given relief to the assessee with the following observations:*

5. *Learned AR vehemently submitted that the order of learned CIT(A) upholding the order of the Assessing Officer is contrary to the law as order of the Assessing Officer was confirmed despite the fact that the assessee has filed all necessary evidence before the AO in the assessment proceedings. **Learned AR submitted that by various communications to the Assessing Officer, the assessee filed necessary details submitting therein that the assessee has taken temporary business loans from three companies in the month of March 2012, which were repaid within a period ranging from two to six months duly corroborated with all necessary evidences such as copies of bank statements, ledger accounts, confirmations from the parties, their PANs etc.** Learned AR submitted that vide letter dated 8.2.2017, the assessee informed the Assessing Officer on the date of hearing i.e. 9.2.2017 that the assessee is not in a position to attend hearing as the assessee is preoccupied in High Court on 9.2.2017, which was proved by learned AR by placing before the bench a copy of the order from High Court filed at page No. 34 of the paper book. Learned AR submitted that even notices were issued u/s. 133(6) by the Assessing Officer to these parties were duly responded by the said parties by drawing our attention to page No.38 to 40 of the paper book wherein all details as required by the Assessing Officer were duly filed. **Thus, learned AR submitted that the assessee has filed copies of confirmations, ledger accounts, bank statements evidencing transactions through banking channel, ITRs, PAN and annual reports alongwith audited profit and loss accounts and balance sheets of these parties. Learned AR submitted that the assessee has repaid***

**loan within a span of two to six months. Thus, the Assessing Officer has totally failed to conduct any meaningful and objective investigation and merely relied on the statement of Shri Praveen Kumar Jain that they were engaged in the business of providing hawala entries though nowhere assessee's name was ever taken by the said person. Similarly, learned CIT(A) has affirmed the order of Assessing Officer by simply relied on the statement recorded in the course of search u/s. 132(4) of the Act and further harping on the fact that summons issued u/s. 131 were not complied with. Learned AR also referred to the decision of the Coordinate Bench in the case of ACIT Vs. Shreedham Builders (ITA No. 5589/Mum/2017 for A.Y. 2012-13), wherein all these three entities have lent money and the Coordinate Bench has taken the view that no addition to be made u/s. 68 of the Act as the assessee has duly discharged burden cast upon it u/s. 68 of the Act. Learned AR therefore prayed before the Bench that the order of learned CIT(A) may be set aside and the Assessing Officer be directed to deleted the addition.**

6. *Per contra, learned DR relied on the order of learned CIT(A) heavily by submitting that facts revealed during the course of search unequivocally proved that the assessee was beneficiary of hawala racket which was being operated by Shri Pravin Kumar Jain and Associate concerns and he even admitted during the course of statement recorded u/s. 132(4) of the Act that business was not being done but only accommodation entries were provided on commission basis. Under these circumstances, learned DR prayed that the order of learned CIT(A) may be affirmed.*

7. *We have heard the rival submissions and perused the materials on record. **The undisputed facts are that the assessee filed copies of confirmations, ledger accounts, bank statements, ITRs, PANs and audited balance sheets and profit and loss accounts in respect of these three parties who lent money to the assessee. The authorities below have only relied on statement of Shri Pravin Kumar Jain that said he and related entities were engaged in providing accommodation entries of which the assessee was one of the beneficiaries without having brought anything to disbelieve and disprove various documents filed by the assessee. Even in the case of ACIT Vs. Shreedham Builders (supra), under similar facts the Coordinate Bench has accepted loans given by these three parties, which were also common in the case of the assessee as stated in para 2.15 of the said order, which is as under:-***

.....

8. *Thus, it is clear from the above that the entities which gave loans to the assessee appeared at serial number 1,2 & 6 of para 2.15 of the Coordinate Bench decision. **The assessee has filed necessary proofs and documents supporting the borrowings of money and repayment thereof.** Under these circumstance, we are not in agreement with the conclusion given by learned CIT(A). Accordingly, by respectfully following the decision of the Coordinate Bench, we allow the appeal of the assessee.*

9. *In the result, appeal filed by the assessee is treated as allowed.”*

16. Accordingly, looking into the facts of the assessee's case we observe that in this case, the assessee had received loans, which were repaid back by the assessee either within the same Financial Year, or during the subsequent Financial Years alongwith interest (on which necessary tax deduction at source was also done by the assessee company). Both the receipt of loans and repayment thereof was through banking channels. For A.Y. 2015-16 and 2016-17 the assessee also furnished confirmation of the concerned parties. We note that the Gujarat High Court on several occasions has held that when loan taken by the assessee has been repaid back alongwith interest back to the lender through banking channels, no addition is called for under Section 68 of the Act. Accordingly, lookin into the assessee's facts and the judicial precedents discussed above, the appeals of the assessee are allowed.

17. In the combined result, all appeals filed by the assessee are allowed.

**Order pronounced under proviso to Rule 34 of ITAT Rules, 1963 on 15/07/2025**

**Sd/-**

**(BIJAYANANDA PRUSETH)**  
**ACCOUNTANT MEMBER**

Ahmedabad; Dated 15/07/2025

*TANMAY, Sr. PS*

TRUE COPY

आदेश की प्रतिलिपि अग्रेषित/Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, सूरत / DR, ITAT, Surat
6. गार्ड फाईल / Guard file.

**Sd/-**

**(SIDDHARTHA NAUTIYAL)**  
**JUDICIAL MEMBER**

आदेशानुसार/ BY ORDER,

उप/सहायक पंजीकार (Dy./Asstt.Registrar)  
आयकर अपीलीय अधिकरण, सूरत/ ITAT, Surat