

IN THE INCOME TAX APPELLATE TRIBUNAL
JAIPUR BENCH "B", JAIPUR
**BEFORE Dr. S. SEETHALAKSHMI, JUDICIAL MEMBER AND
SHRI GAGAN GOYAL, ACCOUNTANT MEMBER**
ITA Nos. 441, 442, 460, 534, 551, 602, 733 & 748/JPR/2025
(A. Ys. 2015-16, 2016-17, 2017-18, 2018-19, 2019-20, 2021-22, 2018-19, 2019-20)

Silver & Arts Palace,
313 A, Old Amer Road,
Jaipur 302 002
PAN No.: AALFS 5749K

..... Appellant

Vs.

ACIT, Central Circle-04,
Jaipur

.....Respondent

Appellant by : Mr. Vinod Gupta, CA. Ld. AR
Respondent by : Mrs. Alka Gautam, CIT, Ld. DR
Date of hearing : 25/09/2025
Date of pronouncement : 13/10/2025

ORDER

PER BENCH:

These appeals by the assessee are directed against the order of Ld. PCIT & CIT(A) Jaipur-05 dated 26.02.2025, 25.02.2025 & 24.03.2025 passed u/s. 250 & 263 of the Income Tax Act, 1961 respectively (in short 'the Act').

In **ITA No. 441/JP/2025 (2015-16)**, the assessee has raised the following grounds of appeal:

1. The Ld. CIT (A) has erred in law as well as on the facts of the case in confirming the action of Ld. AO of initiating the assessment proceeding u/s. 153A of the Income Tax Act. The very action taken u/s. 153A of the act is bad in law and without jurisdiction. Hence, the same may kindly be quashed.
2. The Ld. CIT (A) erred in confirming the action of Ld. AO by upholding the addition of Rs. 2,29,690/- on account of alleged unaccounted cash commission. Hence, the addition so upheld is contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.
3. The Ld. CIT (A) erred in confirming the action of Ld. AO by upholding the addition of Rs. 25, 64,000/- on account of alleged unaccounted commission. Hence, the addition so upheld is contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.
4. That the appellant craves your indulgence to add, amend or alter all or any grounds of appeal before or at the time of hearing.

In **ITA No. 442/JP/2025 (2016-17)**, the assessee has raised the following grounds of appeal:

1. The Ld. CIT (A) has erred in law as well as on the facts of the case in confirming the action of Ld. AO of initiating the assessment proceeding u/s. 153A of the Income Tax Act. The very action taken u/s. 153A of the act is bad in law and without jurisdiction. Hence, the same may kindly be quashed.
2. The Ld. CIT (A) erred in confirming the action of Ld. AO by upholding the addition of Rs. 13,860/- on account of alleged unaccounted cash commission. The addition so upheld is contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.
3. The Ld. CIT (A) erred in confirming the action of Ld. AO by upholding the addition of Rs. 19, 78,711/- on account of alleged unaccounted commission. The addition so upheld is contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.
4. The Ld. CIT(A) erred in confirming the action of Ld. AO by upholding the addition of Rs. 46,98,564 /- on account of alleged use of unexplained stock in manufacturing

activities. The addition so upheld is contrary to the fact, law, duplicate and unjustified; therefore, the addition made is unjustified in full or excessive.

5. Not prejudicial to above, under the facts and circumstances, the Ld. CIT (A) erred in confirming the action of Ld. AO by making various additions without giving benefit of telescoping and previous years additions. The addition being contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.

6. That the appellant craves your indulgence to add, amend or alter all or any grounds of appeal before or at the time of hearing.

In ITA No. 460/JP/2025 (2017-18), the assessee has raised the following grounds of appeal:

1. The Ld. CIT (A) has erred in law as well as on the facts of the case in confirming the action of Ld. AO of initiating the assessment proceeding u/s. 153A of the Income Tax Act. The very action taken u/s. 153A of the act is bad in law and without jurisdiction. Hence, the same may kindly be quashed.

2. The Ld. CIT (A) erred in confirming the action of Ld. AO by upholding the addition of Rs. 43,280/- on account of alleged unaccounted cash commission. The addition so upheld is contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.

3. The Ld. CIT (A) erred in confirming the action of Ld. AO by upholding the addition of Rs. 31, 79,223/- on account of alleged unaccounted commission. The addition so upheld is contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.

7. The Ld. CIT(A) erred in confirming the action of Ld. AO by upholding the addition of Rs. 76,46,418/- on account of alleged use of unexplained stock in manufacturing activities. The addition so upheld is contrary to the fact, law, duplicate and unjustified; therefore, the addition made is unjustified in full or excessive.

4. Not prejudicial to above, under the facts and circumstances, the Ld. CIT(A) erred in confirming the action of Ld. AO by making various additions without giving benefit of telescoping current and previous years additions against application. The addition being contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.

5. That the appellant craves your indulgence to add, amend or alter all or any grounds of appeal before or at the time of hearing.

In **ITA No. 534/JP/2025 (2018-19)**, the assessee has raised the following grounds of appeal:

1. The Ld. CIT (A) has erred in law as well as on the facts of the case in confirming the action of Ld. AO of initiating the assessment proceeding u/s. 153A of the Income Tax Act. The very action taken u/s. 153A of the act is bad in law and without jurisdiction. Hence, the same may kindly be quashed.
2. The Ld. CIT (A) erred in confirming the action of Ld. AO by upholding the addition of Rs. 23,98,700/- on account of alleged unaccounted cash commission. The addition so upheld is contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.
3. The Ld. CIT(A) erred in confirming the action of Ld.AO by upholding the addition of Rs. 4,67,715/- on account of alleged use of unexplained stock in manufacturing activities. The addition so upheld is contrary to the fact, law, duplicate and unjustified; therefore, the addition made is unjustified in full or excessive.
4. The Ld. CIT (A) erred in confirming the action of Ld. AO by upholding the addition of Rs. 2, 50,000/- on account of alleged expenses in cash. The addition so upheld is contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.
5. Not prejudicial to above, under the facts and circumstances, the Ld. CIT(A) erred in confirming the action of Ld. AO by making various additions without giving benefit of telescoping of current and previous years additions against application. The addition being contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.
6. That the appellant craves your indulgence to add, amend or alter all or any grounds of appeal before or at the time of hearing.

In **ITA No. 551/JP/2025 (2019-20)**, the assessee has raised the following grounds of appeal:

1. The Ld. CIT (A) has erred in law as well as on the facts of the case in confirming the action of Ld.AO of initiating the assessment proceeding u/s. 153A of the Income Tax Act. The very action taken u/s. 153A of the act is bad in law and without jurisdiction. Hence, the same may kindly be quashed.
2. The Ld. CIT (A) erred in confirming the action of Ld.AO by upholding the addition of Rs. 80, 44,567/- on account of alleged unaccounted cash commission. The addition so

upheld is contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.

3. The Ld. CIT(A) erred in confirming the action of Ld. AO by upholding the addition of Rs. 93,95,905/- on account of alleged use of unexplained stock in manufacturing activities. The addition so upheld is contrary to the fact, law, duplicate and unjustified; therefore, the addition made is unjustified in full or excessive.

4. The Ld. CIT (A) erred in confirming the action of Ld. AO by upholding the addition of Rs. 50,000/- on account of alleged expenses in cash. The addition so upheld is contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.

5. Not prejudicial to above, under the facts and circumstances, the Ld. CIT (A) erred in confirming the action of Ld. AO by making various additions without giving benefit of telescoping of current and previous year's additions against application. The addition being contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.

6. That the appellant craves your indulgence to add, amend or alter all or any grounds of appeal before or at the time of hearing.

In ITA No. 602/JP/2025 (2021-22), the assessee has raised the following grounds of appeal:

1. The Ld. CIT (A) has erred in law as well as on the facts of the case in confirming the action of Ld. AO of initiating the assessment proceeding u/s. 153A of the Income Tax Act. The very action taken u/s. 153A of the act is bad in law and without jurisdiction. Hence, the same may kindly be quashed.

2. The Ld. CIT (A) has erred in law as well as on the facts of the case in confirming the order passed u/s. 153A without quoting the DIN in the body of assessment order so passed. The order so passed without generation of DIN is bad in law being against the statutory provisions/requirements. Hence, the same may kindly be quashed.

3. The Ld. CIT (A) erred in confirming the action of Ld. AO by confirming the addition of Rs. 95, 07,903/- on account of alleged excess stock out of business profit. The addition so upheld is contrary to the fact, law, and unjustified; therefore, the addition made is unjustified in full or excessive.

4. The Ld. CIT(A) erred in confirming the action of Ld. AO by upholding the addition of Rs. 20,00,000/- on account of alleged unaccounted cash commission. The addition so upheld is contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.

5. The Ld. CIT(A) erred in confirming the action of Ld. AO by upholding the addition of Rs. 8,87,104/- by applying GP rate of 30.90% on account of alleged mismatch of sales. The addition being contrary to the facts, contradictory, without considering the submission in right perspective, multiple times, against the law and unjustified, therefore, the addition made is unjustified in full or excessive.

6. The Ld. CIT(A) erred in confirming the action of Ld. AO by confirming the addition of Rs. 31,37,508/- on account of alleged use of unexplained stock in manufacturing activities. The addition so allowed is contrary to the fact, law, duplicate and unjustified, therefore, the addition made is unjustified in full or excessive.

7. The Ld. CIT (A) erred in confirming the action of Ld. AO by confirming the addition of Rs. 30,900/- by applying GP rate of 30.90% on account of alleged mismatch of sales. The addition being contrary to the facts, contradictory, without considering the submission in right perspective, multiple times, against the law and unjustified, therefore, the addition made is unjustified in full or excessive.

7. Not prejudicial to above, under the facts and circumstances, the Ld. CIT (A) has erred in confirming the action of Ld. AO by making various additions restricting the benefit of telescoping to current years alleged excess stock, however, erred by not giving benefit/finding for previous years additions, if any, against application. The addition being contrary to the fact, law and unjustified, therefore, the addition made is unjustified in full or excessive.

8. That the appellant craves your indulgence to add, amend or alter all or any grounds of appeal before or at the time of hearing.

In ITA No. 733/JP/2025 (2018-19), the assessee has raised the following grounds of appeal:

1. The Ld. PCIT has erred in law as well as on the facts of the case by invoking jurisdiction, u/s. 263 of the Act, and directing to revise the order passed by Ld. AO u/s. 143(3) of the Income Tax Act, dated 29.04.2022 for A.Y. 2018-19. The Ld. PCIT has further erred by holding that the order passed, u/s. 143(3) of the Act, is bad in law and erroneous. Hence, the same may kindly be quashed.

2. The Ld. PCIT has erred in law as well as on the facts of the case in invoking section 263 of the Act without considering the explanations provided by the appellant and documentary evidences available with the Ld. AO. The said action is contrary to the facts and material available on record. Hence, the order u/s. 263 of the Act deserves to be quashed.

3. The Ld. PCIT has erred in law as well as on the facts of the case in directing the Ld. AO to revise the order passed u/s. 143(3) by invoking section 263 of the Act and tax the additions at special rate of tax u/s. 115BBE of the Act instead of normal rates. The said direction is unjustified, illegal and hence, the order deserves to be quashed.

4. That the appellant craves your indulgence to add, amend or alter all or any grounds of appeal before or at the time of hearing.

In ITA No. 748/JP/2025 (2019-20), the assessee has raised the following grounds of appeal:

1. The Ld. PCIT has erred in law as well as on the facts of the case by invoking jurisdiction, u/s. 263 of the Act, and directing to revise the order passed by Ld. AO u/s. 143(3) of the Income Tax Act, dated 06.05.2022 for A.Y. 2019-20. The Ld. PCIT has further erred by holding that the order passed, u/s. 143(3) of the Act, is bad in law and erroneous. Hence, the same may kindly be quashed.

2. The Ld. PCIT has erred in law as well as on the facts of the case in invoking section 263 of the Act without considering the explanations provided by the appellant and documentary evidences available with the Ld. AO. The said action is contrary to the facts and material available on record. Hence, the order u/s. 263 of the Act deserves to be quashed.

3. The Ld. PCIT has erred in law as well as on the facts of the case in directing the Ld. AO to revise the order passed u/s. 143(3) by invoking section 263 of the Act and tax the additions at special rate of tax u/s. 115BBE of the Act instead of normal rates. The said direction is unjustified, illegal and hence, the order deserves to be quashed.

4. That the appellant craves your indulgence to add, amend or alter all or any grounds of appeal before or at the time of hearing.

A.Y. 2015-16

2. The brief facts of the case are that the assessee is a partnership firm engaged in the business of precious and semi-precious stones, Jewellery, textile and handicraft items etc. The assessee filed his return of income under section 139 of the Act on 27.09.2015, declaring total income at Rs. 29,30,41,583/-. A search action under section 132 of the Act was carried out on 19.01.2021 on the assessee group and its associated concerns. Assessee was also searched

under section 132 of the Act. Accordingly, notice under section 153A of the Act was issued and in response to this notice, assessee filed return under section 153A on 13.01.2022 declaring total income of Rs. 29,30,41,583/-. During the search operation at the premises of the assessee, digital data was found which was claimed to contain details of unaccounted commission paid, in cash, by the assessee. It was stated by the AO, in his assessment order, that the digital sheets contain details of commission paid by the assessee in cash to various tour and travel companies which has not been accounted for in the books, hence addition for the same was made by the AO. The addition made for the current year is Rs. 2, 26,690. Further, the AO also made addition of Rs. 25, 64,000/- on the basis of sheet recovered from digital data which was claimed to contain details of commission made to various persons which was, in view of the Ld. AO, also not routed through books of the assessee. During assessment proceedings, the assessee furnished the submissions before the AO. However, AO was not satisfied with the reply of the assessee and accordingly made the addition of Rs. 27, 93,690/- (2, 29,690/- + 25, 64,000/-). The assessee being aggrieved with this order preferred an appeal before the Ld. CIT (A), who in turn upheld the addition made by the AO. The assessee, being further aggrieved with this order of the Ld. CIT (A), preferred the present appeal before us.

3. We have gone through the order of the AO and the order of the Ld. CIT (A) and submissions/arguments of both the parties along with grounds taken by the assessee. Firstly, we take up Grounds of Appeals No. 2 raised with respect to addition made for unaccounted cash commission of Rs. 2,29,690/-. We observe from the assessment order and order of the Ld. CIT (A) that a search

action under section 132 of the Act was carried out in the case of the assessee on 19.01.2021. During the course of search, certain digital data was found and seized. The seized material, under consideration, has been recovered from the digital data found during the search of the assessee. The AR of the assessee has submitted the relevant seized material vide his paper book for our perusal.

4. The AO and the Ld. CIT(A) held that the seized digital sheet contains company wise report having date of sale, name of the guide, amount of sale, rate/amount of commission with the phrase 'paid' mentioned therein. Further, the amount cash commission of Rs. 22969/- mentioned in the seized sheet is suppressed by one zero. Accordingly, by multiplying the amount of Rs. 22969/- by 10, the resultant amount comes to Rs. 2,29,690/- which was paid to various tour and travel companies without routing them through books of accounts. On the other hand, AR of the assessee denied the allegation that the seized sheet contains out of books commission payment and submitted that all the commission, which has been paid during normal course of business, are duly accounted for in books of account of the assessee. The AR of the assessee also highlighted before us the deficiencies in the seized digital sheet and submitted that the seized page neither contain name of the appellant nor having reference for any payment, rate of commission or amount of commission. The AR also stated that assessee pays commission on an annual basis/periodically as business recommendation charges/commission to various tour/travel companies which are duly recorded in its books of accounts. Moreover, the AR also emphasised that the alleged commission does not even relate to the year under consideration. Hence, no addition can be made on the basis of such rough sheet.

5. The DR of the Revenue relied on the orders of the lower authorities.
6. We have heard both the parties and perused the seized material. On perusing the seized digital sheet, we took note of the phrase “Net Due: 22969/- 01.07.2018” appearing at the bottom of the seized sheet. Since the addition of Rs. 2, 29,690/- has been computed by multiplying the figure of Rs. 22,969/- to 10, the description around such phrase deserves attention of the Bench. On perusal, we find that a date: 01.07.2018 is suffixed to the amount of Rs. 22,969/- which enforces strength to the submission of the AR of the assessee that the said addition is not related to the year under consideration. We also incline with the view of the AR of the assessee as it is crystal clear that the date mentioned along with the figure of Rs. 22,969/- does not fall in the year under consideration. Further, it is also evident from the seized sheet itself that it does not even contain name of the appellant and there is no mention of any phrase ‘paid’, as claimed by the Ld. CIT (A) rather due is mentioned, in the seized sheet. Considering the whole facts of the case, as enumerated (supra), we do not see any substance in the order of the AO, which is further confirmed by the Ld. CIT (A). **In view of this, ground raised by the assessee is allowed and the order of the AO and Ld. CIT (A) is quashed. The AO is directed to delete the addition of Rs. 2, 29,690/- made in the case of the assessee.**
7. We rely on the following judgment as they are applicable in the present ground of appeal:
 - **ITAT, Jaipur in the case of Rameshwar Lal Vyas Vs. DCIT, Central Circle, Ajmer [ITA No. 1257/JPR/2024] vide order dated 24.07.2025** held as under:

“We have gone through the orders and submission/ argument of the AR of the assessee, at the outset; we already stated earlier that addition made on the basis of statement u/s. 133A of the Act is not maintainable. Further, without going into the other submission of the AR of the assessee, on perusal of the report of the DVO, as submitted before us by the AR of the assessee, we find that the DVO has not determined any investment for the year under consideration i.e. F.Y. 2016-17 which clearly suggest that, even as per the DVO, no investment was made by the assessee, in construction of any property, during the year under consideration. Hence, since the investment is not at all related to the year under consideration, there is no question to make addition therein u/s. 69 of the Act as unexplained investment since the very foundation of invoking section 69 of the Act in the current case is absent. Hence, in the absence of any investment during the current year, the addition of Rs. 35, 24,891/- made in this regard is found to be not sustainable. Thus, the same is deleted...”

- **ITAT, Chandigarh in the case of Tara Health Foods Ltd. Vs DCIT, vide order dated 18.06.2025 held as under:**

8. We have duly considered the rival contentions and gone through the record. A perusal of the record would indicate that except a loose paper, no other corroborative material was found by the Revenue at the time of search. No doubt, it is a computerized sheet which does not have any signature of any person, but it has not been demonstrated by the assessee that narrations available on this page have actually been acted upon by the parties. The other connected party is M/s Meuz Hest India Pvt. Ltd. from whom assessee has been purchasing the machinery and it has made purchases of machinery having value of Rs.1.07 Cr in last four years. Thus, company has categorically denied any such transaction with it. It is not discernable whether it was a loan or it was some payment in connection with some transaction. The Department has carried out a search & seizure operation upon the assessee, therefore, it could easily discover the connection of this loose paper with any transaction, either unexplained investment in the machinery or anything else, but it could not collect any corroborative material from the assessee. The DDIT (Investigation) has called for the information from M/s Meuz Hest Process Tech (P) Ltd. But that concern has specifically denied of any such transaction with it. It is also pertinent to note that Department presume existence of loan and repayment of loan in cash in the hands of M/s Meuz Hest Process Tech (P) Ltd. but CIT (Appeals) has deleted levy of penalty u/s 271D and 271E of the Income Tax Act. The orders of the CIT (Appeals) have been upheld by the ITAT Mumbai Bench, whose copies are available on page No. 50 of the case law Paper Book. Therefore, we are of the view that in the absence of any corroborative material, it is difficult to draw an inference that any cash was transmitted by the assessee to alleged M/s Meuz Hest Process Tech (P) Ltd. and it has received back

the cash. Therefore, we are of the view that this addition is not sustainable. Accordingly, we delete the addition.

- **ITAT, Mumbai in the case of Mahesh Narain Joglekar Vs DCIT, CC-4 vide order dated 27.02.2025 held as under:**

“18. We have heard both the parties and gone through the material referred to and the finding of the AO. From the bare perusal of the seized documents which have been scanned at page 23 and also list mentioned by the Id. AO in page 22, it is seen that the name mentioned as ‘S.M. Joglekar’ with and with contact number. Nowhere this name or contact number pertain to the assessee because assessee is Mahesh N Joglekar and nowhere it has been brought on record whether S.M. Joglekar is the same as Mahesh N Joglekar. Further, there is a reference of some name Ramesh Gala, which also has no connection with the assessee. It is not the case here that this document is found or seized from the possession of the assessee, albeit from different person subjected to search, therefore for acquiring jurisdiction to assess u/s 153C, AO has to correlate that the seized ledger/document where name written is ‘S.M. Joglekar’, pertains to assessee or it is some alias name of assessee. If the Id. AO is drawing some adverse inference based on these seized documents, at least he should have verified whether it actually pertains to the assessee or not? Because neither assessee’s name is Ramesh Gala nor S.M. Joglekar. Even in para 5.19 of the AO, telephone diary seized also show alphabet ‘J’ ‘J/ 71/SJ’ where the name of assessee is not there. Once there is no name mentioned of the assessee in the seized documents then, it cannot be said that it is an incriminating material to rope in any addition in the name of the assessee.

...

20. On this ground alone the additions made in A.Yrs 2012-13 to 2018-19 which is based on same seized documents wherein name of the assessee is not mentioned is deleted.”

8. Now, we proceed to address Ground No. 3 raised against the addition of Rs. 25,64,000/- made on account of unexplained/unaccounted cash commission expenditure made to various persons. During the course of action under section 132 of the Act, at the premises of the assessee, certain digital data was seized. It is the contention of the AO that the said material contains details of commission paid in cash by the assessee to various persons. The current

addition of Rs. 25, 64,000/- has been made on the basis of a single seized digital sheet. During the assessment proceedings, the assessee submitted that the said sheet does not relate to any payment and is mere a rough working. However, the Ld. AO did not find the submission of the assessee satisfactory and made the addition. The Id. CIT (A) also confirmed the addition made by the AO.

9. Before us, the DR appearing for the revenue, strongly supported the order of the lower authorities and submitted that the addition so made deserves to be upheld.
10. On the other hand, the AR of the assessee invited our attention to the seized page which is enclosed at PBP: 2 of the paper book and submitted that bare perusal of the sheet reflects its actual character of being a rough/dumb sheet. The AR also draws attention of the Bench to the contents of the sheet and submitted that the sheet is not at all related to any payment as there is no mention of payment in the entire sheet rather that the figure of Rs. 25,64,000/- is written under the heading 'Deposits' and written against the description 'comms earned in 14-15' and earning cannot be read as expenditure or payment. The AR of the assessee contended that the Ld. AO has not brought any material to establish the identity of the recipient, hence the addition is based purely on presumptions. Finally, the AR concluded his argument by submitting that no addition can be made on the basis of dumb document without corroborative evidence and prayed before the Bench to delete the addition.

11. We have gone through the assessment order, order of the Ld. CIT (A) and submissions made by the assessee and heard the contention of both the parties. In the present case, the addition has been made by the AO based on the basis of a single sheet seized during the search proceedings. After going through the said seized sheet, the first issue arises for our adjudication is whether the seized sheet itself is sufficient to prove that the assessee has made payment of commission in cash. In this regard, we have perused the sheet and noted that the sheet is a single loose sheet on which certain figures, names, abbreviation etc. are mentioned. The Ld. AO emphasised that the sheet contains details of commission paid to various person; however on perusal of the sheet, we find no mention of any payment or name of any recipient. When the lower authorities are claiming that the sheets contain commission payment, the sheet itself must reflect that payment which is absent in the current sheet. Further, the lower authorities failed to clarify how they interpreted 'comms earned in 14-15' as commission payment made in 2014-15 by the assessee. The said loose sheet contains no details about the unaccounted commission payment made by the assessee. There is no information remotely indicating the date on which payment of such commission was made or the identity of person(s) who are the recipient of such commission payment. We know that in the course of search, various loose papers are generally found and seized by the Department and such loose papers contain rough working, notings etc. which might not carry any significance or not have any real value but despite this the officer sometimes presume that its contents are correct. However, it is to be noted that the presumption cannot be stretched to conclude that the notings etc. noted in

the loose document found with the assessee reflect actual transaction. To confirm this, the officer has to produce some corroborative evidence which give meaning to those notings, working etc. In the current case, the lower authorities have just presumed that the contents are reflecting unaccounted commission payment, however, did not bring anything to support this claim. Hence, it will not be wrong to say that the lower authorities conclusion does not emerge from the contents of the seized sheet and their contention are devoid of any merit since there is nothing in this seized sheet which would suggest that any unaccounted payment has been made. The onus was on the Department to collect the evidence to corroborate the notings on the loose sheet which has not been done. Therefore, this is a mere case of guess work or suspicion/presumption of the lower authorities as the addition has no legs to stand alone and the lower authorities just presumed that Rs. 25,64,000/- represent commission payment. Hence, in our view, the unsubstantiated, unsigned and uncorroborated seized material alone cannot be considered as conclusive evidence to make addition as it is a fundamental judicial view that no arbitrary addition to the income can be made by the AO based on the loose papers containing scribbling, rough/vague notings, in the absence of any corroborative material, evidence on record and finding that such dumb documents had materialized into transaction. Therefore, we agree with the submission of the AR of the assessee that no addition can be made on the basis of presumptions and without bringing any corroborative material to substantiate that commission payment has been made by the assessee. Thus, placing reliance solely on the seized material is not legally valid and the additions on the basis of the above loose sheet should be deleted. **Therefore,**

we allow this ground and the AO is directed to delete the addition of Rs. 25, 64,000/-.

12. We respectfully follow the following judgements and rely on the decision of the same:

- **Hon'ble Karnataka High Court in the case of DCIT/ CIT(A) Vs. Sunil Kumar Sharma [W.A. No. 830/2022] vide order 22.01.2024**, whereby the Hon'ble Court rejected the appeal of the revenue by holding that loose sheets have no evidentiary value without corroborative evidence. The Hon'ble Supreme Court has also dismissed SLP filed by the revenue against the said order. Relevant extracts of Hon'ble High Court order are reproduced below:

"50. in the instant case, the first issue raised by the Revenue is as regards the addition of income made by the Assessing Officer based on loose sheets found in the house of a third party. However, we find that the Revenue has not established the said loose sheets to be considered as evidence in law by producing corroborative evidence supported by judgments and findings. Further, since the statement made by Shri K. Rajendran under Section 132 of the IT Act is later retracted by him by filing an affidavit, the statement given by him does not hold any evidentiary value.

51. The notice issued under Section 153C of the IT Act in respect of the Assessment year 2018-19 is not applicable, which is also supported by various judgments of the High Court. Further, the notice as regards the Assessment years 2015-16, 2016-17 and 2017-18 are also not applicable, as the total addition of income were made on the basis of loose sheets. Further, the panchnama or mahazar of all the loose sheets said to have been seized from the house of Shri Rajendran, are now unavailable and the learned counsel for the Revenue has no answer for the same. On these premises, the assessment order made for the Assessment years 2015-16, 2016-17, 2017-18 and 2018-19 requires to be quashed.

...

56. In the light of the above said Apex court Decisions and the Panchnama provided herein, it is deemed appropriate to conclude that the notice provided under Section 153C is bad in law".

- **The Hon'ble High Court of Madhya Pradesh in the case of PCIT-I Vs Shri Pukhraj Soni [ITA No. 53 of 2017] dated 06.02.2019** dismissed the department appeal where addition was made on the basis of loose papers.

Relevant extracts read as under:

"7. The Apex Court has taken into account in similar circumstances the incriminating materials in form of random sheets, loose papers, computer prints, hard disk and pen drive etc. and has held that they are inadmissible in evidence, as they are in the form of loose papers.

8. In the present case also entries found during search and seizures which are on loose papers are being made the basis to add income of this respondent.

9. Resultantly, in light of the Supreme Court judgments, referred above, no case for interference is made out with the order passed by the Tribunal. Moreover no substantial question of law arises in the present appeal, the appeal is dismissed".

- **The ITAT, Bangalore in the case of Ace Developers Vs. DCIT [ITA No. 365/Bang/2024] vide order dated 20.09.2024** deleted the addition based on rough noting made on loose sheets and held as under:

"18.5 At this juncture, it is equally important to refer the provisions of section 132(4A) and 292C of the Act which provides a presumption that the documents impounded from the premises of the assessee belongs to the assessee and the contents of the same are true. However, such presumption is rebuttable and assessee based on evidence can rebut the same. Even though the provision of section 292C and 132(4A) of the Act provides presumption to the assessing authority to presume that the document belong to the assessee and content are true about the documents found from the possession of the assessee but that does not mean that such documents shall be brought under the tax net. As such, to tax income based on loose sheets, it is necessary to bring finding on record that noting made in such documents are actual transactions which has materialized leading to income in the hand of the assessee and such income has been unaccounted or unexplained by the assessee.

18.6 in the case on hand, there was no finding, based on independent inquiry, brought on record that the assessee has collected on money on sale of flats except relying on the loose sheets/paper found during the survey proceeding at the assessee premises. There was no inquiry made from the person who allegedly bought the flats. Therefore, considering the facts in totality and the discussion made in the preceding paragraph,

we are of the opinion that the revenue authority was not justified in making such an addition merely based on certain rough noting made on loose sheets. Hence, the ground of appeal raised by the assessee is hereby allowed”.

- The **Mumbai ITAT in case of S.P. Goyal v. Dy. CIT [2002] 82 ITD 85 (Mum.) (TM)** held as under:

“...loose papers cannot be termed as books of an assessee maintained for any previous year. Loose sheet of paper torn out of a diary could not be construed as books for the purpose of section 68. Addition could not be made simply on the basis of certain notings on loose sheets of a diary without any corroborative evidence in the form of extra cash, jewellery or investment outside the books. The loose papers appear to be part of a 1992 diary. However, these loose papers consist of pages torn out from March, April, November and December. There is no closing balances or opening balances and there is no reconciliation of these entries. Therefore, it cannot be termed as books maintained by the assessee during the previous year. . . . The loose paper in itself has got no intrinsic value. ...When it is a mere entry on a loose sheet of paper and if the assessee claims that it was only a planning, not supported by actual cash, then there has to be circumstantial evidences to support that this entry really represent cash of Rs. 60 lakhs. There is no such evidence found by the Revenue in the form of extra cash, jewellery or investment outside the books.”

A.Y. 2016-17

13. The brief facts of the case are that the assessee is a partnership firm engaged in the business of precious and semi-precious stones, Jewellery, textile and handicraft items etc. The assessee filed his return of income under section 139 of the Act on 26.09.2014, declaring total income at Rs. 1,88,34,200/-. A search action under section 132 of the Act was carried out on 19.01.2021 on the assessee group and its associated concerns. Assessee was also searched under section 132 of the Act. Accordingly, notice under section 153A of the Act was issued and in response to this notice, assessee filed return under section 153A of the Act on 13.01.2022 declaring total income of Rs. 1,88,34,200/-. During

the search operation at the premises of the assessee, digital data was found which was claimed to contain details of unaccounted commission paid, in cash, by the assessee. It was stated by the AO, in his assessment order, that the digital sheets contain details of commission paid by the assessee in cash to various tour and travel companies which have not been accounted for in the books; hence addition for the same was made by the AO. The addition made for the current year is Rs. 13,860/-. The AO also made addition of Rs. 19,78,711/- on the basis of sheet recovered from digital data which was claimed to contain details of commission made to various persons which was, in view of the Ld. AO, also not routed through books of the assessee. Further, addition of Rs. 46,98,564/- is also being made for unexplained stock in manufacturing activities on the basis of material seized during search of the assessee. During assessment proceedings, the assessee furnished the submissions before the AO. However, AO was not satisfied with the reply of the assessee and accordingly made the addition of Rs. 66,91,135/- (13,860/- + 19,78,711/- + 46,98,564/-). The assessee being aggrieved with this order preferred an appeal before the Ld. CIT (A), who in turn upheld the addition made by the AO. The assessee, being further aggrieved with this order of the Ld. CIT (A), preferred the present appeal before us.

14. We have gone through the order of the AO and the order of the Ld. CIT (A) and submissions/arguments of both sides along with grounds taken by the assessee. Firstly, we take up Grounds of Appeals No. 2 raised with respect to addition made for unaccounted cash commission of Rs. 13,860/-. We observe from the assessment order and order of the Ld. CIT (A) that a search action under section 132 of the Act was carried out in the case of the assessee on

19.01.2021. During the course of search, certain digital data was found and seized. The seized material, under consideration, has been recovered from the digital data found during the search of the assessee. The AR of the assessee has also submitted the seized material vide his paper book for our perusal.

15. The AO and the Ld. CIT(A) held that the seized digital sheet contains company wise report having date of sale, name of the guide, amount of sale, rate/amount of commission with the phrase 'paid' mentioned therein. Further, the lower authorities stated that the figure mentioned in the seized sheet is suppressed by one zero. Hence, the amount cash commission of Rs. 1,386/- has been computed by applying 25% rate of commission on the payment of commission of Rs. 5,542/- made to Amjad Ali (1,366/-) and Narendra Singh (4,176/-). Accordingly, by multiplying the amount of Rs. 1,386/- by 10, the resultant amount comes to Rs. 13,860/- which was paid to various tour and travel companies without routing them through books of accounts. On the other hand, AR of the assessee denied the allegation that the seized sheet contains out of books commission payment and submitted that all the commission, which has been paid during normal course of business, are duly accounted for in books of account of the assessee. The AR also stated that assessee pays commission on an annual basis/periodically as business recommendation charges/commission to various tour/travel companies assessee which are duly recorded in its books of accounts. The AR of the assessee also highlighted before us the deficiencies in the seized digital sheet and submitted that the seized page neither indicate name of the appellant rather having name of 'SARAF CARPET' nor having reference for any payment

or cash, rate of commission or amount of commission. Hence, no addition can be made on the basis of such unrelated sheet.

16. The DR relied on the orders of the lower authorities.

17. On perusing the seized digital sheet, it is observed that there is a mention of 'SARAF CARPET' at the top of the seized sheet and the said seized sheet is silent on the name of the assessee. Further, the DR has not submitted before us the reason, along with supporting documents, why the seized sheet has been attributed to the assessee when there is specific mention of another person name on the seized sheet. Further, it is also evident from the seized sheet itself that there is no mention of any phrase 'paid', as claimed by the Ld. CIT (A), in the seized sheet rather on perusal; we find that the contents of the seized sheet are not indicating any payment or cash payment. Considering the whole facts of the case, as enumerated (supra), we do not see any substance in the order of the AO, which is further confirmed by the Ld. CIT (A). In view of this ground raised by the assessee are allowed and the order of the Ld. CIT (A) and the AO is set-aside. The AO is further directed to delete the addition of Rs. 13,860/- in the case of the assessee. We rely on the below mentioned judgement:

- **ITAT, Mumbai in the case of Mahesh Narain Joglekar Vs DCIT, CC-4 vide order dated 27.02.2025 held as under:**

"18. We have heard both the parties and gone through the material referred to and the finding of the AO. From the bare perusal of the seized documents which have been scanned at page 23 and also list mentioned by the Id. AO in page 22, it is seen that the name mentioned as 'S.M. Joglekar' with and with contact number. Nowhere this name or contact number pertain to the assessee because assessee is Mahesh N Joglekar and nowhere it has been brought on record whether S.M. Joglekar is the same as Mahesh N

Joglekar. Further, there is a reference of some name Ramesh Gala, which also has no connection with the assessee. It is not the case here that this document is found or seized from the possession of the assessee, albeit from different person subjected to search, therefore for acquiring jurisdiction to assess u/s 153C, AO has to correlate that the seized ledger/document where name written is 'S.M. Joglekar', pertains to assessee or it is some alias name of assessee. If the Id. AO is drawing some adverse inference based on these seized documents, at least he should have verified whether it actually pertains to the assessee or not? Because neither assessee's name is Ramesh Gala nor S.M. Joglekar. Even in para 5.19 of the AO, telephone diary seized also show alphabet "J""J/ 71/SJ" where the name of assessee is not there. Once there is no name mentioned of the assessee in the seized documents then, it cannot be said that it is an incriminating material to rope in any addition in the name of the assessee.

...

20. On this ground alone the additions made in A.Y.s 2012-13 to 2018-19 which is based on same seized documents wherein name of the assessee is not mentioned is deleted."

18. Now we proceed to address Ground No. 3 raised against the addition of Rs. 19, 78,711/- made on account of unexplained/unaccounted cash commission expenditure made to various persons. During the course of action under section 132 of the Act, at the premises of the assessee, certain digital data was seized. It is the contention of the AO that the said material contains details of commission paid in cash by the assessee to various persons. The current addition of Rs. 19, 78,711/- has been made on the basis of a single seized digital sheet. During the assessment proceedings, the assessee submitted that the said sheet does not relate to any payment and is mere a rough working. However, the Ld. AO did not find the submission of the assessee satisfactory and made the addition. The Id. CIT (A) also confirmed the addition made by the AO.

19. Before us, the DR appearing for the revenue, strongly supported the order of the lower authorities and submitted that the addition so made deserves to be upheld.
20. On the other hand, the AR of the assessee invited our attention to the seized page which is enclosed at PBP: 2 of the paper book and submitted that bare perusal of the sheet reflects its actual character of being a rough/dumb sheet. The AR also draws attention of the Bench to the contents of the sheet and submitted that the sheet is not at all related to any payment as there is no mention of payment in the entire sheet rather that the figure of Rs. 19,78,711/- is written under the heading 'Deposits' and written against the description 'comms earned in 15-16' and earning cannot be read as expenditure or payment. The AR of the assessee contended that the Ld. AO has not brought any material to establish the identity of the recipient; hence the addition is based purely on presumptions. Finally, the AR concluded his argument by submitting that no addition can be made on the basis of dumb document without corroborative evidence and prayed before the Bench to delete the addition.
21. We have gone through the assessment order, order of the Ld. CIT (A) and submissions made by the assessee and heard the contention of both the parties. In the present case, the addition has been made by the AO based on the basis of a single sheet seized during the search proceedings. After going through the said seized sheet, the first issue arises for our adjudication is whether the seized sheet itself is sufficient to prove that the assessee has made payment of commission in cash. In this regard, we have perused the

sheet and note that the sheet is a single loose sheet on which certain figures, names, abbreviation etc. are mentioned. The Ld. AO emphasised that the sheet contains details of commission paid to various person; however on perusal of the sheet, we find no mention of any payment or name of any recipient. When the lower authorities are claiming that the sheets contain commission payment, the sheet itself must reflect that payment which is absent in the current sheet. Further, the DR of the revenue failed to clarify how the lower authorities interpreted 'comms earned in 15-16' as commission payment made in F.Y. 2015-16 by the assessee. The said loose sheet contains no details about the unaccounted commission payment made by the assessee. There is no information remotely indicating the date on which payment of such commission was made or the identity of person(s) who are the recipient of such commission payment. We know that in the course of search, various loose papers are generally found and seized by the Department and such loose papers contain rough working, notings, etc. which might not carry any significance or not have any real value but despite this the officer sometimes presume that its contents are correct. However, it is to be noted that the presumption cannot be stretched to conclude that the notings etc. noted in the loose document found with the assessee reflect actual transaction. To confirm this, the officer has to produce some corroborative evidence which give meaning to those notings, working etc. In the current case, the lower authorities have just presumed that the contents are reflecting unaccounted commission payment, however, did not bring anything to support this claim. Hence, it will not be wrong to say that the lower authorities conclusion does not emerge from the contents of the seized sheet and their contention are

devoid of any merit since there is nothing in this seized sheet which would suggest that any unaccounted payment has been made. The onus was on the Department to collect the evidence to corroborate the notings on the loose sheet which has not been done. Therefore, this is a mere case of guess work or suspicion/presumption of the lower authorities as the addition has no legs to stand alone and the lower authorities just presumed that Rs. 19,78,711/- represent commission payment. Hence, in our view, the unsubstantiated, unsigned and uncorroborated seized material alone cannot be considered as conclusive evidence to make addition as it is a fundamental judicial view that no arbitrary addition to the income can be made by the AO based on the loose papers containing scribbling, rough/vague notings, in the absence of any corroborative material, evidence on record and finding that such dumb documents had materialized into transactions. Therefore, we agree with the submission of the AR of the assessee that no addition can be made on the basis of presumptions and without bringing any corroborative material to substantiate that commission payment has been made by the assessee. Thus, placing reliance on the seized material is not legally valid and the additions on the basis of the above loose sheet should be deleted. Therefore, we allow this ground and the AO is directed to delete the addition of Rs. 19, 78,711/-.

22. We respectfully follow the following judgments and rely on the decision of the same:

- **Hon'ble Karnataka High Court in the case of DCIT/ CIT(A) Vs. Sunil Kumar Sharma [W.A. No. 830/2022] vide order 22.01.2024**, whereby the Hon'ble Court rejected the appeal of the revenue by holding that loose sheets have no evidentiary value without corroborative evidence. The Hon'ble Supreme

Court has also dismissed SLP filed by the revenue against the said order.

Relevant extracts of Hon'ble High Court order are reproduced below:

"50. in the instant case, the first issue raised by the Revenue is as regards the addition of income made by the Assessing Officer based on loose sheets found in the house of a third party. However, we find that the Revenue has not established the said loose sheets to be considered as evidence in law by producing corroborative evidence supported by judgments and findings. Further, since the statement made by Shri K. Rajendran under Section 132 of the IT Act is later retracted by him by filing an affidavit, the statement given by him does not hold any evidentiary value.

51. The notice issued under Section 153C of the IT Act in respect of the Assessment year 2018-19 is not applicable, which is also supported by various judgments of the High Court. Further, the notice as regards the Assessment years 2015-16, 2016-17 and 2017-18 are also not applicable, as the total addition of income were made on the basis of loose sheets. Further, the panchnama or mahazar of all the loose sheets said to have been seized from the house of Shri Rajendran, are now unavailable and the learned counsel for the Revenue has no answer for the same. On these premises, the assessment order made for the Assessment years 2015-16, 2016-17, 2017-18 and 2018-19 requires to be quashed.

56. In the light of the above said Apex court Decisions and the Panchnama provided herein, it is deemed appropriate to conclude that the notice provided under Section 153C is bad in law".

- **The Hon'ble High Court of Madhya Pradesh in the case of PCIT-I Vs Shri Pukhraj Soni [ITA No. 53 of 2017] dated 06.02.2019** dismissed the department appeal where addition was made on the basis of loose papers.

Relevant extracts read as under:

"7. The Apex Court has taken into account in similar circumstances the incriminating materials in form of random sheets, loose papers, computer prints, hard disk and pen drive etc. and has held that they are inadmissible in evidence, as they are in the form of loose papers.

8. In the present case also entries found during search and seizure which are on loose papers are being made the basis to add income of this respondent.

9. Resultantly, in light of the Supreme Court judgments, referred above, no case for interference is made out with the order passed by the Tribunal. Moreover no substantial question of law arises in the present appeal, the appeal is dismissed”.

➤ **The ITAT, Bangalore in the case of Ace Developers Vs. DCIT [ITA No. 365/Bang/2024] vide order dated 20.09.2024** deleted the addition based on rough noting made on loose sheets and held as under:

“18.5 At this juncture, it is equally important to refer the provisions of section 132(4A) and 292C of the Act which provides a presumption that the documents impounded from the premises of the assessee belongs to the assessee and the contents of the same are true. However, such presumption is rebuttable and assessee based on evidence can rebut the same. Even though the provision of section 292C and 132(4A) of the Act provides presumption to the assessing authority to presume that the document belong to the assessee and content are true about the documents found from the possession of the assessee but that does not mean that such documents shall be brought under the tax net. As such, to tax income based on loose sheets, it is necessary to bring finding on record that noting made in such documents are actual transactions which has materialized leading to income in the hand of the assessee and such income has been unaccounted or unexplained by the assessee.

18.6 In the case on hand, there was no finding, based on independent inquiry, brought on record that the assessee has collected on money on sale of flats except relying on the loose sheets/paper found during the survey proceeding at the assessee premises. There was no inquiry made from the person who allegedly bought the flats. Therefore, considering the facts in totality and the discussion made in the preceding paragraph, we are of the opinion that the revenue authority was not justified in making such an addition merely based on certain rough noting made on loose sheets. Hence, the ground of appeal raised by the assessee is hereby allowed”.

- **The Hon’ble Mumbai ITAT in case of S.P. Goyal v. Dy. CIT [2002] 82 ITD 85 (Mum.) (TM)** held as under:

“...loose papers cannot be termed as books of an assessee maintained for any previous year. Loose sheet of paper torn out of a diary could not be construed as books for the purpose of section 68. Addition could not be made simply on the basis of certain nothings on loose sheets of a diary without any corroborative evidence in the form of

extra cash, jewellery or investment outside the books. The loose papers appear to be part of a 1992 diary. However, these loose papers consist of pages torn out from March, April, November and December. There is no closing balances or opening balances and there is no reconciliation of these entries. Therefore, it cannot be termed as books maintained by the assessee during the previous year. . . . The loose paper in itself has got no intrinsic value. ...When it is a mere entry on a loose sheet of paper and if the assessee claims that it was only a planning, not supported by actual cash, then there has to be circumstantial evidences to support that this entry really represent cash of Rs. 60 lakhs. There is no such evidence found by the Revenue in the form of extra cash, jewellery or investment outside the books.”

23. Now we proceed to address Ground No. 4 raised against the addition of Rs. 46, 99,564/- made on account of unexplained stock in manufacturing activities. During the search of the assessee certain material was found and seized which was inventoried as Annexure-AS-C. The lower authorities contended that seized material are related to manufacturing activity of gold and silver ornaments and contain details of issuing raw material, metals, jewellery items to various karigars for specific work and labour charges were also paid to such karigars. However, the entire manufacturing activities from purchase of raw material to sale of finished goods were kept out of books of the assessee. On the basis of the seized material, the Ld. AO determined the undisclosed manufacturing activity as follows:

- a) Unaccounted gold/silver used in manufacturing Activity of Rs. 6,44,38,423/-
- b) Unaccounted silver used in manufacturing Activity of Rs. 13,66,719/-;
- c) Unaccounted payment in cash to karigars of Rs. 45,28,548/-

Further, the AO also presumed that at least 20% of the stock of precious and semi-precious stones had been infused in the manufacturing activity in addition to gold and silver.

24. During the assessment and first appellate proceedings, explanation was sought from the assessee on this issue. The assessee submitted that the gold and silver mentioned in the seized material were not sourced externally rather sourced from melting of old or obsolete stock which is duly recorded. The assessee submitted evidences from the material seized during search which contains details of melting of existing stock and recovery of metals etc. therefrom. Further, the assessee also provided references from the seized material suggesting the seized material clearly indicate that the stock items were issued for repair; rework etc. to karigars which was subsequently returned back after completion of such work. More importantly, items appearing in the seized material are duly found recorded in physical stock control sheet maintained by the appellant. Accordingly, in view of the evidence submitted during assessment, the assessee contended that it has not manufactured any stock out of books and whatever stock is appearing in the seized material are recovered from old/obsolete stock and indicating repair/rework of recorded stock. Further, the AR objected to the addition based on presumptive rate in case of precious and semi-precious stones since no supporting document were found in this regard. However, the AO find the submission as not tenable and made the following addition of Rs. 46,99,564/- in the current year which was also confirmed by the Ld. CIT(A):

- a) Unaccounted gold/silver used in manufacturing Activity of Rs. 37,02,970;
- b) Unaccounted payment made to Karigars of Rs. 2,55,000;
- c) Unaccounted precious and semi-precious stones of Rs. 7,40,594/-

25. Before us, the AR of the assessee reiterated the submission made before the lower authorities and prayed for deletion of the addition of Rs. 46, 99,564/-. On the other hand, the DR of the revenue supported the orders of the lower authorities.
26. We have gone through the order of the lower authorities and heard both the parties. Upon perusing all the relevant seized material, it is clear that the core issue is the nature of notings found recorded in the seized material. At one hand, the lower authorities are contending that these seized materials are records of unaccounted gold/silver and precious/semi-precious infused in the manufacturing activity which never formed part of the books of the assessee. On the other hand, the AR of the assessee claims that the stock appearing in the seized material is the stock recovered from melting of old/existing stocks, repaired/reworked stock and not any unaccounted stock.
27. Firstly, we perused the supporting documents put forth by the AR of the assessee in support of his argument. The AR of the assessee invited our attention to the paper book page no. 4 to 6 which happens to be the extracts from the seized material evidencing that the jewellery items are issued for repair/rework to job workers (Karigars) by the assessee. On verification of the claim of the AR, we found that the seized material contained the details with respect to goods issued to karigars along with the instructions. The seized material enclosed at PBP: 4 to 6 carrying the description generally noted for issuance of goods for job work. For instance, we note that the nature of work i.e. Jadai and Repair, along with the technical nomenclature used in the jewellery industry, is appearing in the seized material. We also observed that

the AO have also acknowledged the above argument of repair and rework in his order which has been reproduced below:

First para at page 49 of the assessment order:

"...There are plethora of incriminating documents which were seized and thereafter discussed in details above, shows that the assessee is issuing stock for manufacturing and also some of the items for further repair (which has been verified from the assessee's books)."

28. In addition to the above supporting documents, the AR of the assessee also produced before us copies of excel sheet, enclosed at PBP: 14 – 26, in support of the claim that the item in these seized material are also forming part of physical stock control sheet of the assessee. We noted that the said excel sheet incorporated therein the line wise comparison of items in the seized material and its corresponding entry in the physical stock control sheet of the assessee which further strengthen the argument of the assessee that seized material does not contain any unaccounted stock.
29. Similarly, with respect to the argument that the stock of gold/silver appearing in the seized material are recovered from the existing/old stock and does not represent any new stock, the AR of the assessee, draws our attention to PBP: 7 to 13 which indicates that stock of gold and stones were recovered from melting of existing stock. We find that the said paper book filed before us support the argument of the AR of the assessee as they are related to melting of old stock. We also find the claim of the AR of the assessee that the Ld. CIT (A) has also acknowledged the existence of such documents and provided the relief for the same in his order passed for the AY 2021-22. Hence, we cannot

deny that some stock mentioned in the seized material also include stock recovered from melting of old/existing stock.

30. Therefore, we find force in the argument of the AR of the assessee that the seized material also incorporates therein repaired/reworked items, items made out of melting of old stock and included in physical control sheet. However, the explanation provided is not completely matching with seized documents. Hence, to meet the ends of justice overall 30% rebate is given on account of explanation, with supporting document, provided by the assessee and discussed hereinabove. **Accordingly, we delete total addition of Rs. 11,10,891/-.**

31. Furthermore, as far as addition of Rs. 7,40,594/- made by taking presumptive rate of 20% is concerned, we find that the lower authorities have not brought before us any material to justify this ad hoc rate of 20% for making addition for precious and semi-precious stones. Further, we have already given relief of 30% in the material cost of gold/silver items hereinabove, **therefore, to maintain the consistency and to meet the ends of justice, we are deleting 30% total addition of Rs. 7,40,594/- made on this account and direct the Assessing Officer to delete Rs. 2,22,178/-.**

32. With respect to the remaining addition of Rs. 25,92,079/- (37,02,970/- (-) 11,10,891/-) and Rs. 5,18,416/- (7,40,594/- - 2,22,178/-) cumulatively amounting to Rs. 31,10,495/-, we cannot brush aside the contents of seized material considering the descriptive nature of the seized material. However, here it is important to point out that the factual finding given by us and Ld. CIT (A) that quantity of physical stock found and stock control sheet were almost

matched. Therefore, under the facts and circumstances, it is clear case of unaccounted sale of these goods manufactured and recorded in this seized material. Furthermore, we cannot also tax the entire amount keeping in mind the well settled legal proposition that entire unaccounted sales cannot be added rather, only the profit element embedded therein can be added in the hands of the assessee. Since we have already held the goods manufactured during the year has been sold and have also determined the cost of goods sold at Rs. 31,10,495/- therefore considering the actual profit ratio of 22.12% for the current year, the AO is directed to restrict the addition to profit embedded i.e. Rs. 8,83,464/- [$31,10,495 / (1 - 0.2212) = 39,93,958/-$] as unaccounted sales value and profit at 22.12% = 8,83,464/-. **Hence, this ground of appeal is partly allowed.**

33. As far as addition of Rs. 2, 55,000/- for wages is concerned, since the assessee admitted to have paid wages to karigars for repair/reworked work and the payment is also backed by the seized material, we find no substance in the submission of the assessee that the partners were having sufficient drawings to meet out such payment as no corroborative evidence has been submitted in this behalf. However, we note that assessee has also raised ground no. 5 for allowing telescoping of unaccounted expenses against unaccounted income. We note that we determined Rs. 8,83,464/- in ground of appeal no. 4 as unaccounted profit of the assessee and hence such additional income of Rs. 8,83,464/- was available with the assessee for meeting out unaccounted cash expenditure in current year and even in subsequent year(s), if required. Therefore, the telescoping effect for the cash expenditure of Rs. 2,55,000/- is being given against unaccounted profit of Rs. 8,83,464/-. The remaining

unaccounted profit of 6, 28,464/- (8, 83,464/- – 2, 55,000/-) is available for subsequent year(s), if required. **Accordingly, the ground taken by the assessee is allowed.**

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34. The brief facts of the case are that the assessee is a partnership firm engaged in the business of precious and semi-precious stones, Jewellery, textile and handicraft items etc. The assessee filed his return of income under section 139 of the Act on 01.11.2017, declaring total income at Rs. 4,55,31,410/-. A search action under section 132 of the Act was carried out on 19.01.2021 on the assessee group and its associated concerns. Assessee was also searched under section 132 of the Act. Accordingly, notice under section 153A of the Act was issued and in response to this notice, assessee filed return under section 153A on 13.01.2022 declaring total income of Rs. 4,55,31,410/-. During the search operation at the premises of the assessee, digital data was found which was claimed to contain details of unaccounted commission paid, in cash, by the assessee. It was stated by the AO, in his assessment order, that the digital sheets contain details of commission paid by the assessee in cash to various tour and travel companies which have not been accounted for in the books, hence addition for the same was made by the AO. The addition made for the current year is Rs. 43,280/-. Further, the AO also made addition of Rs. 31, 79,223/- on the basis of sheet recovered from digital data which was claimed to contain details of commission made to various persons which was, in view of the Ld. AO, also not routed through books of the assessee. Further, addition of Rs. 76, 47,049/- is also being made for unexplained stock in manufacturing

activities on the basis of material seized during search of the assessee. During assessment proceedings, the assessee furnished the submissions before the AO. However, AO was not satisfied with the reply of the assessee and accordingly made the addition of Rs. 1, 08, 69,552/- (43,280/- + 31, 79,223/- + 76, 47,049/-). The assessee being aggrieved with this order preferred an appeal before the Ld. CIT (A), who in turn upheld the addition made by the AO. The assessee, being further aggrieved with this order of the Ld. CIT (A), preferred the present appeal before us.

35. We have gone through the order of the AO and the order of the Ld. CIT (A) and submissions/arguments of both sides along with grounds taken by the assessee. Firstly, we take up Grounds of Appeals No. 2 raised with respect to addition made for unaccounted cash commission of Rs. 43,280/-. We observe from the assessment order and order of the Ld. CIT (A) that a search action under section 132 of the Act was carried out in the case of the assessee on 19.01.2021. During the course of search, certain digital data was found and seized. The AR of the assessee has also submitted the seized material vide his paper book for our perusal. The seized material has been recovered from the digital data found during the search of the assessee.

36. The AO and the Ld. CIT(A) held that the seized digital sheet contains company wise report having date of sale, name of the guide, amount of sale, rate/amount of commission with the phrase 'paid' mentioned therein. Further, the lower authorities stated that the figure mentioned in the seized sheet is suppressed by one zero. Hence, the amount cash commission of Rs. 4,328/- has been computed by applying 25% rate of commission on the payment of

commission of Rs. 17,312/- made to Abhishek Srivastava. Accordingly, by multiplying the amount of Rs. 4,328/- by 10, the resultant amount comes to Rs. 43,280/- which was paid to various tour and travel companies without routing them through books of accounts. On the other hand, AR of the assessee denied the allegation of routing the commission paid through books and submitted that assessee pays commission on an annual basis/periodically as business recommendation charges/commission to various tour/travel companies assessee which are duly recorded in its books of accounts. The AR of the assessee also highlighted before us the deficiencies in the seized digital sheet and submitted that the seized page neither indicate name of the appellant rather having name of 'SARAF CARPET' nor having reference for any payment or cash, rate of commission or amount of commission. Hence, no addition can be made on the basis of such rough sheet.

37. The DR relied on the orders of the lower authorities.

38. On perusing the seized digital sheet, it is observed that there is a mention of 'SARAF CARPET' at the top of the seized sheet and the said seized sheet is silent on the name of the assessee. Further, the DR has not submitted before us the reason, along with supporting documents, why the seized sheet has been attributed to the assessee when there is specific mention of another person name on the seized sheet. Further, it is also evident from the seized sheet itself that there is no mention of any phrase 'paid', as claimed by the Ld. CIT (A), in the seized sheet rather on perusal; we find that the contents of the seized sheet are not indicating any payment or cash payment. Considering the whole facts of the case, as enumerated (supra), we do not see any substance

in the order of the AO, which is further confirmed by the Ld. CIT (A). In view of this ground raised by the assessee are allowed and the order of the Ld. CIT (A) and the AO is set-aside. The AO is further directed to delete the addition of Rs. 43,280/- in the case of the assessee. We rely on the following judgement:

- **ITAT, Mumbai in the case of Mahesh Narain Joglekar Vs DCIT, CC-4 vide order dated 27.02.2025 held as under:**

"18. We have heard both the parties and gone through the material referred to and the finding of the AO. From the bare perusal of the seized documents which have been scanned at page 23 and also list mentioned by the Id. AO in page 22, it is seen that the name mentioned as 'S.M. Joglekar' with and with contact number. Nowhere this name or contact number pertain to the assessee because assessee is Mahesh N Joglekar and nowhere it has been brought on record whether S.M. Joglekar is the same as Mahesh N Joglekar. Further, there is a reference of some name Ramesh Gala, which also has no connection with the assessee. It is not the case here that this document is found or seized from the possession of the assessee, albeit from different person subjected to search, therefore for acquiring jurisdiction to assess u/s 153C, AO has to correlate that the seized ledger/document where name written is 'S.M. Joglekar', pertains to assessee or it is some alias name of assessee. If the Id. AO is drawing some adverse inference based on these seized documents, at least he should have verified whether it actually pertains to the assessee or not? Because neither assessee's name is Ramesh Gala nor S.M. Joglekar. Even in para 5.19 of the AO, telephone diary seized also show alphabet "J"/"J/ 71/SJ" where the name of assessee is not there. Once there is no name mentioned of the assessee in the seized documents then, it cannot be said that it is an incriminating material to rope in any addition in the name of the assessee.

...

20. On this ground alone the additions made in A.Y.s 2012-13 to 2018-19 which is based on same seized documents wherein name of the assessee is not mentioned is deleted."

39. Now we proceed to address Ground No. 3 raised against the addition of Rs. 31, 79,223/- made on account of unexplained/unaccounted cash commission expenditure made to various persons. During the course of action under section 132 of the Act, at the premises of the assessee, certain digital data was

seized. It is the contention of the AO that the said material contains details of commission paid in cash by the assessee to various persons. The current addition of Rs. 31, 79,223/- has been made on the basis of a single seized digital sheet. During the assessment proceedings, the assessee submitted that the said sheet does not relate to any payment and is mere a rough working. However, the Ld. AO did not find the submission of the assessee satisfactory and made the addition. The Id. CIT (A) also confirmed the addition made by the AO.

40. Before us, the DR appearing for the revenue, strongly supported the order of the lower authorities and submitted that the addition so made deserves to be upheld.
41. On the other hand, the AR of the assessee invited our attention to the seized page which is enclosed at PBP: 2 of the paper book and submitted that bare perusal of the sheet reflects its actual character of being a rough/dumb sheet. The AR also draws attention of the Bench to the contents of the sheet and submitted that the sheet is not at all related to any payment as there is no mention of payment in the entire sheet rather that the figure of Rs. 31, 79,223/- is written under the heading 'Deposits' and written against the description 'comms earned in 16-17' and earning cannot be read as expenditure or payment. The AR of the assessee contended that the Ld. AO has not brought any material to establish the identity of the recipient; hence the addition is based purely on presumptions. Finally, the AR concluded his argument by submitting that no addition can be made on the basis of dumb

document without corroborative evidence and prayed before the Bench to delete the addition.

42. We have gone through the assessment order, order of the Ld. CIT (A) and submissions made by the assessee and heard the contention of both the parties. In the present case, the addition has been made by the AO based on the basis of a single sheet seized during the search proceedings. After going through the said seized sheet, the first issue arises for our adjudication is whether the seized sheet itself is sufficient to prove that the assessee has made payment of commission in cash. In this regard, we have perused the sheet and note that the sheet is a single loose sheet on which certain figures, names, abbreviation etc. are mentioned. The Ld. AO emphasised that the sheet contains details of commission paid to various person; however on perusal of the sheet, we find no mention of any payment or name of any recipient. When the lower authorities are claiming that the sheets contain commission payment, the sheet itself must reflect that payment which is absent in the current sheet. Further, the DR of the revenue failed to clarify how the lower authorities interpreted 'comms earned in 16-17' as commission payment made in F.Y. 2016-17 by the assessee. The said loose sheet contains no details about the unaccounted commission payment made by the assessee. There is no information remotely indicating the date on which payment of such commission was made or the identity of person(s) who are the recipient of such commission payment. We know that in the course of search, various loose papers are generally found and seized by the Department and such loose papers contain rough working, notings, etc. which might not carry any significance or not have any real value but despite this the officer sometimes

presume that its contents are correct. However, it is to be noted that the presumption cannot be stretched to conclude that the notings etc. noted in the loose document found with the assessee reflect actual transaction. To confirm this, the officer has to produce some corroborative evidence which give meaning to those notings, working etc. In the current case, the lower authorities have just presumed that the the contents are reflecting unaccounted commission payment, however, did not bring anything to support this claim. Hence, it will not be wrong to say that the lower authorities conclusion does not emerge from the contents of the seized sheet and their contention are devoid of any merit since there is nothing in this seized sheet which would suggest that any unaccounted payment has been made. The onus was on the Department to collect the evidence to corroborate the notings on the loose sheet which has not been done. Therefore, this is a mere case of guess work or suspicion/presumption of the lower authorities as the addition has no legs to stand alone and the lower authorities just presumed that Rs. 31,79,223/-represent commission payment. Hence, in our view, the unsubstantiated, unsigned and uncorroborated seized material alone cannot be considered as conclusive evidence to make addition as it is a fundamental judicial view that no arbitrary addition to the income can be made by the AO based on the loose papers containing scribbling, rough/vague notings, in the absence of any corroborative material, evidence on record and finding that such dumb documents had materialized into transactions. Therefore, we agree with the submission of the AR of the assessee that no addition can be made on the basis of presumptions and without bringing any corroborative material to substantiate that commission payment has been made by the assessee. Thus,

placing reliance on the seized material is not legally valid and the additions on the basis of the above loose sheet should be deleted. Therefore, we allow this ground and the AO is directed to delete the addition of Rs. 31, 79,223/-

43. We respectfully follow the following judgments and rely on the decision of the same:

- **Hon'ble Karnataka High Court in the case of DCIT/ CIT(A) Vs. Sunil Kumar Sharma [W.A. No. 830/2022] vide order 22.01.2024**, whereby the Hon'ble Court rejected the appeal of the revenue by holding that loose sheets have no evidentiary value without corroborative evidence. The Hon'ble Supreme Court has also dismissed SLP filed by the revenue against the said order. Relevant extracts of Hon'ble High Court order are reproduced below:

"50. In the instant case, the first issue raised by the Revenue is as regards the addition of income made by the Assessing Officer based on loose sheets found in the house of a third party. However, we find that the Revenue has not established the said loose sheets to be considered as evidence in law by producing corroborative evidence supported by judgments and findings. Further, since the statement made by Shri K. Rajendran under Section 132 of the IT Act is later retracted by him by filing an affidavit, the statement given by him does not hold any evidentiary value.

51. The notice issued under Section 153C of the IT Act in respect of the Assessment year 2018-19 is not applicable, which is also supported by various judgments of the High Court. Further, the notice as regards the Assessment years 2015-16, 2016-17 and 2017-18 are also not applicable, as the total addition of income were made on the basis of loose sheets. Further, the panchnama or mahazar of all the loose sheets said to have been seized from the house of Shri Rajendran, are now unavailable and the learned counsel for the Revenue has no answer for the same. On these premises, the assessment order made for the Assessment years 2015-16, 2016-17, 2017-18 and 2018-19 requires to be quashed.

56. In the light of the above said Apex court Decisions and the Panchanama provided herein, it is deemed appropriate to conclude that the notice provided under Section 153C is bad in law”.

- **The Hon’ble High Court of Madhya Pradesh in the case of PCIT-I Vs Shri Pukhraj Soni [ITA No. 53 of 2017] dated 06.02.2019** dismissed the department appeal where addition was made on the basis of loose papers.

Relevant extracts read as under:

“7. The Apex Court has taken into account in similar circumstances the incriminating materials in form of random sheets, loose papers, computer prints, hard disk and pen drive etc. and has held that they are inadmissible in evidence, as they are in the form of loose papers.

8. In the present case also entries found during search and seizures which are on loose papers are being made the basis to add income of this respondent.

9. Resultantly, in light of the Supreme Court judgments, referred above, no case for interference is made out with the order passed by the Tribunal. Moreover no substantial question of law arises in the present appeal, the appeal is dismissed”.

- **The ITAT, Bangalore in the case of Ace Developers Vs. DCIT [ITA No. 365/Bang/2024] vide order dated 20.09.2024** deleted the addition based on rough noting made on loose sheets and held as under:

“18.5 At this juncture, it is equally important to refer the provisions of section 132(4A) and 292C of the Act which provides a presumption that the documents impounded from the premises of the assessee belongs to the assessee and the contents of the same are true. However, such presumption is rebuttable and assessee based on evidence can rebut the same. Even though the provision of section 292C and 132(4A) of the Act provides presumption to the assessing authority to presume that the document belong to the assessee and content are true about the documents found from the possession of the assessee but that does not mean that such documents shall be brought under the tax net. As such, to tax income based on loose sheets, it is necessary to bring finding on record that noting made in such documents are actual transactions which has materialized leading to income in the hand of the assessee and such income has been unaccounted or unexplained by the assessee.

18.6 In the case on hand, there was no finding, based on independent inquiry, brought on record that the assessee has collected on money on sale of flats except relying on the loose sheets/paper found during the survey proceeding at the assessee premises. There was no inquiry made from the person who allegedly bought the flats. Therefore, considering the facts in totality and the discussion made in the preceding paragraph, we are of the opinion that the revenue authority was not justified in making such an addition merely based on certain rough noting made on loose sheets. Hence, the ground of appeal raised by the assessee is hereby allowed”.

- The **Mumbai ITAT in case of S.P. Goyal v. Dy. CIT [2002] 82 ITD 85 (Mum.) (TM)** held as under:

“...loose papers cannot be termed as books of an assessee maintained for any previous year. Loose sheet of paper torn out of a diary could not be construed as books for the purpose of section 68. Addition could not be made simply on the basis of certain notings on loose sheets of a diary without any corroborative evidence in the form of extra cash, jewellery or investment outside the books. The loose papers appear to be part of a 1992 diary. However, these loose papers consist of pages torn out from March, April, November and December. There is no closing balances or opening balances and there is no reconciliation of these entries. Therefore, it cannot be termed as books maintained by the assessee during the previous year. . . . The loose paper in itself has got no intrinsic value. ...When it is a mere entry on a loose sheet of paper and if the assessee claims that it was only a planning, not supported by actual cash, then there has to be circumstantial evidences to support that this entry really represent cash of Rs. 60 lakhs. There is no such evidence found by the Revenue in the form of extra cash, jewellery or investment outside the books.”

44. Now, we proceed to address Ground No. 4 raised against the addition of Rs. 76, 47,049/- made on account of unexplained stock in manufacturing activities. During the search of the assessee certain material was found and seized which was inventoried as Annexure-AS-C. The lower authorities contended that seized material are related to manufacturing activity of gold and silver ornaments and contain details of issuing raw material, metals, jewellery items to various karigars for specific work and labour charges were also paid to such

karigars. However, the entire manufacturing activity from purchase of raw material to sale of finished goods was kept out of books of the assessee. On the basis of the seized material, the Ld. AO determined the undisclosed manufacturing activity as follows:

- d) Unaccounted gold/silver used in manufacturing Activity of Rs. 6,44,38,423;
- e) Unaccounted silver used in manufacturing Activity of Rs. 13,66,719;
- f) Unaccounted payment in cash to karigars of Rs. 45,28,548

Further, the AO also presumed that at least 20% of the stock of precious and semi-precious stones had been infused in the manufacturing activity in addition to gold and silver.

44. During the assessment and first appellate proceedings, explanation was sought from the assessee on this issue. The assessee submitted that the gold and silver mentioned in the seized material were not sourced externally rather sourced from melting of old or obsolete stock which is duly recorded. The assessee submitted evidences from the material seized during search which contains details of melting of existing stock and recovery of metals etc. therefrom. Further, the assessee also provided references from the seized material suggesting the seized material clearly indicate that the stock items were issued for repair, rework etc. to karigars which was subsequently returned back after completion of such work. More importantly, items appearing in the seized material are duly found recorded in physical stock control sheet maintained by the appellant. Accordingly, in view of the evidence submitted during assessment, the assessee contended that it has not manufactured any stock out of books and whatever stock is appearing in the

seized material are recovered from old/obsolete stock and indicating repair/rework of recorded stock. Further, the AR objected to the addition based on presumptive rate in case of precious and semi-precious stones since no supporting document were found in this regard. However, the AO find the submission as not tenable and made the following addition of Rs. 76, 47,049/- in the current year which was also confirmed by the Ld. CIT (A):

- d) Unaccounted gold/silver used in manufacturing Activity of Rs. 63,79,694;
- e) Unaccounted payment made to Karigars of Rs. 1,000;
- f) Unaccounted precious and semi-precious stones of Rs. 12,66,355/-

45. Before us, the AR of the assessee reiterated the submission made before the lower authorities and prayed for deletion of the addition of Rs. 76, 47,049/-. On the other hand, the DR of the revenue supported the orders of the lower authorities.

46. We have gone through the order of the lower authorities and heard both the parties. Upon perusing all the relevant seized material, it is clear that the core issue is the nature of notings found recorded in the seized material. At one hand, the lower authorities are contending that these seized materials are records of unaccounted gold/silver and precious/semi-precious infused in the manufacturing activity which never formed part of the books of the assessee. On the other hand, the AR of the assessee claims that the stock appearing in the seized material is the stock recovered from melting of old/existing stocks, repaired/reworked and not any unaccounted stock.

47. Firstly, we perused the supporting documents put forth by the AR of the assessee in support of his argument. The AR of the assessee invited our attention to the paper book page no. 4 to 6 which happens to be the extracts from the seized material evidencing that the jewellery items are issued for repair/rework to job workers (Karigars) by the assessee. On verification of the claim of the AR, we found that the seized material contained the details with respect to goods issued to karigars along with the instructions. The seized material enclosed at PBP: 4 to 6 carrying the description generally noted for issuance of goods for job work. For instance, we note that the nature of work i.e. Jadaid and Repair, along with the technical nomenclature used in the jewellery industry, is appearing in the seized material. We also observed that the AO have also acknowledged the above argument of repair and rework in his order which has been reproduced below:

Point 8.28 at page 49 of the assessment order:

“...There are plethora of incriminating documents which were seized and thereafter discussed in details above, shows that the assessee is issuing stock for manufacturing and also some of the items for further repair (which has been verified from the assessee’s books).”

48. In addition to the above supporting documents, the AR of the assessee also produced before us copies of excel sheet, enclosed at PBP: 14 – 26, in support of the claim that the item in these seized material are also forming part of physical stock control sheet of the assessee. We noted that the said excel sheet incorporated therein the line wise comparison of items in the seized material and its corresponding entry in the physical stock control sheet of the

assessee which further strengthen the argument of the assessee that seized material does not contain any unaccounted stock.

49. Similarly, with respect to the argument that the stock of gold/silver appearing in the seized material are recovered from the existing/old stock and does not represent any new stock, the AR of the assessee, draws our attention to PBP: 7 to 13 which indicates that stock of gold and stones were recovered from melting of existing stock. We find that the said paper book filed before us support the argument of the AR of the assessee as they are related to melting of old stock. We also find the claim of the AR of the assessee that the Ld. CIT (A) has also acknowledged the existence of such documents and provided the relief for the same in his order passed for the AY 2021-22. Hence, we cannot deny that some stock mentioned in the seized material also include stock recovered from melting of old/existing stock.

50. Therefore, we find force in the argument of the AR of the assessee that the seized material also incorporates therein repaired/reworked items, items made out of melting of old stock and included in physical control sheet. However, the explanation provided is not completely matching with seized documents. Hence, to meet the ends of justice overall 30% rebate is given on account of explanation, with supporting document, provided by the assessee and discussed hereinabove. **Accordingly, we delete total addition of Rs. 19,13,908/-.**

51. Furthermore, as far as addition of Rs. 12,66,355/- made by taking presumptive rate of 20% is concerned, we find that the lower authorities have not brought before us any material to justify this ad hoc rate of 20% for

making addition for precious and semi-precious stones. Further, we have already given relief of 30% in the material cost of gold/silver items hereinabove, **therefore, to maintain the consistency and to meet the ends of justice, we are deleting 30% of the total addition of Rs. 12,66,355/- made on this account and direct the Assessing Officer to delete Rs. 3,79,906/-.**

52. With respect to the remaining addition of Rs. 44,65,786/- (63,79,694/- – 19,13,908/-) and Rs. 8,86,449/- (12,66,355/- – 3,79,906/-) cumulatively amounting to Rs. 53,52,234/-, we cannot brush aside the contents of seized material considering the descriptive nature of the seized material. However, here it is important to point out that the factual finding given by us and Ld. CIT (A) that quantity of physical stock found and stock control sheet were almost matched. Therefore, under the facts and circumstances, it is clear case of unaccounted sale of these goods manufactured and recorded in this seized material. Furthermore, we cannot also tax the entire amount keeping in mind the well settled legal proposition that entire unaccounted sales cannot be added rather, only the profit element embedded therein can be added in the hands of the assessee. Since we have already held the goods manufactured during the year has been sold, Further, we have determined the cost of goods sold at Rs. 53,52,234/- therefore considering the actual profit ratio of 25.68% for the current year, the AO is directed to restrict the addition to profit embedded i.e. Rs. 18,49,373/- $[53,52,234/(1 - .2568) = 72,01,607/-$ as unaccounted sale value and profit at 25.68% = 18,49,373/-. **Hence, this ground of appeal is partly allowed.**

53. As far as addition of Rs. 1,000/- for wages is concerned, since the assessee admitted to have paid wages to karigars for repair/reworked work and the payment is also backed by the seized material. We find no substance in the submission of the assessee that the partners were having sufficient drawings to meet out such payment as no corroborative evidence has been submitted in this behalf. However, we note that assessee has also raised ground no. 5 for allowing telescoping of unaccounted expenses against unaccounted income. We note that the assessee has brought forward unaccounted profit of Rs. 6,28,464/- from preceding year and we further determined Rs. 18,49,373/- in ground of appeal no. 4 above and hence such additional unaccounted profit of Rs. 24,77,837/- (6,28,464/- + 18,49,373/-) was available with the assessee for meeting out unaccounted cash expenditure in current year and even in subsequent year(s), if required. Therefore, the telescoping effect for the cash expenditure of Rs. 1,000/- is being given against the above stated unaccounted profit. The remaining unaccounted profit of 24, 76,837/- (24, 77,837/- – 1,000/-) is available for subsequent year(s). **Accordingly, the ground taken by the assessee is allowed.**

A.Y. 2018-19

54. The brief facts of the case are that the assessee is a partnership firm engaged in the business of precious and semi-precious stones, Jewellery, textile and handicraft items etc. The assessee filed his return of income under section 139 of the Act on 26.02.2019, declaring total income at Rs. 1,92,77,894/-. A search action under section 132 of the Act was carried out on 19.01.2021 on the assessee group and its associated concerns. Assessee was also searched under

section 132 of the Act. Accordingly, notice under section 153A of the Act was issued and in response to this notice, assessee filed return under section 153A on 13.01.2022 declaring total income of Rs. 1,92,77,894/-. During the search operation at the premises of the assessee, digital data was found which was claimed to contain details of unaccounted commission paid, in cash, by the assessee. It was stated by the AO, in his assessment order, that the digital sheets contain details of commission paid by the assessee in cash to various tour and travel companies which have not been accounted for in the books; hence addition for the same was made by the AO. The addition made for the current year is Rs. 23, 98,700/-. Addition of Rs. 4,67,715/- is also being made for unexplained stock in manufacturing activities on the basis of material seized during search of the assessee. Further, the AO also made addition of Rs. 2, 50,000/- on the basis of sheet recovered from digital data which was claimed to contain details of unaccounted cash expenses made by the assessee. During assessment proceedings, the assessee furnished the submissions before the AO. However, AO was not satisfied with the reply of the assessee and accordingly made the addition of Rs. 31, 16,415/- (23, 98,700/- + 4, 67,715/- + 2, 50,000/-). The assessee being aggrieved with this order preferred an appeal before the Ld. CIT (A), who in turn upheld the addition made by the AO. The assessee, being further aggrieved with this order of the Ld. CIT (A), preferred the present appeal before us.

55. We have gone through the order of the AO and the order of the Ld. CIT (A) and submissions/arguments of both sides along with grounds taken by the assessee. Firstly, we take up Grounds of Appeals No. 2 raised with respect to addition made for unaccounted cash commission of Rs. 23,98,700/-. We

observe from the assessment order and order of the Ld. CIT (A) that a search action under section 132 was carried out in the case of the assessee on 19.01.2021. During the course of search, certain digital data was found and seized. The AR of the assessee has also submitted the seized material vide his paper book for our perusal. The seized material has been recovered from the digital data found during the search of the assessee.

56. The AO and the Ld. CIT(A) held that the seized digital sheet contains company wise report having date of sale, name of the guide, amount of sale, rate/amount of commission with the phrase 'paid' mentioned therein. Further, the lower authorities stated that the figure mentioned in the seized sheet is suppressed by one zero. Hence, the amount cash commission has been computed by applying rate of commission on the payment of commission of and multiplying the resulting figure by 10. Accordingly, in the current case, the amount of commission comes to Rs. 23,98,700/- which was claimed to be paid to various tour and travel companies without routing them through books of accounts. On the other hand, AR of the assessee denied the allegation of routing the commission paid through books and submitted that assessee pays commission on an annual basis/periodically as business recommendation charges/commission to various tour/travel companies assessee which are duly recorded in its books of accounts. The AR of the assessee also highlighted before us the deficiencies in the seized digital sheet and submitted that the seized page neither indicate name of the appellant rather having name of 'SARAF CARPET' nor having reference for any payment or cash, rate of commission or amount of commission. Hence, no addition can be made on the basis of such rough sheet.

57. The DR relied on the orders of the lower authorities.

58. The AR of the assessee submitted before us paper book enclosing therein various sheets recovered from the digital data found during the search and submitted that sheets pertaining to addition of Rs. 2,63,610/- don't contain name of the assessee, rate/amount of commission and sheets pertaining to addition of Rs. 19,93,990/- don't have any reference of any payment. We have gone through the seized sheets and on perusing the seized digital sheet, it is observed sheet pertaining to addition of Rs. 2,63,610/- does not contain name of the appellant rather name of 'SARAF CARPET/SCT'. Further, with respect to remaining addition of Rs. 19,93,990/-, we have noted that there is no mention of any phrase 'paid', as claimed by the Ld. CIT(A), in the seized sheet or reference of any payment. The DR has also neither brought before us any corroborative documentary evidence to substantiate the contents of these excel sheets nor any instance where the so-called recipient of the commission had confirmed receipt of such commission by the assessee. Considering the whole facts of the case, as enumerated (supra), we do not see any substance in the order of the AO, which is further confirmed by the Ld. CIT (A). **In view of this ground raised by the assessee are allowed and the order of the Ld. CIT (A) and the AO is set-aside. The AO is further directed to delete the addition of Rs. 23, 98,700/- in the case of the assessee.** We rely on the following judgments:

- **The judgement of the ITAT, Jaipur in the case of Rameshwar Lal Vyas Vs. DCIT, Central Circle, Ajmer [ITA No. 1257/JPR/2024] vide order dated 24.07.2025** wherein it was held as under:

“As far as the page 68 of exhibit-8 is concerned, we find that the said page is a non-speaking document, since it no -where contains any details with respect to any payment more particularly any cash payment or date of transaction. Merely name & amount does not constitute unaccounted cash payment made to trade creditors. In absence of payment details, mode of payment, date of purchase by recipient, signature of recipient and vendor, the said page cannot constitute to contain unaccounted cash payment made to creditors by the assessee. The onus was on the revenue to prove the content, however we find that no tangible material, other than the statement, has been brought to support that the entries appearing in the seized page are unaccounted cash payment made to creditors. On the other hand, the assessee has submitted confirmation of all parties, under consideration, along with affidavits, regarding transactions executed with appellant during the year under consideration. More so, we find that no enquiry was conducted by the AO from even a single person named in the so called seized page, if at all, to strengthen the finding of Revenue culminating with addition. The contention of the Ld. CIT (A) that it is a case of parallel accounting is also hollow and presumptive since no corroborative material was brought on record. We also find force in the argument of the AR of the assessee that there cannot be any unaccounted income without there being any unaccounted purchase or sale or unaccounted stock. Neither the AO nor the Ld. CIT (A) has brought any material of any unaccounted purchase or sale in the current case nor the addition on account of accounted stock was already deleted by the Ld. CIT (A). We agree with the submission of the AR of the assessee that for invoking section 69 of the Act, there has to be an unrecorded/ unaccounted investment and that there cannot be any unaccounted investment without there being any accounted income.

- **ITAT, Chandigarh in the case of Tara Health Foods Ltd. Vs DCIT, vide order dated 18.06.2025 held as under:**

8. We have duly considered the rival contentions and gone through the record. A perusal of the record would indicate that except a loose paper, no other corroborative material was found by the Revenue at the time of search. No doubt, it is a computerized sheet which does not have any signature of any person, but it has not been demonstrated by the assessee that narrations available on this page have actually been acted upon by the parties. The other connected party is M/s Meuz Hest India Pvt. Ltd. from whom assessee has been purchasing the machinery and it has made purchases of machinery having value of Rs.1.07 Cr in last four years. Thus, company has categorically denied any such transaction with it. It is not discernable whether it was a loan or it was some payment in connection with some transaction. The Department has carried out a search & seizure

operation upon the assessee, therefore, it could easily discover the connection of this loose paper with any transaction, either unexplained investment in the machinery or anything else, but it could not collect any corroborative material from the assessee. The DDIT (Investigation) has called for the information from M/s Meuz Hest Process Tech (P) Ltd. But that concern has specifically denied of any such transaction with it. It is also pertinent to note that Department presume existence of loan and repayment of loan in cash in the hands of M/s Meuz Hest Process Tech (P) Ltd. but CIT (Appeals) has deleted levy of penalty u/s 271D and 271E of the Income Tax Act. The orders of the CIT (Appeals) have been upheld by the ITAT Mumbai Bench, whose copies are available on page No. 50 of the case law Paper Book. Therefore, we are of the view that in the absence of any corroborative material, it is difficult to draw an inference that any cash was transmitted by the assessee to alleged M/s Meuz Hest Process Tech (P) Ltd. and it has received back the cash. Therefore, we are of the view that this addition is not sustainable. Accordingly, we delete the addition.

- **ITAT, Mumbai in the case of Mahesh Narain Joglekar Vs DCIT, CC-4 vide order dated 27.02.2025 held as under:**

“18. We have heard both the parties and gone through the material referred to and the finding of the AO. From the bare perusal of the seized documents which have been scanned at page 23 and also list mentioned by the Id. AO in page 22, it is seen that the name mentioned as ‘S.M. Joglekar’ with and with contact number. Nowhere this name or contact number pertain to the assessee because assessee is Mahesh N Joglekar and nowhere it has been brought on record whether S.M. Joglekar is the same as Mahesh N Joglekar. Further, there is a reference of some name Ramesh Gala, which also has no connection with the assessee. It is not the case here that this document is found or seized from the possession of the assessee, albeit from different person subjected to search, therefore for acquiring jurisdiction to assess u/s 153C, AO has to correlate that the seized ledger/document where name written is ‘S.M. Joglekar’, pertains to assessee or it is some alias name of assessee. If the Id. AO is drawing some adverse inference based on these seized documents, at least he should have verified whether it actually pertains to the assessee or not? Because neither assessee’s name is Ramesh Gala nor S.M. Joglekar. Even in para 5.19 of the AO, telephone diary seized also show alphabet “J”“J/ 71/SJ” where the name of assessee is not there. Once there is no name mentioned of the assessee in the seized documents then, it cannot be said that it is an incriminating material to rope in any addition in the name of the assessee.

...

20. On this ground alone the additions made in A.Y.s 2012-13 to 2018-19 which is based on same seized documents wherein name of the assessee is not mentioned is deleted."

59. Now we proceed to address Ground No. 3 raised against the addition of Rs. 4, 67,715/- made on account of unexplained stock in manufacturing activities. During the search of the assessee certain material was found and seized which was inventoried as Annexure-AS-C. The lower authorities contended that seized material are related to manufacturing activity of gold and silver ornaments and contain details of issuing raw material, metals, jewellery items to various karigars for specific work and labour charges were also paid to such karigars. However, the entire manufacturing activity from purchase of raw material to sale of finished goods was kept out of books of the assessee. On the basis of the seized material, the Ld. AO determined the undisclosed manufacturing activity as follows:

- g) Unaccounted gold/silver used in manufacturing Activity of Rs. 6,44,38,423;
- h) Unaccounted silver used in manufacturing Activity of Rs. 13,66,719;
- i) Unaccounted payment in cash to karigars of Rs. 45,28,548

Further, the AO also presumed that at least 20% of the stock of precious and semi-precious stones had been infused in the manufacturing activity in addition to gold and silver.

60. During the assessment and first appellate proceedings, explanation was sought from the assessee on this issue. The assessee submitted that the gold and silver mentioned in the seized material were not sourced externally rather sourced from melting of old or obsolete stock which is duly recorded. The assessee submitted evidences from the material seized

during search which contains details of melting of existing stock and recovery of metals etc. therefrom. Further, the assessee also provided references from the seized material suggesting the seized material clearly indicate that the stock items were issued for repair, rework etc. to karigars which was subsequently returned back after completion of such work. More importantly, items appearing in the seized material are duly found recorded in physical stock control sheet maintained by the appellant. Accordingly, in view of the evidence submitted during assessment, the assessee contended that it has not manufactured any stock out of books and whatever stock is appearing in the seized material are recovered from old/obsolete stock and indicating repair/rework of recorded stock. Further, the AR objected to the addition based on presumptive rate in case of precious and semi-precious stones since no supporting document were found in this regard. However, the AO find the submission as not tenable and made the following addition of Rs. 4,67,715/- in the current year which was also confirmed by the Ld. CIT(A):

- g) Unaccounted gold/silver used in manufacturing Activity of Rs. 3,48,096;
- h) Unaccounted payment made to Karigars of Rs. 50,000;
- i) Unaccounted precious and semi-precious stones of Rs. 69,619/-

61. Before us, the AR of the assessee reiterated the submission made before the lower authorities and prayed for deletion of the addition of Rs. 4, 67,715/-. On the other hand, the DR of the revenue supported the orders of the lower authorities.

62. We have gone through the order of the lower authorities and heard both the parties. Upon perusing all the relevant seized material, it is clear that the core issue is the nature of notings found recorded in the seized material. At one hand, the lower authorities are contending that these seized materials are records of unaccounted gold/silver and precious/semi-precious infused in the manufacturing activity which never formed part of the books of the assessee. On the other hand, the AR of the assessee claims that the stock appearing in the seized material is the stock recovered from melting of old/existing stocks, repaired/reworked and not any unaccounted stock.

63. Firstly, we perused the supporting documents put forth by the AR of the assessee in support of his argument. The AR of the assessee invited our attention to the paper book page no. 4 to 6 which happens to be the extracts from the seized material evidencing that the jewellery items are issued for repair/rework to job workers (Karigars) by the assessee. On verification of the claim of the AR, we found that the seized material contained the details with respect to goods issued to karigars along with the instructions. The seized material enclosed at PBP: 4 to 6 carrying the description generally noted for issuance of goods for job work. For instance, we note that the nature of work i.e. Jadai and Repair, along with the technical nomenclature used in the jewellery industry, is appearing in the seized material. We also observed that the AO have also acknowledged the above argument of repair and rework in his order which has been reproduced below:

Point 7.28 at page 48 of the order:

“...There are plethora of incriminating documents which were seized and thereafter discussed in details above, shows that the assessee is issuing stock for manufacturing and also some of the items for further repair (which has been verified from the assessee’s books).”

64. In addition to the above supporting documents, the AR of the assessee also produced before us copies of excel sheet, enclosed at PBP: 14 – 26, in support of the claim that the item in these seized material are also forming part of physical stock control sheet of the assessee. We noted that the said excel sheet incorporated therein the line wise comparison of items in the seized material and its corresponding entry in the physical stock control sheet of the assessee which further strengthen the argument of the assessee that seized material does not contain any unaccounted stock.
65. Similarly, with respect to the argument that the stock of gold/silver appearing in the seized material are recovered from the existing/old stock and does not represent any new stock, the AR of the assessee, draws our attention to PBP: 7 to 13 which indicates that stock of gold and stones were recovered from melting of existing stock. We find that the said paper book filed before us support the argument of the AR of the assessee as they are related to melting of old stock. We also find the claim of the AR of the assessee that the Ld. CIT (A) has also acknowledged the existence of such documents and provided the relief for the same in his order passed for the A.Y. 2021-22. Hence, we cannot deny that some stock mentioned in the seized material also include stock recovered from melting of old/existing stock.
66. Therefore, we find force in the argument of the AR of the assessee that the seized material also incorporates therein repaired/reworked items, items

made out of melting of old stock and included in physical control sheet. However, the explanation provided is not completely matching with seized documents. Hence, to meet the ends of justice overall 30% rebate is given on account of explanation, with supporting document, provided by the assessee and discussed hereinabove. Accordingly, we delete total addition of Rs. 1, 04,429/-.

67. Furthermore, as far as addition of Rs. 69,619/- made by taking presumptive rate of 20% is concerned, we find that the lower authorities have not brought before us any material to justify this ad hoc rate of 20% for making addition for precious and semi-precious stones. Further, we have already given relief of 30% in the material cost of gold/silver items hereinabove, **therefore, to maintain the consistency and to meet the ends of justice, we are deleting 30% of the total addition of Rs. 69,619/- made on this account and direct the Assessing Officer to delete Rs. 20,886/-.**

68. With respect to the remaining addition of Rs. 2, 43,667/- (3, 48,096/- (-) 1, 04,429/-) and Rs. 48,733/- (69,619/- – 20,886/-) cumulatively amounting to Rs. 2, 92,400/-, we cannot brush aside the contents of seized material considering the descriptive nature of the seized material. However, here it is important to point out that the factual finding given by us and CIT (A) that quantity of physical stock found and stock control sheet were almost matched. Therefore, under the facts and circumstances, it is clear case of unaccounted sale of these goods manufactured and recorded in this seized material. Furthermore, we cannot also tax the entire amount keeping in mind the well settled legal proposition that entire unaccounted sales cannot be added rather, only the

profit element embedded therein can be added in the hands of the assessee. Since we have already held the goods manufactured during the year has been sold, Further, we have determined the cost of goods sold at Rs. 2,92,400/- therefore considering the actual profit ratio of 26.27% for the current year, the AO is directed to restrict the addition to profit embedded i.e. Rs. 1,04,182/- $[2,92,400/(1 - .2627) = 3,96,583/-$ as unaccounted sales value and profit at $26.27\% = 1,04,182/-$. **Hence, this ground of appeal is partly allowed.**

69. As far as addition of Rs. 50,000/- for wages is concerned, since the assessee admitted to have paid wages to karigars for repair/reworked work and the payment is also backed by the seized material, we find no substance in the submission of the assessee that the partners were having sufficient drawings to meet out such payment as no corroborative evidence has been submitted in this behalf. However, we note that assessee has also raised ground no. 5 for allowing telescoping of unaccounted expenses against unaccounted income. We note that the assessee has brought forward unaccounted profit of Rs. 24,76,837/- from preceding year and we further determined Rs. 1,04,182/- in ground of appeal no. 4 above and hence such additional unaccounted profit of Rs. 25,81,019/- $(24,76,837/- + 1,04,182/-)$ was available with the assessee for meeting out unaccounted cash expenditure in current year and even in subsequent year(s), if required. Therefore, the telescoping effect for the cash expenditure of Rs. 50,000/- is being given against the above stated unaccounted profit. The remaining unaccounted profit of 25, 31,019/- $(25, 81,019/- (-) 50,000/-)$ is available for subsequent year(s), if required. **Accordingly, the ground taken by the assessee is allowed.**

70. The assessee also raised Ground of Appeal No. 4 against the addition of Rs. 2,50,000/- made by the lower authorities on the basis of digital sheet recovered from personal computer of one Shri Rajat Agarwal. The lower authorities claim it to be the document pertaining to cash expenses of Rs. 2, 50,000/- made by the assessee during the year. The AR of the assessee submit that the seized sheet is a non-speaking document, does not contain name of the appellant and not found from the possession of the appellant rather from the computer of another person.
71. We have gone through the orders and also perused the seized sheet under consideration. We note that the sheet carry a heading 'R. Puri & L. Puri' and two types of notings one with reference of cheques and another with reference of 'rokdi' along with date. We also take note of the fact that the said sheet is recovered from the personal computer of Shri Rajat Agarwal and does not carry anything related to the assessee. Moreover, the submission of the AR that the cheque mentioned in the said seized are found recorded in the books of Shri Manoj Agarwal. All these instances make the case of the assessee stronger since there is absolutely nothing of any sort which remotely indicates that this sheet or its content belongs to the assessee. Further, the lower authorities also has not brought before us any reason for attributing this sheet to the assessee or any corroborative evidence which indicate that assessee has made the cash payment as mentioned in the sheet. Therefore, in absence of all this crucial information, we cannot add of Rs. 2, 50,000/- in the income of the assessee by presuming that the assessee must have paid this. **Hence, we allow this ground and delete the addition of Rs. 2, 50,000/-.**

A.Y. 2019-20

72. The brief facts of the case are that the assessee is a partnership firm engaged in the business of precious and semi-precious stones, Jewellery, textile and handicraft items etc. The assessee filed his return of income under section 139 of the Act on 14.02.2020, declaring total income at Rs. 2,01,10,080/-. A search action under section 132 of the Act was carried out on 19.01.2021 on the assessee group and its associated concerns. Assessee was also searched under section 132 of the Act. Accordingly, notice under section 153A of the Act was issued and in response to this notice, assessee filed return under section 153A on 13.01.2022 declaring total income of Rs. 2,01,10,080/-. During the search operation at the premises of the assessee, digital data was found which was claimed to contain details of unaccounted commission paid, in cash, by the assessee. It was stated by the AO, in his assessment order, that the digital sheets contain details of commission paid by the assessee in cash to various tour and travel companies which has not been accounted for in the books, hence addition for the same was made by the AO. The addition made for the current year is Rs. 80, 44,567/-. Addition of Rs. 93,95,905/- is also being made for unexplained stock in manufacturing activities on the basis of material seized during search of the assessee. Further, the AO also made addition of Rs. 50,000/- on the basis of sheet recovered from digital data which was claimed to contain details of unaccounted cash expenses made by the assessee. During assessment proceedings, the assessee furnished the submissions before the AO. However, AO was not satisfied with the reply of the assessee and accordingly made the addition of Rs. 1, 74, 90,472/- (80, 44,567/- + 93, 95,905/- + 50,000/-). The assessee being aggrieved with this order preferred

an appeal before the Ld. CIT (A), who in turn upheld the addition made by the AO. The assessee, being further aggrieved with this order of the Ld. CIT (A), preferred the present appeal before us.

73. First we take up Ground No. 3 raised against the addition of Rs. 93, 95,905/- made on account of unexplained stock in manufacturing activities. During the search of the assessee certain material was found and seized which was inventoried as Annexure-AS-C. The lower authorities contended that seized material are related to manufacturing activity of gold and silver ornaments and contain details of issuing raw material, metals, jewellery items to various karigars for specific work and labour charges were also paid to such karigars. However, the entire manufacturing activity from purchase of raw material to sale of finished goods was kept out of books of the assessee. On the basis of the seized material, the Ld. AO determined the undisclosed manufacturing activity as follows:

Unaccounted gold/silver used in manufacturing Activity of Rs. 6, 44, 38,423/-;

Unaccounted silver used in manufacturing Activity of Rs. 13, 66,719/-;

Unaccounted payment in cash to karigars of Rs. 45, 28,548/-

Further, the AO also presumed that at least 20% of the stock of precious and semi-precious stones had been infused in the manufacturing activity in addition to gold and silver.

74. During the assessment and first appellate proceedings, explanation was sought from the assessee on this issue. The assessee submitted that the gold

and silver mentioned in the seized material were not sourced externally rather sourced from melting of old or obsolete stock which is duly recorded. The assessee submitted evidences from the material seized during search which contains details of melting of existing stock and recovery of metals etc. therefrom. Further, the assessee also provided references from the seized material suggesting the seized material clearly indicate that the stock items were issued for repair, rework etc. to karigars which was subsequently returned back after completion of such work. More importantly, items appearing in the seized material are duly found recorded in physical stock control sheet maintained by the appellant. Accordingly, in view of the evidence submitted during assessment, the assessee contended that it has not purchased any stock out of books and whatever stock is appearing in the seized material are recovered from old/obsolete stock. Further, the AR objected to the addition based on presumptive rate in case of precious and semi-precious stones since no supporting document were found in this regard. However, the AO find the submission as not tenable and made the following addition of Rs. 93, 95,905/- in the current year which was also confirmed by the Ld. CIT (A):

Unaccounted gold/silver used in manufacturing Activity of Rs. 74, 57,421/-;

Unaccounted payment made to Karigars of Rs. 4, 47,000/-;

Unaccounted precious and semi-precious stones of Rs. 14, 91,484/-

75. Before us, the AR of the assessee reiterated the submission made before the lower authorities and prayed for deletion of the addition of Rs. 93, 95,905/-.

On the other hand, the DR of the revenue supported the orders of the lower authorities.

76. We have gone through the order of the lower authorities and heard both the parties. Upon perusing all the relevant seized material, it is clear that the core issue is the nature of notings found recorded in the seized material. At one hand, the lower authorities are contending that these seized materials are records of unaccounted gold/silver and precious/semi-precious infused in the manufacturing activity which never formed part of the books of the assessee. On the other hand, the AR of the assessee claims that the stock appearing in the seized material is the stock recovered from melting of old/existing stocks, repaired/reworked and not any unaccounted stock.

77. Firstly, we perused the supporting documents put forth by the AR of the assessee in support of his argument. The AR of the assessee invited our attention to the paper book page no. 4 to 6 which happens to be the extracts from the seized material evidencing that the jewellery items are issued for repair/rework to job workers (Karigars) by the assessee. On verification of the claim of the AR, we found that the seized material contained the details with respect to goods issued to karigars along with the instructions. The seized material enclosed at PBP: 4 to 6 carrying the description generally noted for issuance of goods for job work. For instance, we note that the nature of work i.e. Jadai and Repair, along with the technical nomenclature used in the jewellery industry, is appearing in the seized material. We also observed that the AO have also acknowledged the above argument of repair and rework in his order which has been reproduced below:

Point 8.27 at page 48 of the assessment order:

“...There are plethora of incriminating documents which were seized and thereafter discussed in details above, shows that the assessee is issuing stock for manufacturing and also some of the items for further repair (which has been verified from the assessee’s books).”

78. In addition to the above supporting documents, the AR of the assessee also produced before us copies of excel sheet, enclosed at PBP: 14 – 26, in support of the claim that the item in these seized material are also forming part of physical stock control sheet of the assessee. We noted that the said excel sheet incorporated therein the line wise comparison of items in the seized material and its corresponding entry in the physical stock control sheet of the assessee which further strengthen the argument of the assessee that seized material does not contain any unaccounted stock.
79. Similarly, with respect to the argument that the stock of gold/silver appearing in the seized material are recovered from the existing/old stock and does not represent any new stock, the AR of the assessee, draws our attention to PBP: 7 to 13 which indicates that stock of gold and stones were recovered from melting of existing stock. We find that the said paper book filed before us support the argument of the AR of the assessee as they are related to melting of old stock. We also find the claim of the AR of the assessee that the Ld. CIT (A) has also acknowledged the existence of such documents and provided the relief for the same in his order passed for the AY 2021-22. Hence, we cannot deny that some stock mentioned in the seized material also include stock recovered from melting of old/existing stock.

80. Therefore, we find force in the argument of the AR of the assessee that the seized material also incorporates therein repaired/reworked items, items made out of melting of old stock and included in physical control sheet. However, the explanation provided is not completely matching with seized documents. Hence, to meet the ends of justice overall 30% rebate is given on account of explanation, with supporting document, provided by the assessee and discussed hereinabove. **Accordingly, we delete total addition of Rs. 22,37,226/-.**

81. Furthermore, as far as addition of Rs. 14,91,484/- made by taking presumptive rate of 20% is concerned, we find that the lower authorities have not brought before us any material to justify this ad hoc rate of 20% for making addition for precious and semi-precious stones. Further, we have already given relief of 30% in the material cost of gold/silver items hereinabove, **therefore, to maintain the consistency and to meet the ends of justice, we are deleting 30% of the total addition of Rs. 14,91,484/- made on this account and direct the Assessing Officer to delete Rs. 4,47,445/-.**

82. With respect to the remaining addition of Rs. 52,20,195/- (74,57,421/- (-) 22,37,226/-) and Rs. 10,44,039/- (14,91,484/- (-) 4,47,445/-) cumulatively amounting to Rs. 62,64,234/-, we cannot brush aside the contents of seized material considering the descriptive nature of the seized material. However, here it is important to point out that the factual finding given by us and CIT (A) that quantity of physical stock found and stock control sheet were almost matched. Therefore, under the facts and circumstances, it is clear case of unaccounted sale of these goods manufactured and recorded in this seized

material. Furthermore, we cannot also tax the entire amount keeping in mind the well settled legal proposition that entire unaccounted sales cannot be added rather, only the profit element embedded therein can be added in the hands of the assessee. Since we have already held the goods manufactured during the year has been sold, Further, we have determined the cost of goods sold at Rs. 62,64,234/- therefore considering the actual profit ratio of 29.18% for the current year, the AO is directed to restrict the addition to profit embedded i.e. Rs. 25,81,055/- $[62,64,234 / (1 - .2918) = 88,45,289/-$ as unaccounted sale value and profit at 29.18% = 25,81,055/-. **Hence, this ground of appeal is partly allowed.**

83. As far as addition of Rs. 4, 47,000/- for wages is concerned, since the assessee admitted to have paid wages to karigars for repair/reworked work and the payment is also backed by the seized material, we find no substance in the submission of the assessee that the partners were having sufficient drawings to meet out such payment as no corroborative evidence has been submitted in this behalf. However, we note that assessee has also raised ground no. 5 for allowing telescoping of unaccounted expenses against unaccounted income. We note that the assessee has brought forward unaccounted profit of Rs. 25,31,019/- from preceding year and we further determined Rs. 25,81,055/- in ground of appeal no. 3 above and hence such additional unaccounted profit of Rs. 51,12,074/- (25,31,019/- + 25,81,055/-) was available with the assessee for meeting out unaccounted cash expenditure in current year and even in subsequent year(s), if required. Therefore, the telescoping effect for the cash expenditure of Rs. 4, 47,000/- is being given against the above stated unaccounted profit. The remaining unaccounted profit of Rs. 46,65,074/-

(51,12,074/- (-) 4,47,000/-) is available for current year as well as for subsequent year(s), if required. **Accordingly, the ground taken by the assessee is allowed.**

84. Now, we proceed with Grounds of Appeals No. 2 raised with respect to addition made for unaccounted cash commission of Rs. 80,44,567/-. We observe from the assessment order and order of the Ld. CIT (A) that a search action under section 132 of the Act was carried out in the case of the assessee on 19.01.2021. During the course of search, certain digital data was found and seized. The AR of the assessee has also submitted the seized material vide his paper book for our perusal. The seized material has been recovered from the digital data found during the search of the assessee.

85. The AO and the Ld. CIT(A) held that the seized digital sheet contains company wise report having date of sale, name of the guide, amount of sale, rate/amount of commission with the phrase 'paid' mentioned therein. Further, the lower authorities stated that the figure mentioned in the seized sheet is suppressed by one zero. Accordingly, by multiplying the cash commission to 10, the resultant amount has been computed, which, in the view of the lower authorities, was paid to various tour and travel companies without routing them through books of accounts. On the other hand, AR of the assessee denied the allegation of routing the commission paid through books and submitted that all the commission are duly accounted for in books of account of the assessee. The AR of the assessee also highlighted before us the deficiencies in the seized digital sheet and submitted that the seized page neither indicate name of the appellant rather having name of 'SARAF CARPET'

nor having reference for any payment or cash, rate of commission or amount of commission and the in some cases, commission has been computed on presumptive rates. Hence, no addition can be made on the basis of such unrelated rough sheet and on presumptions.

86. The DR relied on the orders of the lower authorities.

87. The AR of the assessee submitted before us paper book enclosing therein various sheets recovered from the digital data found during the search and submitted that sheets pertaining to addition of Rs. 2,050/- don't contain name of the assessee, sheets pertaining to addition of Rs. 44, 67,736/- don't have any reference of any payment and sheets attributed to addition of Rs. 11, 35,625/- don't have any rate or payment mentioned therein.

88. We have gone through the seized sheets and considered the submission of the both the parties involved. Undisputedly, the entire basis for additions, in dispute, is the digital sheets seized during the search operation of the assessee. Reference to the impounded material, copies of which is enclosed in the paper book, shows that these loose sheets are not complete and contain certain details. For instance, few sheets don't carry name of the appellant, few are silent on the aspect of payment or mode of payment and few are not indicating any rate at which commission, as alleged by the lower authorities, have been paid. Further, although the lower authorities have stated that these cash payment have not been routed through books of account of the assessee, however they have not brought before us any corroborative material which could even remotely establish that payments to the extent indicated in the seized sheet were actually made by the assessee to recipient mentioned in the

seized sheets. Hence, it is clear that neither the Ld. AO nor the Ld. CIT(A) have conducted any enquiry to ascertain whether the recipient have actually got paid the amount mentioned in the sheets. Further, it is a settled legal proposition that standalone loose papers, found during search, are prima facie inadmissible as evidence until they are backed by some corroborated evidence which is missing in the current case. All these reasons, gives support to the contention of the AR of the assessee that the Ld. AO made the addition merely on presumption.

89. specifically, with regard to the seized sheets of Rs. 2,050/- enclosed at PBP: 27, it is observed that sheets do not bear the name of the assessee rather heading 'SARAF CARPET' is mentioned. The lower authorities or the DR had also not brought out any corroborative evidence to show that the transactions pertained to the assessee. Therefore, in absence of any documentary evidence to prove the same, it could not be presumed that the amounts reflected in the loose papers were cash payment made by the Assessee. **Hence, the addition of Rs. 2,050/- is deleted.**

90. With respect to sheets, enclosed at PBP: 29 -53, pertaining to addition of Rs. 44,67,736/-, we have noted that the claim of the Ld. CIT(A) is not found correct as there is no mention of any phrase 'paid', as claimed by the Ld. CIT(A), in the seized sheet or reference of any payment. The lower authorities has also neither brought on record any corroborative documentary evidence to substantiate the contents of these excel sheets nor any instance where the so-called recipient of the commission had confirmed receipt of such commission by the assessee. Neither the lower authorities have provided any clarity on the

aspect of how the notings in the seized sheets have been interpreted as cash payment without there being any reference of payment. It is a settled law that addition cannot be made on the basis of loose documents without substantiating whether the contents of the seized material had materialized into actual transaction or not. No effective counter documents are available on record to rebut the arguments of the AR for the assessee. **Thus, keeping in view the foregoing discussion, we delete the addition of Rs. 44, 67,736/-.**

91. With regard to sheets, enclosed at PBP: 55 -60, on the basis of which addition of Rs. 11, 35,625/-, the AR of the assessee submitted that the addition has been computed by taking presumptive rates in a sense the Ld. AO presumed rates and applied the same to the alleged sale amount to arrive at the alleged and further presumed that cash commission has been paid by the assessee. We perused the paper book submitted by the assessee and find that the copies of excel sheet provided by the assessee also included details of F.Y. 2019-20 and Rs. 6,10,886/- only is related to the year under consideration where no rate of commission is mentioned. As we already submitted that no addition can be made on the basis of presumptions and without bringing any corroborative evidences. **Hence, we delete the addition of Rs. 6, 10,886/- out of total addition of Rs. 11, 35,625/- made on this aspect.**

92. With regard to the remaining addition of Rs. 29, 63,895/- [(80, 44,567/-) – (2,050/- + 44, 67,736/- + 6, 10,886/-)], the explanation submitted by the assessee is not backed by any evidences. Hence, in absence of any corroborative evidence, we sustain this addition of Rs. 29, 63,895/-. However, since the assessee is having unaccounted profit of Rs. 46,65,074 /-, as stated in

ground of appeal no. 3 above, the same was available for making such unaccounted commission payment of Rs. 29,63,895/- and hence we give telescoping effect of Rs. 29,63,895/- against the unaccounted profit of Rs. 46,65,074. The remaining unaccounted profit of 17, 01,179/- (46, 65,074/- – 29, 63,895/-) is available for subsequent year(s), if required. **Hence, this ground of appeal is allowed.**

93. We respectfully follow the following judgements and rely on the decision of the same:

- **Hon'ble Karnataka High Court in the case of DCIT/ CIT(A) Vs. Sunil Kumar Sharma [W.A. No. 830/2022] vide order 22.01.2024**, whereby the Hon'ble Court rejected the appeal of the revenue by holding that loose sheets have no evidentiary value without corroborative evidence. The Hon'ble Supreme Court has also dismissed SLP filed by the revenue against the said order. Relevant extracts of Hon'ble High Court order are reproduced below:

"50. In the instant case, the first issue raised by the Revenue is as regards the addition of income made by the Assessing Officer based on loose sheets found in the house of a third party. However, we find that the Revenue has not established the said loose sheets to be considered as evidence in law by producing corroborative evidence supported by judgments and findings. Further, since the statement made by Shri K. Rajendran under Section 132 of the IT Act is later retracted by him by filing an affidavit, the statement given by him does not hold any evidentiary value.

51. The notice issued under Section 153C of the IT Act in respect of the Assessment year 2018-19 is not applicable, which is also supported by various judgments of the High Court. Further, the notice as regards the Assessment years 2015-16, 2016-17 and 2017-18 are also not applicable, as the total addition of income were made on the basis of loose sheets. Further, the panchnama or mahazar of all the loose sheets said to have been seized from the house of Shri Rajendran, are now unavailable and the learned counsel for the Revenue has no answer for the same. On these premise, the assessment order made for the Assessment years 2015-16, 2016-17, 2017-18 and 2018-19 requires to be quashed.

...

56. *In the light of the above said Apex court Decisions and the Panchnama provided herein, it is deemed appropriate to conclude that the notice provided under Section 153C is bad in law”.*

- **The Hon’ble High Court of Madhya Pradesh in the case of PCIT-I Vs Shri Pukhraj Soni [ITA No. 53 of 2017] dated 06.02.2019** dismissed the department appeal where addition was made on the basis of loose papers.

Relevant extracts read as under:

“7. The Apex Court has taken into account in similar circumstances the incriminating materials in form of random sheets, loose papers, computer prints, hard disk and pen drive etc. and has held that they are inadmissible in evidence, as they are in the form of loose papers.

8. In the present case also entries found during search and seizures which are on loose papers are being made the basis to add income of this respondent.

9. Resultantly, in light of the Supreme Court judgments, referred above, no case for interference is made out with the order passed by the Tribunal. Moreover no substantial question of law arises in the present appeal, the appeal is dismissed”.

- **The ITAT, Bangalore in the case of Ace Developers Vs. DCIT [ITA No. 365/Bang/2024] vide order dated 20.09.2024** deleted the addition based on rough noting made on loose sheets and held as under:

“18.5 At this juncture, it is equally important to refer the provisions of section 132(4A) and 292C of the Act which provides a presumption that the documents impounded from the premises of the assessee belongs to the assessee and the contents of the same are true. However, such presumption is rebuttable and assessee based on evidence can rebut the same. Even though the provision of section 292C and 132(4A) of the Act provides presumption to the assessing authority to presume that the document belong to the assessee and content are true about the documents found from the possession of the assessee but that does not mean that such documents shall be brought under the tax net. As such, to tax income based on loose sheets, it is necessary to bring finding on record that noting made in such documents are actual transactions which has materialized leading to income in the hand of the assessee and such income has been unaccounted or unexplained by the assessee.

18.6 In the case on hand, there was no finding, based on independent inquiry, brought on record that the assessee has collected on money on sale of flats except relying on the loose sheets/paper found during the survey proceeding at the assessee premises. There was no inquiry made from the person who allegedly bought the flats. Therefore, considering the facts in totality and the discussion made in the preceding paragraph, we are of the opinion that the revenue authority was not justified in making such an addition merely based on certain rough noting made on loose sheets. Hence, the ground of appeal raised by the assessee is hereby allowed”.

- **The Hon’ble Mumbai ITAT in case of *S.P. Goyal v. Dy. CIT [2002] 82 ITD 85 (Mum.) (TM)*** held as under:

“...loose papers cannot be termed as books of an assessee maintained for any previous year. Loose sheet of paper torn out of a diary could not be construed as books for the purpose of section 68. Addition could not be made simply on the basis of certain nothings on loose sheets of a diary without any corroborative evidence in the form of extra cash, jewellery or investment outside the books. The loose papers appear to be part of a 1992 diary. However, these loose papers consist of pages torn out from March, April, November and December. There is no closing balances or opening balances and there is no reconciliation of these entries. Therefore, it cannot be termed as books maintained by the assessee during the previous year. . . . The loose paper in itself has got no intrinsic value. ...When it is a mere entry on a loose sheet of paper and if the assessee claims that it was only a planning, not supported by actual cash, then there has to be circumstantial evidences to support that this entry really represent cash of Rs. 60 lakhs. There is no such evidence found by the Revenue in the form of extra cash, jewellery or investment outside the books.”

94. The assessee also raised Ground of Appeal No. 4 against the addition of Rs. 50,000/- made by the lower authorities on the basis of digital sheet recovered from personal computer of one Shri Rajat Agarwal. The lower authorities claim it to be the document pertaining to cash expenses of Rs. 50,000/- made by the assessee during the year. The AR of the assessee submit that the seized sheet is a non-speaking document, does not contain name of the appellant and not

found from the possession of the appellant rather from the computer of another person.

95. We have gone through the orders and also perused the seized sheet under consideration. We note that the sheet carry a heading 'R. Puri & L. Puri' and two types of notings one with reference of cheques and another with reference of 'rokdi' along with date. We also take note of the fact that the said sheet is recovered from the personal computer of Shri Rajat Agarwal and does not carry anything related to the assessee. Moreover, the submission of the AR that the cheque mentioned in the said seized are found recorded in the books of Shri Manoj Agarwal. All these instances make the case of the assessee stronger since there is absolutely nothing of any sort which remotely indicates that this sheet or its content belongs to the assessee. Further, the lower authorities also has not brought before us any reason for attributing this sheet to the assessee or any corroborative evidence which indicate that assessee has made the cash payment as mentioned in the sheet. Therefore, in absence of all this crucial information, we cannot add of Rs.50, 000/- in the income of the assessee by presuming that the assessee must have paid this. Hence, we allow this ground and delete the addition of Rs. 50,000/-.

96. We rely on the judgement of the ITAT, Jaipur in the case of Rameshwar Lal Vyas Vs. DCIT, Central Circle, Ajmer [ITA No. 1257/JPR/2024] vide order dated 24.07.2025 wherein it was held as under:

"As far as the page 68 of exhibit-8 is concerned, we find that the said page is a non-speaking document, since it no -where contains any details with respect to any payment more particularly any cash payment or date of transaction.

Merely name & amount does not constitute unaccounted cash payment made to trade creditors. In absence of payment details, mode of payment, date of purchase by recipient, signature of recipient and vendor, the said page cannot constitute to contain unaccounted cash payment made to creditors by the assessee. The onus was on the revenue to prove the content, however we find that no tangible material, other than the statement, has been brought to support that the entries appearing in the seized page are unaccounted cash payment made to creditors. On the other hand, the assessee has submitted confirmation of all parties, under consideration, along with affidavits, regarding transactions executed with appellant during the year under consideration. More so, we find that no enquiry was conducted by the AO from even a single person named in the so called seized page, if at all, to strengthen the finding of Revenue culminating with addition. The contention of the Ld. CIT (A) that it is a case of parallel accounting is also hollow and presumptive since no corroborative material was brought on record. We also find force in the argument of the AR of the assessee that there cannot be any unaccounted income without there being any unaccounted purchase or sale or unaccounted stock. Neither the AO nor the Ld. CIT (A) has brought any material of any unaccounted purchase or sale in the current case and the addition on account of accounted stock was already deleted by the Ld. CIT (A). We agree with the submission of the AR of the assessee that for invoking section 69 of the Act, there has to be an unrecorded/ unaccounted investment and that there cannot be any unaccounted investment without there being any accounted income.

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97. The brief facts of the case are that the assessee is a partnership firm engaged in the business of precious and semi-precious stones, Jewellery, textile and handicraft items etc. The assessee filed his return of income under section 139 of the Act on 15.02.2022, declaring total income at Rs. 8, 32,250/-. A search action under section 132 of the Act was carried out on 19.01.2021 on the assessee group and its associated concerns. Assessee was also searched under section 132 of the Act. Accordingly, notice under section 142(1) of the Act was issued and in response, the assessee submitted its reply. The AO made various additions to the returned income and assessed the total income at Rs. 45,76,59,325/-. The assessee being aggrieved with assessment order preferred an appeal before the Ld. CIT(A), who in turn allowed part relief to the assessee and restricted the addition to Rs. 1,55,63,415/-. The assessee, being further aggrieved with the order of the Ld. CIT (A), preferred the present appeal before us.

98. We have gone through the order of the AO and the order of the Ld. CIT (A) and submissions/arguments of both sides along with grounds taken by the assessee. Firstly, we take up Grounds of Appeals No. 2 raised with respect to non-quoting of DIN in the assessment order by the AO. The AR of the assessee draws our attention to circular no. 19/2019 dated 14.08.2019 which mandates to quote DIN in every communication issued by the income tax department. The AR submitted that since the AO has not quoted the DIN in the body of the assessment order, the assessment order is invalid. On this ground, we take note of the fact that the Hon'ble Apex Court had granted interim stay against

the order of the Hon'ble High Court in the case of CIT Vs. Brandix Mauritius Holding Ltd. Therefore, considering the pendency of the issue before the Hon'ble Apex Court, we deem it appropriate to dispose the appeal with liberty to the assessee to revive this ground after the pronouncement of the Supreme Court judgment.

99. Ground No. 3 of the appeal has been raised for unaccounted excess stock of Rs. 95,07,903/-. The AR of the assessee submitted that there was no excess stock in terms of quantity in physical stock found during search and stock found recorded in physical stock control sheet of the assessee. Further submitted that stock found during search included old stock also, however, complete stock was valued at market price as against the method of valuation followed by the assessee which is cost or market price, whichever is lower. It is the contention of the AR of the assessee that although the Ld. CIT(A) has provided deduction of Gross Profit embedded in the market price of the stock found during search, however since there was no discrepancy in quantity of stock, the cost of stock as per book must have been accepted. The AR of the assessee also pointed out the Ld. CIT(A), while computing alleged excess value of stock of Rs. 95,07,903/-, has taken the value of stock as on 31.12.2020 instead of actual book value on the date of search which inflated the value of stock by Rs. 50,27,624/-. Therefore, according to the Ld. CIT (A) the alleged excess stock is of Rs. 44, 80,279/- (95, 07,903/- – 50, 27,624/-). Taking an alternative plea, the AR submitted that even if the addition of Rs. 95, 07,903/- is sustained, the entire addition will be tax neutral as there is no difference in quantity of stock and the said alleged excess stock will be the opening stock of

the assessee in the subsequent year which will eventually reduce the profit of the subsequent year.

100. On the other hand, the DR of the Revenue supported the orders of the lower authorities.

101. We have gone through the orders of the lower authorities and heard the contentions of both the parties and perused the material placed on record. This ground relates to the addition of Rs. 95, 07,903/- sustained by the Ld. CIT (A) on account of excess stock found during search of the assessee. We note that the AO, in his order, made addition of Rs. 32,55,85,384/- on account of excess stock, however, the Ld. CIT(A), after considering the method of valuation followed by the assessee, inclusion of old stock in the stock found and absence of any difference in stock quantity, deleted the addition of Rs. 31,60,77,481/-(by reducing the GP Rate of 30.90% from market value of stock of Rs. 102,29,01,231/-) and restricted the addition to Rs. 95,07,903/- only.

102. We note that there is no dispute with regard to the fact that there was no discrepancy in stock as far quantity is concerned. The AO has also acknowledged this fact in his assessment order where he stated as under:

Point 9.11 and 9.12 at pages 66 and 67 of the assessment order:

The above table contains Annexure number of seized material, page number and stock item number of physical stock sheets/register (found in the cavity and annexed), description, and gross weight, name of seller and date of voucher. The description, gross weight, wherever available, are matching with relevant stock items in physical stock sheets. Assessee has also produced the copies of relevant purchase vouchers/invoice and packing slips.

9.12 During the post-search proceedings, the invoices and packing slips provided by the assessee were examined and that same found to be true and matching with the stock registers (found in cavity) seized during the search operation.

103. Further, the Ld. CIT (A) has also addressed this aspect separately in his order and explicitly admitted that the quantity of stock found during search was matching with the stock as per books except a minor difference of 100.552 Grams in total stock of 5,08,573.380 grams. Accordingly, we find no fault in the factual conclusion reached by the Ld. CIT(A) since they are supported by documentary evidences and detailed verification. The observation made by the Ld. CIT (A) is also reproduced below for reference:

Page 60-61 of the Ld. CIT (A) order:

“5.3.9. Now coming to the one more aspect of the valuation. Whether there were excess stock or not, the same can also be measured in quantitative terms. If there is no excess quantity found during search, then it can be concluded that there is no excess stock in quantitative terms. To throw light on this aspect, it is necessary to compare the quantity of stock found during search and valued by valuer and the quantity of stock recorded in stock sheets. While deciding the ground of appeal no 3 in this order, a comparison between jewellery physical found during search and jewellery mentioned in stock sheet was made. From this analysis, it can be seen that there was a minor difference in quantitative terms.”

104. Hence, it is clear that the addition of Rs. 95,07,903/- represent difference on account of valuation of stock only which arose due to difference in market

value, even after reducing the GP rate on approximate basis, and book value of stock. In this regard, we note that the assessee has followed the method of valuation: lower of cost or market rate during the year. This contention was also found to be correct by the Ld. CIT (A) in para 5.3.6 of his order. Further, the Ld. CIT (A) himself admitted that the consistent method of valuation, followed by the assessee, cannot be discarded by the AO and accordingly removed the gross profit embedded in the stock found. The relevant observation of the Ld. CIT (A) is reproduced below:

Point 5.3.6.1 at page 54 of the Ld. CIT (A) order:

"5.3.6.1 As per the accounting standard issued by the ICAI and ICDS issued by the CBDT prescribes that the method of valuation of inventories should be consistently followed by the concerned assessee. In the instant case, the appellant is following "lower of cost or market price", therefore, the regular and consistent method of valuation cannot be discarded by the AO. The said view is found force from the following judgement:"

105. Therefore, when there is no difference in quantity of stock found during search and quantity of stock found recorded in books of accounts of the assessee, rather the difference is of valuation only and further, when the lower authorities have admitted that the assessee is consistently following the method of valuation (cost or market price, whichever is lower), then adopting a different method of valuation, in our view, is not valid and the stock ought to have been valued at cost or market price whichever is lower as persistently followed by the assessee. Accordingly, we are in agreement with the AR of the assessee that the value of stock as per book should be accepted and no addition should be made merely on the basis of valuation since there exists no difference in quantity of stock.

Further, the meagre difference in stock of 100.552 grams is also ignored considering its quantity compared (0.02% of total stock) to total stock of 5,08,573.380 grams and various reason of its occurrence. **Therefore, we delete the addition of Rs. 95, 07,903/-.** Further since we deleted the entire addition, there is no question of telescoping as provided by the Ld. CIT (A) in his order.

106. We find that the decision relied upon by the assessee are applicable on the current case and we also rely on the same which are mentioned below:

- **The ITAT, Jaipur in the case of Amrapali Jewels Pvt. Ltd. Vs. ACIT, Central Circle-01, Jaipur [ITA No. 740 and 750/JP/2024] whereby the Hon'ble Bench, vide order dated 19.02.2025,** under similar facts, held as under:

"38. Evidently, the present case is not a case of any understatement of consideration or excess stock in quantitative terms but only a notional addition of excess stock on account of mere valuation, which is beyond the scope of provision of Section 69B of the Act. In our view the issue on hand is squarely covered by the decision of coordinate bench in the case of M/s Jewels Emporium vs. ACIT Central Circle-1, Jaipur in ITA 303/JP/2019 decided on 15.09.2020, wherein order of the Ld. CIT(A) deleting the addition on account of excess stock wherein the difference was on account of valuation was upheld. The relevant extract of the same is reiterated here in below:

"18. Rival contentions have been heard and record perused. Brief facts are that, during the course of search operation total stock found at the business premises of assessee firm situated at D-7, M.I. Road, Jaipur and shop titled as Boutique, Hotel Rambagh Palace, Jaipur was quantified and valued by departmental valuer at Rs.26,62,93,376/-. The search team based on incomplete books of accounts worked out the cost of stock as per books as on the date of search i.e. on 18.12.2014 at Rs. 20,47,95,518/- and the differential amount of Rs. 6,14,97,858/- was alleged as excess unexplained stock and based on this working an admission of Shri Anup Bohra, one of the partners of assessee's firm, was obtained in his statements recorded during the course of search as stated above. On the date of search books of the assessee were not complete and certain

entries pertaining to cash sales made on 16.12.2014 remained to be incorporated therein, which fact is established from the copy of cash book print outs seized during the course of search where the cash balance as on 16.12.2014 is appearing in the Balance Sheet marked as Anx-1 page 22 from where the value of stock of Rs. 20,47,95,518.00 is taken by the search team. The other most important factor which is ignored by the department is that while valuing the stock found, the departmental valuer took the value of precious metal and other precious and semi-precious stones at prevailing market price as on the date of search (18.12.2014) whereas in accordance with the specified norms and accounting standards, the stock recorded in the books is at the cost price and or market value whichever is lower and since cost price is lower, same has been recorded at cost price in the books. It is relevant to state that there is no dispute in quantity measured by the departmental valuer. It was thus contended that since the stock found at the time of search was valued at prevailing market value and to compare the stock as per books of accounts which had always been recorded on cost price, the profit element embedded in value estimated by DVO to bring both the values in parity and make them comparable and thereafter the AO is required to find out any excess or any shortage of stock. It was also found that after giving effect to the cash sales made on 16.12.2014, entry of which were remained to be made in the books as on the date of search and further reducing the profit element from the gross value determined by departmental valuer, the total value of stock found as on the date of search was equal to the value of stock recorded in the books of the assessee and therefore no addition is warranted. However, the AO without appreciating the same and simply for the reason that one of the partners had admitted the same as unexplained in the statement recorded during the search, had made the addition. When all these facts alongwith the same evidences which were submitted before the AO during course of assessment proceedings were produced before the Id. CIT(A) in appellate proceedings, Id. CIT(A) after appreciating the same had deleted the addition made in this regard. Findings recorded by the Id. CIT(A) in this regard are as under:

...

44. Undisputedly, in the case in hand there is no quantity of stock found in excess. No finding has been given in the assessment order as well as by Id. CIT(A) as to any item of stock at branches or other locations of franchises found in excess during survey. Therefore, an addition made for Delhi, Mumbai and Bangalore other franchisee branches based on excel price list, ledger accounts is not justified and directed to be deleted. ...

47. Based on the discussion so recorded herein above and respectfully following the binding precedent as discussed herein above of our Hon'ble Jurisdictional High Court in the case of M/s Jewels Emporium vs. ACIT Central Circle-1, Jaipur (Supra) in DBITA No.

43/2021 and other related case laws as discussed herein above the grounds of appeal no. 3 raised by the assessee is allowed and impugned addition made u/s 69B of the Act on this issue is directed to be deleted in entirety. The orders of the lower authorities with respect to this issue are set aside and Ground No. 3 of the Assessee appeal is thus allowed in favour of the Assessee."

- **The ITAT, Jaipur in the case of Cottage Handicraft Textile Emporium Vs. DCIT V [ITA No.183/JP/2025] vide order dated 25.05.2025 held as under:**

"... Thus, there is no dispute about the quantity of the stock maintained by the assessee but only dispute about the valuation of the stock at the business premises of the assessee. When the matter carried before the Id. CIT(A) he sustained the addition for an amount of Rs. 6,61,606/- as the assessee failed to explain the difference between the stock price and MRP price stock price maintained by the assessee. Thus, so far as the quantity of the stock Id. AO or that of the Id. CIT(A) has not observed anything contrary and since the quantity of the stock is not in dispute merely there was difference in the stock record based on the cost and MRP does not got reconciled no addition merely on that difference can be made and therefore, we direct the Id. AO to delete that addition. We get support of our on the issue by the decision of our Hon'ble jurisdictional Rajasthan High Court in the Case oPCIT-1 Vs. M/s. Jewels Emporium in DBIT no. 43/2021 wherein High Court has held that ;

- **The ITAT, Jaipur in the case of DCIT Vs. M/s Vikas Jewellers [ITA No.789/JP/2019] vide order dated 01.11.2021 held as under:**

"13. Apart from our above discussion, we are of the view that said alleged difference in value of Rs. 2,12,54,055/- of stock in trade as per books of accounts and as per valuation report of registered valuer as on the date of search i.e. 28-01-2016. The A.O. has not held that there was any difference in quantity of stock as per valuation report and as per books of accounts. There can be no addition simply on the basis of valuation unless excess quantity of stock is found..."

107. Coming to Ground no. 4 of the assessee which is related to addition of Rs. 20, 00,000/- for unaccounted cash commission. It is noted that during the search, a loose sheet is recovered from the digital date found and seized

during search. The AR of the assessee submitted the seized sheet vide his paper book which is enclosed at PBP: 145. The AR stated that the jottings, on the basis of which addition is made, does not contain name of the assessee, reference of any commission, payment or the recipient of the payment, hence it is a dumb/rough document. Further stated that it is not at all related to the year under consideration. On the contrary, the Ld. CIT (A) in his order claimed that 'paid' is mentioned in the sheet and hence the addition made by the AO deserves to be upheld.

108. The DR of the Revenue relied on the orders of the lower authorities.

109. We have gone the orders of the lower authorities and heard the contention of both the parties and also perused the seized material. We find that the seized sheets carry heading "*ALLURING INDIA (Deepak Mudgal Ji)*" and the alleged addition is the sum of three figures mention in the seized sheet i.e. "50,000/- cash date 04-08-2018", "1,00,000/- cash date 07-09-2019" and "50,000/- cash date 23-10-2019". However, on examination of the seized sheets, it is evident that then tings neither related to the assessee as there is absence of name of the assessee nor related to the year under consideration since all the dates mentioned in the noting under consideration falls outside the current year. Further, the seized page does not indicate any payment as claimed by the Ld. CIT (A), in the seized sheet. Considering the whole facts of the case, we do not find it right to confirm the addition on the basis of an unrelated dumb documents without any corroborative evidence. Hence, we do not see any substance in the order of the AO, which is further confirmed by

the Ld. CIT (A). In view of this, ground raised by the assessee is allowed and the order of the AO and Ld. CIT (A) is quashed. **The AO is directed to delete the addition of Rs. 20, 00,000/-made in the case of the assessee.**

110. We rely on the case of CIT vs. Girish Chaudhary (2008) 296 ITR 619 (Delhi) – Delhi High Court has held as under:-

“That the revenue has to prove the undisclosed income beyond doubt. Further it was held that the document should be a speaking one and it should contain narration in respect of various figures noted therein. Otherwise the same should be considered as dumb document on which reliance could not place upon.”

111. Now we proceed to address Ground No. 5 raised against the addition of Rs. 8, 87,104/- made on account of mismatch of sales. During the search various digital sheets were found and impounded. On the basis of these sheets, an inference was drawn by the AO that sale mentioned in these sheets is unrecorded cash sale of assessee on which unrecorded cash commission has been given. During the assessment, the AO has considered the sale as matched if the same has been made within +2/- 2 days and if the difference is less than 1%. During assessment proceedings, assessee submitted day wise and amount wise details and matched Rs. 47,43,884/- of the sales out of the total sales of Rs. 76,14,771/- with regular books of accounts which was found satisfactory by the Ld. AO. However, the remaining sale of Rs. 28, 70,887/- were not matched exactly with the books of account as per the criteria set out by the Ld. AO. Accordingly, the AO applied gross profit of Rs. 30.90% on such sales and added Rs. 8,87,104/- in the total income of the assessee. The said addition was also confirmed by the Ld. CIT (A).

112. The AR of the assessee submitted before us that remaining sale of 28,70,887/- (76,14,771 – 47,43,884) although duly matching up but the same was not accepted by the Ld.AO as well as the Ld. CIT(A) as it was not exactly matching with the sale recorded in the regular books of accounts of the appellant. The AR submitted before us the reasons for such non-matching of sales and submitted that the sales were subject to many deductions viz VAT/GST, Bank Charges etc which changes the sales value. Further also stated that the due to operational formalities sales are sometime recorded in a gap of 2-5 days. Hence, if the criteria set out by the AO are not considered, the sales are fully matched.

113. The DR of the Revenue relied on the orders of the lower authorities.

114. We have gone the orders of the lower authorities and heard the contention of both the parties. At the outset, we perused the excel sheet submitted, vide PBP: 146 – 176, by the assessee incorporating therein sales of Rs. 28, 70,887/- and noted that all the entries pertain to years other than the year under consideration. Further, the lower authorities have not clarified in their orders why the said income has been added in the current year when the same is not all related to the current year. We agree with the submission of the AR that the income must be assessed in the correct assessment year, as each assessment year is independent and separate and income, if any pertaining to other years cannot be taxed in the current year. Therefore, in

view of this sole reason, **we find it right to allow this ground of the assessee and delete the addition of Rs. 8, 87,104/-.**

115. We rely on the following decisions:

- **Hon'ble Punjab and Haryana High Court in case of CIT v. Atam Valves (P.) Ltd. [2009] 184 Taxman 6 (Punj. & Har.)**

Now the question is regarding estimating the income on the basis of these loose slips. In our opinion, the Assessing Officer is not justified in estimating the sales on the basis of loose slips without substantiating that the assessee has actually made the sales to that extent of estimation made by the Assessing Officer and having no iota of evidence in the form of sale bills or bank account or movable and immovable property which represent earning of unaccounted income by the assessee. As such, the Id. CIT (A) to that extent is justified in holding that estimation of sales on the basis of loose slips represented payment of wages is not possible."

- **Hon'ble Gujarat High court in the case of CIT vs. Maulik kumar K Shah reported in 307 ITR 137** wherein it was held that:

"Notings in the seized diary found from the premises were the only material on the basis of which the Assessing Officer had made the impugned additions. The Assessing Officer had not brought any corroborative material on record to prove that such sales were made and 'on-money' was received by the assessee outside the books of account. The Assessing Officer had not examined any purchaser to whom the sales of shops were affected. Onus heavily lay on the revenue to prove with corroborative evidence that the entries in the seized diary actually represented the sales made by the assessee. Such onus had not been discharged by the revenue. Mere entries in the seized material were not sufficient to prove that the assessee had indulged in such a transaction. The inference of the Assessing Officer that the assessee has received 'on money', was merely based on suspicion and surmises and there was no material whatsoever to support the conclusion of the Assessing Officer that the assessee had in fact received any 'on-money'. The addition as made by the Assessing Officer being based on mere presumptions and assumptions and without any corroborative evidence could not be sustained.

- **Hon'ble ITAT, Hyderabad, in the case of M/s Nagarjuna Construction Company Ltd. Vs. DCIT held as under:**

43. We have heard both the parties on this issue. As seen from the facts of the case, the addition based on the loose seeds bearing no. 136 to 153 of Annexure marked as A/NCCL-1/1 seized from the office premises situated at plot No.41, Nagarjuna Hills, Punjagutta, Hyderabad. This is with reference to calculation of interest receivable from Shri V Srinivasa Raju on advance of Rs.440 lakhs made by the Company. This is only the calculation made by the assessee to put pressure on Shri V Srinivasa Raju. These loose sheet bundles is a dumb documents and cannot be considered as tangible material to determine the undisclosed income. There should be a accrual of income and it should be a real one. The income should be receivable and cannot be hypothetical and only on real income, income tax could be levied. On hypothetical accrual of income, Tax cannot be levied.

116. Now we proceed to address Ground No. 6 raised against the addition of Rs. 31, 37,508/- made on account of unexplained stock in manufacturing activities. During the search of the assessee certain material was found and seized which was inventoried as Annexure-AS-C. The lower authorities contended that seized material are related to manufacturing activity of gold and silver ornaments and contain details of issuing raw material, metals, jewellery items to various karigars for specific work and labour charges were also paid to such karigars. However, the entire manufacturing activity from purchase of raw material to sale of finished goods was kept out of books of the assessee. On the basis of the seized material, the Ld. AO determined the undisclosed manufacturing activity as follows:

Unaccounted gold used in manufacturing Activity of Rs. 6, 44, 38,423/-;

Unaccounted silver used in manufacturing Activity of Rs. 13, 66,719/-;

Unaccounted payment in cash to karigars of Rs. 45, 28,548/-

Further, the AO also presumed that at least 20% of the stock of precious and semi-precious stones had been infused in the manufacturing activity in addition to gold and silver.

117. During the assessment and first appellate proceedings, explanation was sought from the assessee on this issue. The assessee submitted that the gold and silver mentioned in the seized material were not sourced externally rather sourced from melting of old or obsolete stock which is duly recorded. The assessee submitted evidences from the material seized during search which contains details of melting of existing stock and recovery of metals etc. therefrom. Further, the assessee also provided references from the seized material evidencing that the seized material clearly indicate that the stock items were issued for repair, rework etc. to karigars which was subsequently returned back after completion of such work. More importantly, items appearing in the seized material are duly found recorded in physical stock control sheet maintained by the appellant. Accordingly, in view of the evidence submitted during assessment, the assessee contended that it has not manufactured any stock out of books and whatever stock is appearing in the seized material are recovered from old/obsolete stock and indicating repair/rework of recorded stock. Further, the AR objected to the addition based on presumptive rate in case of precious and semi-precious stones since no supporting document were found in this regard. However, the AO find the submission as not tenable and made the following addition of Rs. 32, 16,784/- in the current year.

Unaccounted gold/silver used in manufacturing Activity of Rs. 24, 08,641/-;

Unaccounted payment made to Karigars of Rs. 3, 26,415/-;

Unaccounted precious and semi-precious stones of Rs. 4, 81,728/-

118. Out of the addition of Rs. 32,16,784/-, the Ld. CIT(A) given credit of Rs. 79,276/- on account of melting of existing/old stock and sustained the addition of Rs. 31,37,508/-.

119. Before us, the AR of the assessee reiterated the submission made before the lower authorities and prayed for deletion of the addition of Rs. 31, 37,508/-. On the other hand, the DR of the revenue supported the orders of the lower authorities.

120. We have gone through the order of the lower authorities and heard both the parties. Upon perusing all the relevant seized material, it is clear that the core issue is the nature of notings found recorded in the seized material. At one hand, the lower authorities are contending that these seized materials are records of unaccounted gold/silver and precious/semi-precious infused in the manufacturing activity which never formed part of the books of the assessee. On the other hand, the AR of the assessee claims that the stock appearing in the seized material is the stock recovered from melting of old/existing stocks, repaired/reworked which is duly recorded in books of accounts of the assessee.

121. Firstly, we perused the supporting documents put forth by the AR of the assessee in support of his argument. The AR of the assessee invited our attention to the paper book page no. 4 to 6 which happens to be the extracts from the seized material evidencing that the jewellery items are issued for repair/rework to job workers (Karigars) by the assessee. On verification of the claim of the AR, we found that the seized material contained the details with respect to goods issued to karigars along with the instructions. The seized

material enclosed at PBP: 4 to 6 carrying the description generally noted for issuance of goods for job work. For instance, we note that the nature of work i.e. Jadaid and Repair, along with the technical nomenclature used in the jewellery industry, is appearing in the seized material. We also observed that the AO have also acknowledged the above argument of repair and rework in his order which has been reproduced below:

Point no. 12.27. At page 203 of the assessment order:

“...There are plethora of incriminating documents which were seized and thereafter discussed in details above, shows that the assessee is issuing stock for manufacturing and also some of the items for further repair (which has been verified from the assessee’s books).”

122. In addition to the above supporting documents, the AR of the assessee also produced before us copies of excel sheet, enclosed at PBP: 14 – 26, in support of the claim that the item in these seized material are also forming part of physical stock control sheet of the assessee. We noted that the said excel sheet incorporated therein the line wise comparison of items in the seized material and its corresponding entry in the physical stock control sheet of the assessee which further strengthen the argument of the assessee that seized material does not contain any unaccounted stock.

123. Similarly, with respect to the argument that the stock of gold/silver appearing in the seized material are recovered from the existing/old stock and does not represent any new stock, the AR of the assessee, draws our attention to PBP: 7 to 13 which indicates that stock of gold and stones were recovered from melting of existing stock. We find that the said paper book filed before us support the argument of the AR of the assessee as they are related to melting

of old stock. The claim of the AR of the assessee also backed by order of the Ld. CIT (A) where he acknowledged the existence of such documents and provided the relief for the same in his order passed for the current year. Hence, we cannot deny that some stock mentioned in the seized material also include stock recovered from melting of old/existing stock.

124. Therefore, we find force in the argument of the AR of the assessee that the seized material also incorporates therein repaired/reworked items, items made out of melting of old stock and included in physical control sheet. However, the explanation provided is not completely matching with seized documents. Hence, to meet the ends of justice overall 30% rebate [including the addition of Rs. 79,276/- provided by the Ld. CIT(A)] is given on account of explanation, with supporting document, provided by the assessee and discussed hereinabove. **Accordingly, we delete additional amount of Rs. 6, 43,316/- [(24, 08,641/-*.30) – 79,276/-].**

125. Furthermore, as far as addition of Rs. 4, 81,728/- made by taking presumptive rate of 20% is concerned, we find that the lower authorities have not brought before us any material to justify this ad hoc rate of 30% for making addition for precious and semi-precious stones. Further, we have already given relief of 30% in the material cost of gold/silver items hereinabove, therefore, to maintain the consistency and to meet the ends of justice, **we are deleting 30% of the total addition of Rs. 4,81,728/- made on this account and direct the Assessing Officer to delete Rs. 1,44,518/-.**

126. With respect to the remaining addition of Rs. 17,65,325/- (24,08,641/- – 6,43,316/-) and Rs. 3,37,210/- (4,81,728/- – 1,44,518/-) cumulatively

amounting to Rs. 21,02,535/-, we cannot brush aside the contents of seized material considering the descriptive nature of the seized material. However, here it is important to point out that the factual finding given by us and CIT (A) that quantity of physical stock found and stock control sheet were almost matched. Therefore, under the facts and circumstances, it is clear case of unaccounted sale of these goods manufactured and recorded in this seized material. Furthermore, we cannot also tax the entire amount keeping in mind the well settled legal proposition that entire unaccounted sales cannot be added rather, only the profit element embedded therein can be added in the hands of the assessee. Since we have already held the goods manufactured during the year has been sold, Further, we have determined the cost of goods sold at Rs. 21,02,535/- therefore considering the actual profit ratio of 30.90% for the current year, the AO is directed to restrict the addition to profit embedded i.e. Rs. 9,40,207/- $[21,02,535/(1 - .3090)]$ Rs. 30,42,742/- as unaccounted sale value and profit at 30.90% = 9,40,207/-. **Hence, this ground of appeal is partly allowed.**

127. As far as addition of Rs. 3,26,415/- for wages is concerned, since the assessee admitted to have paid wages to karigars for repair/reworked work and the payment is also backed by the seized material. We find no substance in the submission of the assessee that the partners were having sufficient drawings to meet out such payment as no corroborative evidence has been submitted in this behalf. However, we note that assessee has also raised ground no. 8 for allowing telescoping of unaccounted expenses against unaccounted income. We note that the assessee has brought forward unaccounted profit of Rs. 17,01,179/- from preceding year and we further determined Rs. 9,40,207/- in

ground of appeal no. 6 above and hence such additional unaccounted profit of Rs. 26,41,386/- (17,01,179/- + 9,40,207/-) was available with the assessee for meeting out unaccounted cash expenditure in current year and even in subsequent year(s), if required. Therefore, the telescoping effect for the cash expenditure of Rs. 3, 26,415/- is being given against the above stated unaccounted profit. The remaining unaccounted profit of 23, 14,971/- (26, 41,386/- – 3, 26,415/-) is available for subsequent year(s). **Accordingly, the ground taken by the assessee is allowed.**

128. The Ground of Appeal no. 7 is related to the addition of Rs. 30,900/- made on the basis of seized page inventoried as Exhibit C-32 of Annexure-AS-C. The said seized contain details of 18 paintings out of which 1 is claimed to be sold for Rs. 1, 00,000/- by the assessee. The AO applied GP of 30.90% on such value of Rs. 1, 00,000/- and added 30,900/- in the current year. On the other hand, the assessee submitted that all the paintings were received on approval and the phrase 'SOLD' mentioned against one painting cannot be interpreted as purchase made by the assessee.

129. We heard both the parties and perused the seized material. It is admitted position that the seized sheet is having mention of 18 paintings being received on approval. There is also a mention of the word 'SOLD' at the bottom of the seized page. However, is mere mentioning of 'SOLD' in a seized sheet is sufficient enough to fix liability on the assessee. In our view, it is not and the Revenue ought to bring something more to prove that the assessee has received cash against such sale. There is nothing on record to say that the assessee has received any cash against such sale rather it is the presumption of the lower authorities that since 'SOLD' is mentioned,

the assessee must have received cash in consideration of such sale. In our view, we cannot give meaning to any seized page or content mentioned in the seized page without there being any corroborative evidence which support the presumption or interpretation of such loose sheets or contents of it. Hence, in the absence of any corroborative material, we cannot sustain the addition merely on the basis of loose sheet and presumption.

Hence, we delete the addition of Rs. 30,900/- .

In the result, the appeals of the assessee are partly allowed.

Order pronounced in the open court on 13 day of October 2025.

Sd/-

(GAGAN GOYAL)
ACCOUNTANT MEMBER

Sd/-

(Dr. S. SEETHALAKSHMI)
JUDICIAL MEMBER

Jaipur, दिनांक / Dated: 13/10/2025

Santosh*

Copy of the Order forwarded to:

1. अपीलार्थी / The Appellant ,
2. प्रतिवादी / The Respondent.
3. आयकर आयुक्त CIT
4. विभागीय प्रतिनिधि, आय.अपी.अधि., Sr.DR., ITAT,
5. गार्ड फाइल / Guard file.

BY ORDER,

//True Copy//

(Asstt. Registrar)
ITAT, Jaipur

	Details	Date	Initials	Designation
1	Draft dictated on PC on	29.09.2025		Sr.PS/PS

2	Draft Placed before author	29.09.2025		Sr.PS/PS
3	Draft proposed & placed before the Second Member			JM/AM
4	Draft discussed/approved by Second Member			JM/AM
5.	Approved Draft comes to the Sr.PS/PS			Sr.PS/PS
6.	Kept for pronouncement on			Sr.PS/PS
7.	File sent to the Bench Clerk			Sr.PS/PS
8	Date on which the file goes to the Head clerk			
9	Date of Dispatch of order			