

IN THE INCOME TAX APPELLATE TRIBUNAL, RAJKOT BENCH, RAJKOT
BEFORE DR. A.L.SAINI, AM & DIESH MOHAN SINHA, JM

आयकरअपीलसं./ITA No.266/RJT/2024

(अध्यावसथ Assessment Year: (2015-16)

(Hybrid Hearing)

Shreeji Ceramic Industries, 8/A National Highway, Lalpar Morbi - 363642	Vs.	The Principal Commissioner of Income Tax ó 1, Rajkot
अथायीलेखसं./जीआइआरसं./PAN/GIR No.: AALFS8846B		
(Appellant)		(Respondent)

Appellant by : Shri D. M. Rindani, Ld. AR

Respondent by : Shri Sanjay Punglia, CIT (DR)

सुनवाईकसथारख/ Date of Hearing : 17/07/2025

घोषणाकसथारख/ Date of Pronouncement: 12/08/2025

आदेश / ORDER

PER DINESH MOHAN SINHA, JM:

This appeal has been filed by the assessee against the order of Learned Principle Commissioner of Income Tax, Rajkot ó 1 [in short, òthe Ld. PCITò], dated 30.03.2021 for the Assessment Year (AY) 2015-16.

2. The grounds of appeal raised by the Assessee are as follows.

1. The learned Principal Commissioner of Income Tax, Rajkot-1 erred in holding that the assessment order dated 29-12-2017 passed u/s. 143(3) of the Act was erroneous and prejudicial to the interest of Revenue and thus assuming jurisdiction u/s. 263 of the Act and hence the impugned order is bad in law.

2. The learned Principal Commissioner of Income Tax, Rajkot-1 erred in stating that the assessment order u/s 143(3) was under complete scrutiny although it was under 'limited scrutiny' as evident from the notice u/s. 143(2) read with the assessment order u/s. 143(3) of the Act.

3. The learned Principal Commissioner of Income Tax, Rajkot-1 erred in assuming jurisdiction u/s. 263 on an issue of S. 40A(3) which was ipso facto beyond the scope of limited scrutiny issues u/s 143(3) order.

4. The appellant craves leave to add, amend, alter and withdraw any ground of appeal anytime up to the hearing of this appeal.

3. The brief facts of the case are as under.

The Assessee has filed return of income electronically for A.Y. 2015-16 on 25.09.2015. Case has been selected for limited scrutiny by CASS and accordingly the Assessing Officer has issued notice to the Assessee u/s. 142(1) and after hearing the Id. AR of the Assessee and taking necessary material on record he has finalized assessment u/s. 143(3) of the Act. Ld. PCIT exercised the revision of the order u/s. 263 as according to him the order of Assessing Officer is erroneous and prejudicial to the interest of Revenue. Ld. PCIT has passed the order u/s. 263 on 30.03.2021. Aggrieved by the order of Ld. PCIT, Assessee has filed an appeal before us on 30.04.2024, which is barred by limitation of time by 1067 days. Therefore, first we adjudicate the ground of delay before entering in to merits of the appeal.

4. Assessee has submitted application and affidavit along with appeal. The reasons mentioned in the application are as follows.

Sub: Prayer for condonation of delay in filing appeal for A.Y. 2015-16

With reference to the captioned subject, the appellant humbly states as under:

1. The original assessment in our case for AY 2015-16 was completed vide order dated 29.12.2017 accepting the returned income of the appellant. A copy of the same is enclosed herewith.
2. Thereafter, the then Id. PCIT proposed revision u/s 263 on the ground of disallowance u/s 40A(3) of the Act.
3. At this time, the appellant did not have the copy of assessment order dated 29.12.2017 as the same was misplaced somewhere. It was a case of assessment in physical mode and therefore, the same was also not available online. Hence, the appellant filed a reply only on the merits of disallowance u/s 40A(3) of the Act. A copy of this reply is enclosed herewith.

4. The Id. PCIT did not accept the submissions of the appellant and passed order u/s 263 setting aside the assessment order on the ground of disallowance u/s 40A(3) of the Act.
5. In the aforesaid order u/s 263, the Id. PCIT observed in Para 1 that the assessment completed in the case of the appellant was a complete scrutiny. In the absence of assessment order on hand, the appellant believed the same to be true in a bonafide manner.
6. The consequent assessment was completed u/s. 144 r.w.s. 263 on 31.03.2022 wherein the Id. AO made the disallowance u/s. 40A(3) of Rs. 63,26,638/-.
7. Thereafter, the Id. PCIT again proposed revision u/s. 263 for the second time on the ground that since the *de novo* assessment was completed u/s. 144 of the Act, the interest to partners of Rs. 34,35,694/- and remuneration to partners of Rs. 20,00,000/- should have been disallowed in view of section 184(5) of the Act.
8. Since it was a technical matter, the appellant thought it fit to appoint a firm of Senior Chartered Accountants at Rajkot to represent them before the Id. PCIT. Since the revision was proposed for the second time for the same assessment year, the newly appointed CA called for all the old records to understand the series of events.
9. The appellant did not have the assessment order dated 29.12.2017 in his records. However, the newly appointed CA insisted for the same and hence, the appellant had to approach his old tax advisor if he could provide a copy of the same from his records. Luckily, the said tax advisor had a copy in his records which he passed on to the appellant and the same in turn was passed on to the newly appointed CA.
10. After verification of records, the newly appointed CA informed the appellant that the first assessment was a limited scrutiny and the same was incorrectly perceived by the then PCIT as complete scrutiny in the order u/s 263 dated 30.03.2021. **In fact, in Para 1 of his order u/s 263, the then Id. PCIT incorrectly stated that the assessment completed was a complete scrutiny.**

11. At this juncture, it came to the light that the original assessment was a limited scrutiny assessment and that there was an error in the order u/s 263 dated 30.03.2021. They also informed that the Id. PCIT carried out revision u/s 263 on an altogether different issue which was not forming part of the issues of limited scrutiny which was not permissible.
12. The appellant informed their CA that in the absence of assessment order on hand, they believed the aforesaid statement to be true in a bonafide manner. The appellant sought their professional guidance to deal with this situation and the appellant was advised to file this appeal before the Hon'ble ITAT alongwith prayer for condonation of delay.
13. Thus, the present appeal is being filed alongwith prayer for condonation of delay. The delay is of around 35 months.
14. From the above-stated facts, it may please be appreciated that the reason for the delay is that the appellant did not have the copy of the assessment order at the relevant point of time and that there was also an error in the order of Id. PCIT u/s 263 which the appellant believed to be true in a bonafide manner.
15. The delay is unintentional and it happened because the situation was beyond the reasonable control of the appellant. The real position and error in the order u/s 263 dated 30.03.2021 came to the notice only in the month of March 2024 when the records were perused by the CA for preparation of the reply in response to the second revision proposed for the same assessment year. This revision proceedings have been dropped by the Id. PCIT.
16. The appellant has not got any undue advantage by not filing the appeal. In fact, the point that there cannot be a revision u/s 263 on a point not forming part of the issues of limited scrutiny is a settled matter and the Hon'ble Rajkot ITAT has also held the same on several occasions. Thus, the delay in filing the appeal has entailed avoidable further proceedings by way of *de novo* assessment and subsequent appeal.

17. Since the appellant was under a wrong but bonafide impression regarding the correctness of the facts relating to assessment order as mentioned in the order u/s 263 by the Id. PCIT, the case of the appellant deserves sympathetic considerations for condonation of delay.

18. Further, the partial delay is also attributable to Covid-19 period which deserves to be condoned in view of the Supreme Court judgment reported in 134 taxmann.com 307 wherein the SC directed to exclude the period from 15.03.2020 to 28.02.2022 for various purposes including the filing of appeals.

19. The Courts and Tribunals have consistently held that in the matter of condonation of delay, pragmatic and liberal approach should be taken. The Hon'ble Supreme Court held the same in case of **Investment Trust v. Ujagarsingh** observing that unless malafide or negligence writ large, delay

should be condoned and appeals should not be rejected on technical ground of delay and they should be ordinarily decided on merits.

20. The Hon'ble Gujarat High Court has also considered this aspect of condonation of delay in case of **Gujarat State Fertilizers & Chemicals Ltd. (283 ITR 149)** and held that...

"The position in law is well settled that an assessee should be granted due relief where it is due without standing on technicalities and the revenue must bear the established legal position in mind while dealing with applications seeking condonation of delay. It is necessary that liberal approach is adopted in such a matter so as to ensure that substantive rights are not defeated on the basis of technicalities or limitation."

21. It is a settled principle of law that in the matter of condonation of delay, the length of delay does not matter but the reasonability of the explanation matters. Reference in this regard may be made to the Supreme Court judgment in the case of **N. Balakrishnan v. M. Krishnamurthy** [1998 (7) SCC 123] wherein the Apex Court held as under:

judgment in the case of []
SCC 123] wherein the Apex Court held as under:

"It is axiomatic that condonation of delay is a matter of discretion of the court. Section 5 of the Limitation Act does not say that such discretion can be exercised only if the delay is within a certain limit. Length of delay is no matter, acceptability of the explanation is the only criterion. Sometimes delay of the shortest range may be uncondonable due to a want of acceptable explanation whereas in certain other cases, delay of a very long range can be condoned as the explanation thereof is satisfactory. Once the court accepts the explanation as sufficient, it is the result of positive exercise of discretion and normally the superior court should not disturb such finding, much less in revisional jurisdiction, unless the exercise of discretion was on wholly untenable grounds or arbitrary or perverse. But it is a

different matter when the first court refuses to condone the delay. In such cases, the superior court would be free to consider the cause shown for the delay afresh and it is open to such superior court to come to its own finding even untrammelled by the conclusion of the lower court."

22. Recently, the Hon'ble Rajkot ITAT condoned the delay of 898 days while admitting the appeal against the order u/s 263 of the Act accepting the reasonable explanation furnished by the assessee. A copy of this order is enclosed herewith.
23. In view of the above, we humbly request Your Honour to kindly condone the delay and admit our appeal on merits appreciating the above facts and oblige. For this act of kindness, we shall remain obliged forever.

Kindly consider the above sympathetically and oblige.

Thanking you,

Yours Faithfully,

For, Shreeji Ceramic Industries



(Partner)

5. On going through the application, we have observed that, it was not in the mind of Assessee, that order passed u/s. 263 was appealable or not because Assessee has neither entered in to any litigation on perusal of order u/s. 263, dtd. 30.03.2021 nor he has taken care of consequential order passed u/s. 144 rws 263, dtd. 31.03.2022 first time. Thereafter, the Ld. PCIT has again proposed revision u/s. 263 for the second time in respect of interest and remuneration to the partners for the same assessment year. In this situation, Assessee has approached senior Chartered Accountant at Rajkot on the ground of second revision in the month of March-2024 as mentioned in the para no. 15. Since the revision was proposed for second time for the same A.Y., the newly appointed CA has called for old records. While going through old records and the assesment order u/s. 143(3), dtd. 29.12.2017, it has come to notice of CA that the assessment has been initialized on ground of limited scrutiny. Ld. PCIT has incorrectly stated that the assessment completed was a complete scrutiny. From this factual position CA has arrived on inference that first revision order u/s. 263, dtd. 30.03.2021 passed by Ld. PCIT is on wrong footing. Therefore, he has advised the Assessee to prefer an appeal against the order of Ld. PCIT, dtd. 30.03.2021 in the month of April-2024.

6. Ld. PCIT has passed the order on 30.03.2021 during covid period. As per rule, the appeal was to be filed within 60 days from date of receipt of order, therefore, the appeal was to be filed on or before 30.05.2021. But in view of the judgement of Honøble Supreme Court reported in 134 taxmann.com 307, delay for the period from 15.03.2020 to 28.02.2022 was to be condoned for every appeal.. The delay for the period from 30.05.2021 to 28.02.2022 was attributable to covid period. Therefore, the same is to be condoned. The same view has been taken by Co-Ordinate Bench of ITAT, Rajkot in the case of Rajmoti Road Movers, ITA No. 316/Rjt/2023.

6. In support of the request to condone the delay, Ld. AR of the Assessee has submitted written submission running from 1 to 24 pages, in which several judgements of Honøble Supreme Court, Honøble High Court and ITAT are cited. The judgements referred by the Ld. AR for the Assessee are as follows,

1. Senior Bhosale Estate (HUF) Vs. ACIT, 112 taxmann.com 134 (SC).
2. Artist Tree (P.) Ltd. Vs. CBDT, 52 taxmann.com 152 (Bombay High Court)
3. Vijayeta Buildcon (P.) Ltd. Vs. ACIT, Cent. Cir.-1, 123 taxmann.com 133 (Jaipur ó Trib.)
4. Rajmoti Road Movers Vs. PCIT-1, Rajkot

On going through these judgements and various judgements of different High Courts and Honøble Apex Court, we are inclined to derive a inference that when the delay is not attributable to the gross negligence or carelessness of the Assessee and when there is sufficient and reasonable cause, by which the delay is occurred, in that case the delay is to be condoned irrespective of length of period.

7. On the other, Ld. DR has vehemently argued that such a long delay should not be condoned. We have heard both the parties it is considered that, before Assessing Officer AR of the Assessee appeared and submitted all the details and income assessed as per returned income bytaking in to consideration the scope of Limited Scrutiny. However Ld. PCIT has considered this case as full scrutiny. It was covid period and Assessee could not have outcome of the case. To substantiate their request for condonation of delay, Assessee has taken support of three judgements. As mentioned in para 20 of application, Assessee has relied upon judgement of Honøble Gujarat High Court in case of Gujarat State Fertilizers & Chemicals Ltd. (283 ITR 149). **As mentioned in the judgement, liberal approach is**

adopted by the Hon'ble High Court in such a matter so as to ensure that substantive rights are not defeated on the basis of technicalities or limitation. The relevant para of judgement is reproduced in the application under para 20. As mentioned in para 21 of application, Assessee has also taken support of judgement of Honøble Supreme Court in case of N. Balakrishnan Vs. M. Krishnamurthy [1998 (7) SCC 123], regarding the length of delay. **It is a settled principle of law that in the matter of condonation of delay, the length of delay does not matter but reasonability of explanation matters.** Relevant para is reproduced under para 21 of application. It is also observed by the Co-Ordinate Bench of ITAT, Rajkot in case of Rajmoti Road Movers, ITA No. 316/Rjt/2023, that

õthe length of the delay becomes insignificant if there was sufficient cause for such delay which prevented the assessee in filing the appeal. As such we need to consider the cause of the delay and not the length of the delay. Accordingly in our considered view when there was a reasonable cause, the period of delay may not be relevant factorö.

we find that Assessee has sufficient and reasonable cause for not filing the appeal within time. In view of the above discussion, the delay is hereby condoned.

8. Now we proceed to adjudicate the appeal on merit.

9. That the Assessee is in appeal before us. Ld. AR of the Assessee has drown our attention to the first para of Ld. PCITø's order in which Ld. PCIT has mentioned that the case was selected for complete scrutiny under CASS and the assessment was finalized u/s. 143(3) of the Act on 29.12.2017. He has further drown our attention to the first para of assessment order in which Ld. AO has mentioned that the case was selected for limited scrutiny through CASS. According to him, the selection of case for revision of

assessment u/s. 263 by L d. PCIT is totally on wrong basis. On the other hand Ld. DR has relied upon the order of Ld. PCIT.

10. We have perused order of Ld. PCIT as well as Ld. AO. On going through both the orders it has come to our notice that Ld. PCIT has discussed issue regarding transport charges paid by the Assessee and according to him payments were in contravention of section 40A(3) of the Act. Where as in assessment order, this point has never been discussed by Ld. AO as the case is pertaining to limited scrutiny. The point included in limited scrutiny was regarding mismatch of custom duty paid as shown in the ITR with the duty paid as per CBEC tab of ITS and verification of Duty-Drawback received as shown in the CBEC tab of ITS etc. Ld. AO has called for all the details and after due verification of the record, he has completed the assessment accepting the returned income of Assessee for Rs. 3,09,82,520/-.

11. On perusing both the orders, it is clear that the bone of contention before us is while passing order u/s 263, Ld. PCIT can travel beyond scope of limited scrutiny or not.

12. Ld. AR has submitted several judgements and CBDT instruction in support of his arguments regarding the above mentioned issue Ld. which are mentioned as under.

1. PCIT Vs. Naga Dhunseri Group Ltd. [2023]146 taxmann.com 424 (Calcutta)
2. PCIT Vs. Shark Mines and Minerals (P.) Ltd. [2023] 151 taxmann.com 71 (Orissa)
3. Vijay Rajnikant Patel Vs. PCIT [2024] 160 taxmann.com 178 (Ahmedabad ó Trib)
4. Mind Sports League (P.) Ltd. Vs. PCIT [2023] 157 taxmann.com 815 (Kolkata ó Trib)

5. Sanjeev Garg Vs. PCIT [2025] 179 taxmann.com 79 (Chandigarh - Trib)
6. Ranchhodbhai Jerambhai Meghani Vs. The Income Tax Officer ó Direct Tax Online
7. CBDT instruction No. 20/2015, dtd. 29.12.2015

13. The appeal pertains to A.Y. 2015-16, i.e. F.Y. 2014-15. Therefore, it is covered by the CBDT instruction No. 07/2014, dtd. 26.09.2014 read with CBDT instruction No. 20/2015, dtd.29.12.2015. Instruction no. 7/2014 clearly deals with the cases pertaining to F.Y. 2014-15. It is clearly mentioned in the instruction that *“CBDT by virtue of its powers under section 119 of the Act, in supersession of earlier instructions/guidelines on this subject, hereby directs that the cases selected for scrutiny during the Financial year 2014-15 under CASS, on the basis of either AIR data or CIB information or for non-reconciliation with 26AS data, the scope of enquiry should be limited to verification of these particular aspects only”*. The relevant paras of instruction no. 7/2014 are reproduced as under.

2. Therefore, for proper administration of the Income-tax Act, 1961 ('Act'), Central Board of Direct Taxes, by virtue of its powers under section 119 of the Act, in supersession of earlier instructions/guidelines on this subject, hereby directs that the cases selected for scrutiny during the Financial Year 2014-2015 under CASS, on the basis of either AIR data or CIB information or for non re-conciliation with 26AS data, the scope of enquiry should be limited to verification of these particular aspects only. Therefore, in such cases, an Assessing Officer shall confine the questionnaire and subsequent enquiry or verification only to the specific point(s) on the basis of which the particular return has been selected for scrutiny.

3. The reason(s) for selection of cases under CASS are displayed to the Assessing Officer in AST application and notice u/s 143(2), after generation from AST, is issued to the taxpayer with the remark *“Selected under Computer Aided Scrutiny Selection (CASS)”*. The functionality in AST is being modified suitably to flag the reasons for scrutiny selection in AIR/CIB/26AS cases. This functionality is expected to be operationalised by 15th October, 2014. Further, the Assessing Officer while issuing notice under section 142(1) of the Act which is enclosed with the first questionnaire would proceed to verify only the specific aspects requiring examination/verification. In such cases, all efforts would be made to ensure that assessment proceedings are completed expeditiously in minimum possible number of hearings without unnecessarily dragging the case till the time-barring date.

14. Further clarification regarding the applicability of the same has been given by CBDT vide instruction No. 15/2015, dtd. 29.12.2015. The relevant paras of this instruction are reproduced as under.

2. In order to facilitate the conduct of scrutiny assessments and to bring further clarity on some of the issues emerging from the aforesaid Instruction, following clarifications are being made.

- i Year of applicability: As stated in the Instruction No. 7/2014, the said Instruction is applicable only in respect of the cases selected for scrutiny through CASS-2014.
- ii Whether the said Instruction is applicable to all cases selected under CASS: The said Instruction is applicable where the case is selected for scrutiny under CASS only on the parameter(s) of AIR/CIB/26AS data. If a case has been selected under CASS for any other reason(s)/parameter (s) besides the AIR /CIB/26AS data, then the said Instruction would not apply.
- iii Scope of Enquiry: Specific issue based enquiry is to be conducted only in those scrutiny cases which have been selected on the parameter(s) of AIR/CIB/26AS data. In such cases, the Assessing Officer, shall also confine the Questionnaire only to the specific issues pertaining to AIR/CIB/26AS data. Wider scrutiny in these cases can only be conducted as per the guidelines and procedures stated in Instruction No. 7/2014.
- iv Reason for selection: In cases under scrutiny for verification of AIR/CIB/26AS data, the Assessing Officer has to intimate the reason for selection of case for scrutiny to the assessee concerned.

15. Honøble Kolkata High Court in case of PCIT Vs. Naga Dhunseri Group Ltd. has dealt with this issue. Honøble High Court has dealt with this issue by taking in to consideration the CBDT instruction no. 7/2014. The finding of Honøble High Court is given below.

4. The short question involved in this case is whether the assumption of jurisdiction by the Principal Commissioner of Income Tax under section 263 of the Act was justified. The learned Tribunal has analysed the factual position and found that the case of the assessee was selected for limited scrutiny under CASS and the issue which the Commissioner sought to reopen namely, the issue of disallowance under section 14A of the Act, read with rule 8D in respect of the exempt income was not one of the issues which was selected for scrutiny. The learned Tribunal in paragraph 2 of its order has set out the three items which have been selected for scrutiny namely, (i) Introduction of capital in NBFC/investment company; (ii) large deduction claimed u/s. 57 of the Act; and (iii) Mismatch of amount paid to related persons u/s. 40A(2)(b) reported in audit report and ITR.

5. If that is the undisputed factual position, we find the reasoning given by the learned Tribunal is fully justified. That apart, the learned Tribunal has rightly pointed that the CBDT has issued instructions as to the manner in which the limited

scrutiny should be carried out. In CBDT Instruction No. 7 of 2014, dated 26.09.2014, the relevant portion of the said instruction reads as follows:-

3. The reason(s) for selection of cases under CASS are displayed to the Assessing Officer in AST application and notice u/s. 143(2), after generation from AST, is issued to the taxpayer with the remark "Selected under Computer Aided Scrutiny Selection (CASS)". The functionality in AST is being expected to be operationalised by 15th October, 2014. Further, the Assessing Officer while issuing notice under section 142(1) of the Act which is enclosed with the first questionnaire would proceed to verify only the specific aspects requiring examination/verification. In such cases, all efforts would be made to ensure that assessment proceedings are completed expeditiously in minimum possible number of hearings without unnecessarily dragging the case till the time-barring date."

6. A bare reading of the above Instruction clearly shows that the PCIT cannot make a roving enquiry in the guise of a limited scrutiny and as such the instruction issued by the CBDT is binding on the Department.

16. Same observation has been made by Honøble Orissa High Cout in case of PCIT Vs. Shark Mines and Minerals (P) Ltd. The relevant paras are reproduced here as under:

"9. Indeed, the Court finds that the Madras High Court has while affirming the decision of the ITAT in Smt. Padmavathi (Supra) taken the view that while exercising suo motu revisional power under section 263 of the Act, the CIT cannot travel beyond the scope of the issues which form part of the 'limited scrutiny' in the original Assessment Order. This Court concurs with the above view.

10. What persuades this Court to reach this conclusion is the requirement in law that if the AO has to go beyond scope of the issues for which 'limited scrutiny' has to be undertaken by him, he has to seek prior permission of the superior officer in terms of the CBDT Instruction No. 7/14 dated 26th September, 2014 and Instruction No. 20/15 datd 19th December, 2015. Consequently, it was not open to the Pr. CIT while exercising suo motu revisional power under section 263 of the Act to find fault with the

assessment order of the AO on the ground of its being erroneous on an issue not covered by the 'limited scrutiny' when the AO could not have possibly examined such issue. To reiterate, in the present case, the limited was in respect of excess disallowance under section 40A(3) of the Act whereas the SCN under section 263 was regarding the FIFO method of valuation of closing stock adopted by the Assessee. There were, as rightly noted by the ITAT, unconnected issues and the assessment order could not have been held to be "erroneous and prejudicial to the interest of Revenue" when the AO could not have travelled beyond the issues forming subject matter of the limited scrutiny'.

11. The Court is unable to find any error having been committed by the ITAT in coming to the conclusion. No substantial question of law arises. The appeal is accordingly dismissed.

17. Same view has been taken by Co-Ordinate Bench of ITAT, Rajkot in case of Ranchhodbhai Jerambhai Meghani Vs. ITO. The relevant para is reproduced here as under.

14. We note that assessee's case was selected for limited scrutiny to examine two issues, viz: (i) Large investment and (ii) Deduction claimed u/s. 54B of the Act, however, the assessing officer has not made addition on both the issues of Limited Scrutiny Notice. The assessing officer can not travel beyond the issue raised under Limited Scrutiny, as stated in the two instructions of CBDT, which are binding to all the Assessing Officer, viz, (i) Instruction No. 20/2015, dated 29.12.2015 and (ii) Instruction No. 5/2016, dated 14.07.2016. The Limited Scrutiny has narrow scope of inquiry, as mentioned in para 3(d) of Instruction No. 20/2015 and Para No. 4 of Instruction No. 5/2016 of the CBDT.

17. As discussed at length, in the light of CBDT instruction No. 7/2014 and 20/2015 and also considering the judgements of Honøble Kolkata High Court and Honøble Orissa High Court delivered in the light of these

instructions, we are of the view that while passing order u/s. 263 Ld. PCIT can not travel beyond scope of limited scrutiny. Ld. CIT (DR) has also not controverted this observation.

9. Ld. PCIT has violated the instruction of CBDT by considering the case as complete scrutiny and contrary to the judgements of Honorable High Courts and ITAT. In view of this discussion we quash the order of Ld. PCIT u/s. 263.

In the result, the appeal filed by the assessee is allowed.

Order is pronounced on 12/08/2025 in the open court.

Sd/-
(A. L. SAINI)
ACCOUNTANT MEMBER

Sd/-
(DINESH MOHAN SINHA)
JUDICIAL MEMBER

Rajkot

दिनांक/ Date: 12/08/2025

Copy of the Order forwarded to

1. M/s. Shreeji Ceramic, Morbi
2. The Principal Commissioner of Income Tax-1, Rajkot
3. The Deputy Commissioner of Income Tax, Morbi Circle, Morbi
4. The Joint Commissioner of Income Tax, Range-1(1), Rajkot
5. DR/AR, ITAT, Rajkot
6. Guard File

By Order

Assistant Registrar/Sr. PS/PS
ITAT, Rajkot