

**INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCH 'B': NEW DELHI**

**BEFORE SHRI YOGESH KUMAR U.S., JUDICIAL MEMBER  
AND  
SHRI MANISH AGARWAL, ACCOUNTANT MEMBER**

ITA No.2804/Del/2025  
(ASSESSMENT YEAR 2020-21)

NKC Projects Private Limited, C/o CA R.S. Poonia, D-82B, Siwad Area, Krishna Marg, Bapu Nagar, Jaipur-302015 Rajasthan. PAN-AACCN4070E	Vs.	PCIT, Delhi-4.
<b>(Appellant)</b>		<b>(Respondent)</b>

Assessee by	Shri R.S. Poonia, CA and Shri Rajat Chaudhary, Adv.
Department by	Ms. Pooja Swaroop, CIT-DR
Date of Hearing	29/07/2025
Date of Pronouncement	24/10/2025

**ORDER**

**PER MANISH AGARWAL, AM:**

This appeal is filed by the assessee against the order of the Ld. Principal Commissioner of Income Tax, Delhi [‘PCIT, in short] dated 09.03.2025 passed u/s 263 of the Act arising out of order passed u/s 143(3) of the Income Tax Act, 1961 (hereinafter referred as ‘the Act’) dated 27.09.2022 for Assessment Year 2020-21.

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

*“1. That on the facts and in the circumstances of the case and in law, the learned Principal Commissioner of Income Tax [PCIT], Delhi-4 erred in invoking Revision Proceeding u/s. 263 of the I.T. Act 1961 vide SCN dated 23.11.2023 is illegal and bad in Law. Kindly quash the consequential Revision order u/s. 263 of the Act.*

2. That on the facts and in the circumstances of the case and in law, the Ld. Principal Commissioner of Income Tax [PCIT], Delhi-4 has erred in Law & facts that on the basis of the issue raised in SCN as well as the order passed u/s. 263 of the I.T. Act, 1961, could not be established that the Assessment order is erroneous & prejudice to the Revenue. Kindly quash the Revision order u/s. 263 of the I.T. Act, 1961.

3. That on the facts and in the circumstances of the case and in law, the Ld. Principal Commissioner of Income Tax [PCIT], Delhi-4 has set aside the assessment order & direct to pass the fresh assessment de-novo, which is beyond the scope of PCIT u/s. 263 of the I.T. Act, 1961. Kindly quash the Revision order u/s. 263 of the I.T. Act 1961.

4. That on the facts and in the circumstances of the case and in law, the Ld. Principal Commissioner of Income Tax [PCIT], Delhi-4 has erred in Law & Facts in giving the finding which was not based on record as on date of assessment, which is irrelevant to decide the Revision order. Kindly quash the Revision order u/s. 263 of the I.T. Act 1961.

5. That on the facts and in the circumstances of the case and in law, the Ld. Assessing officer has travelled beyond the points raised in SCN which violates the Principle of Natural Justice. So, the order u/s. 263 is illegal and bad in Law & deserves to be quashed.

6. That the appellant craves permission to add to or amend to any of the above grounds of appeal or to withdraw any of them.”

3. Since, all the grounds of appeal taken by the assessee are with respect to the revision order passed u/s 263 of the Act by Ld. PCIT, therefore, they are taken together for consideration.

4. Brief facts of the case are that the assessee is engaged in the business of Real Estate and return of income was filed on 31.03.2021 declaring total income of Rs.30,54,04,490/-. The case was selected for complete scrutiny for the following reasons:

- (i) Stock Valuation
- (ii) Refund Claim
- (iii) Credit of B/F TDS
- (iv) Unsecured Loans
- (v) ICDS Compliance & adjustments

- (v) Taxability of business liability
- (vi) Written off of creditor M/s Aditya Logistic
- (vii) larger increase in unsecured loans
- (viii) larger difference in opening stock to current year and closing stock of previous year.

4.1 During the course of assessment proceedings, various notices were issued u/s 142(1) from time to time which were duly replied by the assessee as tabulated at page 2 of the assessment order. The assessee filed detailed written submissions alongwith relevant evidences/ supporting material which were duly considered and after considering them with respect to the reasons for which the case was taken up for scrutiny, the AO found that the assessee has been able to furnish explanations for each and every reasons to his satisfaction and, accordingly, the assessment was completed u/s 143(3) r.w.s. 144B of the Act by accepting the income declared by the assessee.

4.2 Thereafter the Id. PCIT in terms of the show cause notice issued on 20.03.2011 has proposed for revision of the said order on the following issues:

- (i) The AO has failed to examine creditors which were outstanding for more than three years and also no enquiry for capital and revenue creditors;
- (ii) No proper enquiry/investigation was made with respect to the bad debt of Rs.56,81,951/- in the name of M/s Aditya Logistic India Pvt. Ltd;
- (iii) No disallowance was made on account late deposit of employees contribution towards PF and ESI; and
- (iv) The substantial increase in the other expenses claimed in the P&L account which remained unexamined.

5. In reply, assessee filed submissions along with documentary evidences from time to time before the Ld. PCIT and finally the revision order was passed on 19.03.2025 wherein the Ld. PCIT has not only hold the assessment order as erroneous and prejudicial to the interest of the Revenue on the issues which have been raised in the show cause notice but new / fresh issues were raised in the revision order passed while holding the assessment order as erroneous and prejudicial to the Revenue. Against such order, the assessee is in appeal before the Tribunal.

6. Before us, at the outset, the Ld. AR of the assessee submits that the Ld. PCIT has invoked the provisions of section 263 of the Act vide show cause notice dated 23.11.2023 wherein he proposed to revise the assessment on four issues. Ld. AR submits that thereafter notices were issued on 18.07.2024, 21.01.2025 and 17.02.2025 and finally notice was issued for hearing u/s 263 on 03.03.2025. All these notices are available at paper book filed by the assessee. As per ld. AR, in none of the subsequent notices issued for hearing u/s 263 of the Act, the Ld. PCIT raised any fresh / new issue except the four issues raised in the initial show cause notice issued on 23.11.2023. The Ld. AR further submits that after considering the submissions of the assessee made on various occasions, the Ld. PCIT has accepted two issues and dropped the proceedings which are (i) bad debt in the name of the M/s Aditya Logistic and (ii) substantial increase in other expenses. However, Ld. PCIT has held the assessment order as erroneous and prejudicial to the interest of revenue on new issues in the revision order passed u/s 263 which are as under:

- (i) Lack of inquiry on compliance of ICDS/AS-7
- (ii) Incomplete examination on issue of refund
- (iii) Lack of inquiry on closing stock & opening stock
- (iv) Purchase from non-filers.

7. Besides these two issues raised in the show cause i.e. examination of creditors outstanding for more than Three years and delayed payment of employee's contribution to PF & ESI were also made the basis to hold the assessment order as erroneous and prejudicial to the interest of the Revenue. The Ld. AR submits that the PCIT has traveled beyond the issues raised in the show cause notice issued for invoking the proceedings u/s 263 of the Act. As per Ld. AR, this is a gross violation of natural justice and thus, the entire order deserves to be held as bad in law. He further submits that the Ld. PCIT has failed to point out as to how the assessment order is erroneous as well as prejudicial to the interest of Revenue. He has failed to conclude that the error, if any, occurred were prejudicial to the interest of Revenue and the twin conditions prescribed u/s 263 to hold for initiating the revisionary proceedings were absent in the present case. He thus, requested for the quashing of the order passed u/s 263 of the Act.

8. On merits of the issues with respect to each and individual allegation, the Ld. AR has made a detailed submission which reads as under:

*“Allegations:-*

*1. Allegation of Non-compliance of AS-7 and ICDS-III:-*

*(i) That in Para No. 7.3 of Page No. 13 7 of Revision*

*\*7.3 From the perusal of the Assessment Order, it is noticed that the AO had issued questionnaire calling for the Accounting Standards followed by the assessee company and no information was supplied by the assessee to the Assessing Officer, yet the AO accepted the same without going into any verification/quiry his can be appreciated from the fact that the denials of the same working working, as per AS 7/ICDS III were called for during the revisionary proceedings u/a, 2ed of the Act.” order dated 19.03.2025, as follows*

*(ii) That second allegation on compliance of ICDN about the mismatch in revenue recognition & cost incurred in last part of Para No. 7.3 of Page No. 14 of 27 of Revision order dated 19.03.2025, as follows: detailed working of AS-7 and this needs a detailed verification/inquiry by the Assessing Officer and since the Assessing Officer has not enquired the same, I consider the assessment order framed by the AO is erroneous and prejudicial to the interest of revenue.”*

*(iii) That final conclusion on Non-compliance of ICDS in last part of Para No. 7.5 of Page No. 15 of 27 of Revision order dated 19.03.2025, as follows:*

*"Perusal of these clearly demonstrate that there had been no application of mind/enquiry/verification by the Ld. Assessing Officer during the assessment proceedings and therefore on the issue of ICDS compliance and AS-7 and therefore, the order passed by the AO is erroneous as such Explanation 2 of sub-section A of section 263 of the Income Tax Act."*

*Our Submission on allegation No. 1*

*A. Queries made by Ld. A.O. during assessment proceedings:-*

*(i) Query No. 7(ii) on ICDS/ Section 145(2) vide Notice u/s. 142(1), dated 08.12.2021 [P.B. Page No. 100].*

*(ii) Query No. 7(ii) on ICDS/ Section 145(2) vide Notice u/s. 142(1), dated 28.12.2021 [P.B. Page No. 104].*

*B. Reply submitted by assessee-company:-*

*(i) Reply dated 02.02.2022 having reply of query on ICDS and AS-7/Section 145(2) [P.B. Page No. 127].*

*(ii) Reply dated 03.08.2022 having reply of query on ICDS/Section 145(2) (P.B. Page No. 196 & 208).*

*C. Issue not covered in SCN u/s. 263 of the I.T. Act, 1961 at all:-*

*No allegation/query on ICDS was made by Ld. PCIT, Delhi-4 by issuing Show Cause Notice u/s. 263 of the I.T. Act, 1961.*

*D. Submission made to Ld. PCIT, Delhi-4 on ICDS and AS-7/Section 145(2):-*

*(1) Reply dated 02.09.2024 having reply and detailed working as per ICDS and A8-7 [P.B. Page No. 367 to 369].*

*(ii) Reply dated 05.03.2025 having reply and detailed working as per ICDS and AS-7 | P.B. Page No. 422 to 4241.*

*E. The Ld. A.O. discussed and conduct enquiry on the issue & was satisfied specifically in SCN issued by Ld. A.O. dated 15.09.2022 on Para No. 7 of Page No. 4 of 5 of SCN and the relevant para is as follows:-*

*"It is submitted that assessee is private limited company and following accounting standards for preparation of its books of accounts and financial statements, which were made mandatory by ministry of corporate affairs under the companies act 2013, assessee's books are audited under companies act 2013 by its statutory auditors. The company is following Indian accounting standards it automatically complying with the ICDS issued by Income Tax Department."*

*F. Appellant-company submitted reconciliation of revenue and cost incurred for the year under consideration and the said was also truly disclosed in audited books of accounts.*

*G. The Ld. PCIT had given incorrect finding that no application of mind/enquiry/verification done by the Ld. A.O. during the assessment proceedings and therefore on the issue of ICDS compliance and AS-7. The irrelevant & wrong comparison given by the Ld. PCIT in Row No. 13 of Page No. 14 of 27 of Revision order is as follows:-*

*"..... the revenue recognition is only Rs. 582 crores compared to the cost incurred of Rs. 2,467 crores"*

*2. Allegation on issue of refund:-*

*That in 10th line of Para No. 7.5 of Page No. 15 of 27 of Revision order dated 19.03.2025, as follows:-*

".....Perusal of the assessment record reveals that this issue needed in depth investigation as why the refund of 3.48 crores and 11.11 crores on account of TCS were claimed by the assessee."

Our Submission on allegation No. 2

A. Queries made by Ld. A.O. during assessment proceedings:-

(i) Query No. 3 on refund claimed vide Notice u/s. 142(1), dated 08.12.2021 [P.B. Page No. 99].

(ii) Query No. 3 on refund claimed vide Notice u/s. 142(1), dated 28.12.2021 [P.B. Page No. 103].

(iii) Covered in Show Cause Notice issued by Ld. A.O. dated 15.09.2022 [P.B. Page No. 216].

B. Reply submitted by assessee-company:-

(i) Reply dated 02.02.2022 having reply of query on refund claimed by appellant-company [P.B. Page No. 126 & 129].

(ii) Reply dated 12.08.2022 having detailed working of carry forward of TDS & brought forward of TDS and refund claimed by appellant-company [P.B. Page No. 126 & 129].

C. Issue not covered in SCN u/s. 263 of the I.T. Act, 1961 at all:-

No allegation/query on issuance of refund was made by Ld. PCIT, Delhi-4 by issuing Show Cause Notice u/s. 263 of the I.T. Act, 1961.

D. Submission made to Ld. PCIT, Delhi-4 on refund claimed:

(i) Reply dated 02.09.2024 having reply and detailed working of TDS/TCS deducted and refund claimed [P.B. Page No. 369 to 370].

(ii) Reply dated 20.02.2025 having reply and detailed working of carry forward of TDS & brought forward of TDS and refund claimed [P.B. Page No. 394 to 395 and 397].

(iii) The Ld. PCIT Delhi-4 did not quantify or made any finding that how the refund claimed by appellant-company was erroneous and prejudice to the interest of revenue and what amount of refund claimed by appellant-company was incorrect or unlawful.

(iv) The Ld. PCIT Delhi-4 made very vague finding & without application of mind and without considering the documentary evidences submitted by appellant-company.

3. Allegation of difference in Closing Stock & Opening Stock:-

That in last 3 lines of Para No. 7.5 of Page No. 18 of 27 of Revision order dated 19.03.2025, as follows:-

"In this case, also the AO failed to make any enquiry/investigation as how these figures were arrived at and whether purchase made in this regard were genuine."

Our Submission on allegation No. 3

A. Queries made by Ld. A.O. during assessment proceedings:-

(i) Query No. 6(ii) on difference in opening stock and closing stock vide Notice u/s. 142(1), dated 08.12.2021 [P.B. Page No. 100].

(ii) Query No. 6(ii) on difference in opening stock and closing stock vide Notice u/s. 142(1), dated 28.12.2021 [P.B. Page No. 104].

B. Reply submitted by assessee-company:-

(i) Reply dated 02.02.2022 having reply of query on difference in closing stock and opening stock by appellant-company [P.B. Page No. 127].

C. Issue not covered in SCN u/s. 263 of the I.T. Act, 1961 last all:-

No allegation/query on refund claimed was made by Ld. PCIT, Delhi-4 by issuing Show Cause Notice u/s. 263 of the I.T. Act, 1961.

D. Submission made to Ld. PCIT, Delhi-4 on difference in opening stock and closing stock:-

(i) Reply dated 02.09.2024 having reply and detailed working of reconciliation of closing stock and opening stock [P.B. Page No. 366].

(ii) Reply dated 20.02.2025 having reply and detailed working on clarification on opening stock and goods in transit [P.B. Page No. 394 & 396].

(iii) That the Ld. A.O. verified all the documentary evidences in respect of difference in opening stock and closing stock including Raw Material & finished goods.

(iv) Moreover, the Ld. A.O. had thoroughly examined the audited financials that includes revenue from operation, other income, purchases, expenditure on material & project development cost etc.

4. Allegation of Purchase from Non-filers of ITR-

That in Point No. 9.3 of Page No. 23 of 27 of Revision order dated 19.03.2025, as follows:-

"From the perusal of the preceding finding by the Survey Team, it is quite evident that the issue of bogus parties who have provided increase to the assessee company have come to light and this is exactly what could have been done had the Ld. AO carried out the required investigation in the case. There can be an argument that such an investigation do not enumerate from the assessment records but I do not agree with such views because the names of these parties are very much records of the books of account of the assessee company"

(i) That as per clause (b) of explanation 1 of clause (1) of section 263 of the Act, record means 'record [shall include and shall be deemed always to have include) all records relating to any proceedings under this Act available at the time of examination by the (Principal (Chief Commissioner or Chief Commissioner or Principal) Commissioner or] Commissioner:'

(ii) That the SCN issued by Ld. PCIT for revision proceeding u/s. 263 of the I.T. Act, 1961 on 23.11.2023 & on 18.07.2024 and the survey was conducted on 12.08.2024.

(iii) So, this said allegation does not form a part 'record' for revision proceedings u/s. 263 of the I.T. Act, 1961,

(iv) Further, it is submitted that no query was made by Ld. PCIT, Delhi-4 on the issue of purchase made by appellant-company from non-filer of ITR.

(v) No opportunity was given to appellant-company and the Ld. PCIT-4 himself presumes/concluded that the assessment order is erroneous and prejudice to the interest of revenue.

(vi) That normally the appellant-company purchases raw material/goods directly from manufacturers and suppliers of national & international fam firms. In case of work emergency the company made petty purchase of raw materials from local suppliers after proper due diligence & documentary evidences.

(vii) Moreover, during the survey proceedings the appellant-company disclosed invoices, ledger accounts, MRN and bank statements, as proof of payments for verification of transactions with these 3 parties for your ready reference.

(viii) Further, it is submitted that Revision proceedings u/s. 263 can be only to review the assessment record till assessment order and not to make enquiry or verification of any new allegation.

(ix) If the PCIT or AO would have any incrementing material then for, that the Income Tax Department have other alternate remedy such as reassessment by issuing Notice u/s. 148 of the I.T. Act, 1961.

5. Allegation of examination of Capital Expenditure & Creditors of expenses: -

(1) That in Point No. 8 of Page No. 18 of 27 of Revision order dated 19.03.2025, as follows:-

"Further, Perusal of the assessment records, reveal that the assessee had furnished a list of 592 Sundry Creditors for expenses appearing for last three financial years and the total amount of the same were Rs. 4,07,25,856/-, during the financial year 2017-18, Rs. 7,99,64,130/- for the financial year 2018-19 and Rs. 8,60,11,564/- for the financial year 2019-20. No enquiry/verification in respect of these sundry creditors have been carried out by the Assessing Officer during the assessment proceedings."

(ii) That in first 2 lines of Page No. 22 of 27 of Revision order dated 19.03.2025, as follows:-

"No enquiry/investigation were carried out by the Ld. AO despite the fact that these creditors were outstanding for more than three year."

A. Queries made by Ld. A.O. during assessment proceedings:-

(i) Query No. 8(b)(i) on current liabilities vide Notice u/s. 142(1), dated 08.12.2021 (P.B. Page No. 101).

B. Reply submitted by assessee-company:-

(i) Reply submitted along with complete list of creditors for capital expenditure and creditors for expenses by appellant-company on 03.02.2022 [P.B. Page No. 131 to 142].

(ii) C. Query made by Ld. PCIT vide SCN u/s. 263 of the I.T. Act, 1961:-

(iii) Allegation/query on capital expenditure and creditors for expenses was made by Ld. PCIT, Delhi-4 by issuing Show Cause Notice u/s. 263 of the I.T. Act, 1961, dated 23.11.2023.

D. Submission made to Ld. PCIT, Delhi-4 on

(i) Reply dated 06.12.2023 having reply and complete details regarding capital expenditure and creditors for expenses along with comparison of 3 years sundry creditors as on 31.03.2018, 31.03.2019 & 31.03.2020 [P.B. Page No. 261 to 262 and 271 to 284].

(ii) Reply dated 02.01.2024 having reply and complete details regarding capital expenditure and creditors for expenses [P.B. Page No. 305].

E. The Ld. PCIT, Delhi-4 given incorrect finding that creditors were outstanding for more than three years.

F. The Ld. PCIT, Delhi-4 had not demonstrate how the non-examination of sundry creditors are prejudice to the interest of revenue?

6. Allegation of delayed payment & contribution to ESI/PF of Rs. 10,134/-:-

That in 2nd line of Point No. 7.5 of Page No. 17 of 27 of Revision order dated 19.03.2025, as follows:

"These details were merely accepted by the Ld. AO during the Assessment Proceedings without conducting enquiry/investigation. The Ld. AO also did not apply the binding decision of the Hon'ble Supreme Court in the case of Checkmats Services (P.) Ltd. Vs CIT [2022] 143 taxmann.com 178 for the statutory dues not paid as per the general provisions of the Act."

A. The assessment was completed vide order dated 27.09.2022.

B. The order of Hon'ble Supreme Court in case of Checkmats Services (P.) Ltd. Vs. CIT [2022] 143 taxmann.com 178, was passed on 12.10.2022 (i.e. after the assessment order dated 27.09.2022).

C. So, the finding on PF and ESI made by the Ld. A.O. vide assessment order dated 27.09.2022 was correct and at that time it was not prejudice to the interest of revenue."

9. In the last, Ld. AR submits that once the assessee has duly rebutted all the allegations made by the ld. PCIT and replied each and every query raised by the AO during the course of assessment proceedings and the AO has taken a possible view after considering these replies of the assessee, now alleging that the AO has not made proper and adequate enquiry is nothing but mere change of opinion on the part of the PCIT. Once the AO has made the queries and necessary replies were furnished, it cannot be said that the AO has not applied his mind to reach the

conclusion and, therefore, the Ld. AR requested that the order passed u/s 263 of the Act be quashed. He prayed accordingly.

10. On the other hand, the Ld. CIT-DR submits that assessment was taken for complete scrutiny as stated in the assessment order which is placed at pages 243 to 248 and the AO has simply pasted the submissions made by the assessee and passed the order wherein the return filed income declared by the assessee was accepted. As per ld. CIT DR, it is clearly appears that there was no independent application of mind on the part of the AO and no verification whatsoever was done by him before passing the order. For this he placed reliance on the order of the Hon'ble Karnataka High Court in the case of Herbalife International India Pvt. Ltd. vs. CIT reported in 174 taxman.com 1008.

11. The Ld. PCIT further submits that the role of the PCIT is limited to examine whether the assessment order is erroneous and prejudicial to the interest of Revenue. Since the AO has failed to make proper verification of the facts and from the perusal of the assessment order, it has not emanated that the Assessing Officer has applied his mind before passing the assessment order, it cannot be said that the AO has passed the order after due application of mind and therefore, he requested for the confirmation of the order passed by the Ld. PCIT u/s 263 holding the assessment order as erroneous and prejudicial to the interest of Revenue.

12. Heard both the parties and perused the materials available on record. It is seen from the show cause notice issued for invoking proceedings u/s 263 of the Act, that the ld. PCIT has recorded his satisfaction with respect to following four issues to allege the assessment order as erroneous and prejudicial to the interest of the Revenue, they are as under:

- (i) Inadequate enquiry/examination of the creditors for capital expenditure and creditors were Revenue expenditure outstanding for more than three years.
- (ii) Lack of proper enquiry in respect of bad debts in the name of the M/s Aditya Logistic Pvt. Ltd. of Rs.56,81,951/-
- (iii) Passing of order without proper enquiry in respect of substantial increase in other expenses
- (iv) No disallowance on delayed payment of employee's contribution to ESI /PF interest though this issue is decided in favour of the Revenue in terms of the order of the Hon'ble Supreme Court in the case of Checkmate Services (Pvt.) Ltd. vs. CIT [2022] 143 taxmann.com 178 (SC).

13. However, from the perusal of the order passed u/s 263 of the Act, it is seen that the Ld. PCIT after verification of the facts, dropped two issues raised in the show cause i.e. bad debts in the name of Aditya Logistic and Substantial increase in other expenses and further new / fresh four issues were taken up in the order, they are as under:

- (i) Lack of inquiry on compliance of ICDS/AS-7
- (ii) Incomplete examination on issue of refund
- (ii) Lack of inquiry on closing stock & opening stock
- (iv) Purchase from non-filers.

14. From the above, it is clear that the Ld. PCIT has travelled beyond the issues raised in the show cause notice issued for invocation of the proceedings u/s 263 of the Act though which the ld. PCIT has assumed the jurisdiction u/s 263 vide show cause notices issued and no show cause notice was issued asking the assessee to give explanation with respect to the other four issues for which the assessment

order was held as erroneous and prejudicial to the interest of Revenue. Ld. PCIT cannot exceed his jurisdiction without issue of show cause notice on such issue. The Co-ordinate Bench of Tribunal in the case of Shail Gas Pvt. Ltd. vs. Pr. CIT in ITA No.630/Del/2021 vide order dated 05.08.2024 held that revision order passed by the PCIT u/s 263 beyond reasons in the show cause notice issues is without jurisdiction and allowed the appeal of the assessee. The relevant observations of the Co-ordinate Bench in para 7 to 18 of the order are as under:

*“7. We find that the case of the assessee was selected for limited scrutiny u/s 143(2) of the Income Tax Act, 1961 for A.Y. 2015-16. The assessment proceedings for A.Y. 2015-16 were initiated vide notice dated 27.07.2016 as is also mentioned in the Assessment Order and reproduced in the impugned order u/s 263.*

*8. The points taken up for limited scrutiny are, 1) low income in comparison to high loan advances, investment in shares, 2) low income in comparison very high investment & 3) large increase in investment in unlisted equities during the year.*

*9. Notice u/s 142(1) dated 09.08.2016 issued and queries raised specifically on issues under ‘limited scrutiny’ vide point 10 to 12 of questionnaire. The assessee duly submitted the documentary evidence in relation to the all the queries and explained reason to low income to investments made with the source of investment in unlisted equities with reason thereof.*

*10. The AO conducted direct enquiries u/s 133(6) to verify the genuinity and source of investment in unlisted equities. The AO after duly considering replies and material on record including 133(6) replies, completed the assessment proceedings u/s 143(3) vide Assessment Order dated 09.08.2017 after making disallowance of Rs. 21,633/- u/s 14A of Act.*

*11. Before the ld. PCIT, the assessee filed its reply on 26.03.2021 including Valuation Certificate by Chartered Accountant along with duly verified balance sheet on the valuation date 28.02.2015 by him and audited/approved balances sheet as on 31.03.2015 in support of valuation of market rate in terms of Rule 11UA, whereby it was demonstrated that FMV of equity share as on date of valuation 28.02.2015 is Rs. 9.94 per share and as on 31.03.2015 is Rs.9.79 per share.*

12. *The proceedings u/s 263 were completed on 31.03.2021 setting aside the original assessment order dated 09.08.2017 with the direction to examine two issues afresh:*

- a. *Value of investment u/s 56(2)(via) read with rule 11UA to ascertain income under that provision —Issue referred in SCN though with changed basis.*
- b. *Sources of long terms loans with income thereon.*

13. *From the record and the order of the ld. PCIT, we find that no show cause notice has been issued to the assessee asking for any explanation with regard to sources of long terms loans with income thereon, however, the same has been directed to be examined by the Assessing Officer. The ld. PCIT has fall into error by directing the AO on the issue for which no show cause has been issued to the assessee.*

14. *Further, we find that the case was selected for “limited scrutiny” to enquire large investment in unquoted share and ld. AO duly examined the source and genuinity of such investment with reason thereof whereby assessee had a vested interest in Sanwariya Gas Ltd., as per scope and ambit of limited scrutiny, therefore the issue of valuation of shares with applicability of provisions of section 56(2)(viib) as raised in SCN u/s 263 being beyond the scope of “limited scrutiny” is also beyond the scope of section 263.*

15. *Reliance is placed on the following Judicial Pronouncements:*

i) *PCIT vs. Shark Mines and Minerals (P.) Ltd. [2023] 151 taxmann.com 71 (Orissa)*

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

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

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

*ii) CIT vs. Smt. Padmavathi [2020] 120 taxmann.com 187 (Madras)  
"15. The substantial question nos. 1 and 2 are interconnected namely, the power of the PCIT under section 263 of Act and whether he could have set aside the assessment on the ground that the assessing officer did not invoke Section 56(2)(vii)b(ii). The reading of the assessment order shows that the case was selected for limited scrutiny only on this aspect regarding the sale consideration paid by the assessee for purchase of the immovable property and the source of funds. The assessing officer has noted that the sale consideration paid by the assessee was Rs. 41,50,000/- and she has paid stamp duty and other expenses of Rs. 5,75,000/-. The source of funds was verified and the assessing officer was satisfied with the same. The PCIT while invoking his power under section 263 of Act, faults the assessing officer on the ground that he did not make proper enquiry. It is not clear as to what in the opinion of the PCIT is 'proper enquiry'. By using such expression, it presupposes that the assessing officer did conduct an enquiry. However, in the opinion of the PCIT, the enquiry was not proper in absence of not clearly stating as to why in the opinion of PCIT, the enquiry was not proper, we have to necessarily hold that the invocation of the power under section 263 of the Act was not justified."*

*iii) Naga Dhunseri Group Ltd. [2023] 146 taxmann.com 424 (Calcutta)*

*"(iii) Whether on the facts and circumstances of the case and in law Learned Income-tax Appellate Tribunal is justified in not appreciating the facts that one of the reasons for selection of the case for limited scrutiny was to verify the introduction of capital in NBFC/Investment Companies which is connected with the issue of disallowance under section 14A of the Income-tax Act, 1961?"*

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

16. Order u/s 263 based partially on the issue raised in the notice and also on entirely new issue without any SCN or without providing any opportunity is beyond the mandate of section 263.

17. Further, reliance is placed on the following case laws:

(i) *Krishak Bharati Cooperative Ltd. Vs. ACIT [2016] 67 taxmann.com 138 (Delhi)*

“14. Keeping in view of the facts and circumstances of the case and the precedents relied upon, the validity of the order passed u/s. 263 needs to be considered. As per the admitted position, show cause notice was issued only with regard to one issue whereas order u/s. 263 has been passed on certain other issues also as discussed above. Admittedly on the other issues, we find that there was complete denial of opportunity to the assessee-society, which is violative of well established principles of natural justice.....In the case of *Ashish Rajpal (supra)*, the Hon'ble Delhi High Court have further observed that the threshold condition for setting aside the assessment u/s. 263 is that before passing an order, opportunity has to be granted to the assessee and such opportunity is a necessary concomitant of the inquiry the Commissioner is required to conduct to come to a conclusion. The defect of not allowing opportunity cannot be cured by first reopening assessment and then granting an opportunity to respond to the issue before the Assessing Officer during the course of the fresh assessment proceedings. Having regard to the legal position emerging from various cases including Hon'ble Jurisdictional High Court case, we are of the view that lack of opportunity on some of the issues in the show cause notice, vitiates the proceedings u/s. 263 and consequently the order u/s. 263 passed by the learned PCIT is also rendered bad in law.”

Above case is affirmed in *CIT vs. Krishak Bharati Cooperative Ltd. (2017) 80 taxmann.com 326(DEL HC)*

(ii) *B.S. Sangwan vs. ITO [2015] 53 taxmann.com 402 (Delhi)*

“where specific addition sought to be made as per SCN but ultimately directed to conducted enquiries on the issue thus the basis is changed which is not allowable u/s 263.”

(iii) *Electra Paper and Board Pvt. Ltd. vs. Income Tax Officer in ITA No. 222/Chd./2021*

“8 In other words, the twin conditions mandated under Rule 11U(b) for a balance sheet on the basis of which valuation is to be made i.e.

(i) The Balance Sheet should be drawn of the date of valuation;  
and

- (ii) *The Balance Sheet should be audited by the Auditors of the Company appointed under the provisions of the Companies Act;*

*are satisfied in present case. In our considered opinion, the emphasis is on drawing of balance sheet on the date of valuation. The rule does not mandate that the balance sheet should also be audited on the date of valuation. Even if the balance sheet is audited subsequently, it would be sufficient compliance of the provisions of Rule 11U(b). However, in spirit and purpose of the provisions of rule defining 'balance sheet', there should not be material change in the financials of the Balance Sheet after audit so that it may not lose the tenacity and relevance of 'balance sheet on the date of valuation'.*

*9. In light of the facts discussed above, we hold that the balance sheet on the basis of which FMV of shares allotted on 31.3.2016 was determined by the assessee falls within the meaning of 'Balance Sheet' as envisaged under Rule 11U. Hence, we find no error in the FMV of shares determined by the assessee on the basis of balance sheet drawn on 31.3.2016."*

*18. Hence, keeping in view the entire facts and circumstances of the case and the judicial pronouncements mentioned above, we hold that, the order of the ld. PCIT passed u/s 263 cannot be affirmed owing to the reasons of, i) the order is passed beyond jurisdiction, ii) the order passed is beyond the limited scrutiny, iii) the order has been passed on the issues for which no show cause notice has been issued, iv) the issues flagged by the ld. PCIT have examined by the AO, v) the decision of the ld. PCIT determining the difference on the value of the shares at Rs.1.50 per share is against the provisions of the Act as the assessee can resort to the method of valuation as per DCF/NAV as per Rule 11UA at their discretion".*

15. As the facts narrated above in the present case before us, are identical to the facts of the aforesaid case wherein the Co-ordinate Bench after following various judgments and Hon'ble Orissa High Court, Madras High Court, Kolkata High Court and jurisdictional High Court has held that revision order passed u/s 263 beyond the jurisdiction is bad in law, thus, in our considered opinion, the Ld. PCIT exceeded his jurisdiction making allegations on the issue which are not forming part of the notice issue for initiation of proceedings u/s 263 of the Act. Accordingly, we hold that assessment order is not erroneous and prejudicial to the Revenue on

the above stated four fresh issues not raised in the show cause notice issued by the ld. PCIT.

16. With respect to the remaining two issues i.e., (i) examination of the creditors and (ii) delayed payment of employees contribution of ESI and PF, our observations are as under:

16.1 With respect to the allegations of non-examination of creditors for capital expenditure and creditors for revenue expenditure, it is seen that during the course of assessment proceedings, AO had made specific enquiries in terms of the notice issued u/s 142(1) dated 08.12.2021 wherein vide Point No.8 (b) (i), the assessee was asked to file party-wise and year-wise details of other current liabilities of Rs. 88,16,50,206/- appearing in the Balance Sheet and further asked to file the Explanation for substantial increase as compared two preceding years. In reply thereto, the assessee filed detailed list of the other current liabilities vide letter dated 03.02.2022 wherein the necessary details were filed as Annexure-3, as available in PB pages 131 to 142 filed by the assessee. Further before the Ld. PCIT also, assessee again filed complete details of the creditors outstanding for three years i.e. as on 31.03.2018, as on 31.03.2019 and as on 31.03.2020 along with reply dated 06.12.2023, copy of the same are placed in the PB pages 261 to 262 i.e. copy of letter filed before ld. PCIT and relevant details are at pages 271 to 284. Further vide letter dated 02.01.2024, these details were again filed before the Ld. PCIT, the necessary replies is at page 305 wherein it was once again reiterated that none of the creditors was outstanding for more than three years.

16.2 On careful consideration of the details filed by assessee, we find that the allegation of ld. PCIT that there were certain creditors which are outstanding for

exceeding period more than three years is incorrect and further it is not established by the PCIT that, even if any creditor was outstanding for a period of more than three years, how the same has could be held as an error which is prejudicial to the interest of Revenue. There might be some error however, it is not necessary that every error resulted into loss of revenue and thus the assessment order cannot be held as prejudicial to the interest of revenue and the twin conditions enumerated in section 263 are not satisfied simultaneously. The Ld. PCIT has tabulated certain parties at pages 19 to 26 of its order and observed that no enquiry was made with respect to these creditors. Further, the Ld. PCIT has refers certain enquiries made during the course of post survey proceedings, it is important to note that the survey was carried on 12.08.2024 at the business premises of the assessee and the order under reference was passed u/s 143(3) on 27.09.2022, thus, there is no question of taking any reference from the enquiries carried during the course of survey or of any event which is occurred after completion of the assessment order, therefore, any such enquiry cannot be made the basis to hold the assessment order as erroneous and prejudice to the interest of Revenue. Thus, in our considered opinion, the AO has applied his mind with respect to the aging of the creditors and as such no creditors was outstanding for more than three years, therefore, there was no error in the assessment order of the AO to hold the same has caused prejudicial to the interest of Revenue.

16.3. With respect to the other allegation that the AO had not disallowed the delayed payment of contribution towards the PF and ESI of Rs.10,10,34/- it is seen that the this issue is settled by the by the Hon'ble Supreme Court by judgement in the case of Checkmate Services Pvt. Ltd. (supra) delivered on 12.10.2022 whereas the assessment order was passed on 27.09.2022 i.e. prior to such order. When the assessment order was passed, there were judgment of Hon'ble Delhi High Court

and of various other high courts favoring the assessee, thus, the AO by following those order, has not made any disallowance with respect to the delayed payment of PF and ESI contribution. Accordingly, we find no error in the order of AO in not disallowing any amount for delayed deposit of employees contribution towards PF & ESI.

16.4 With the above discussion, in our opinion, the two remaining two issues raised in the show cause issued for invoking the provisions of section 263, the assessee has been successfully able to demonstrate that AO has made proper and sufficient enquiries and after satisfying himself about the correctness of the claim, passed the assessment order, therefore, there is no error in the order of the AO for which the same could be held as erroneous and prejudicial to the interest of the Revenue and proceedings u/s 263 could be invoked.

17. Now coming to the other four allegations which were not there in the show cause notice issued for invoking the provisions of section 263 for which we have already hold that the order passed u/s 263 is without jurisdiction, however on merits of these issue, it is held as under:

**17.1. Allegation is with respect to Lack of inquiry in compliance of ICDS/AS-7.**

17.2. The PCIT has observed that AO has made enquiries about the Accounting Standard followed by the assessee which was not replied and the AO had accepted the income declared by the assessee and further alleged that there was mismatch in Revenue recognition and costs incurred in compliance of ICDS/AS-7 and the AO has not made any enquiry. In this regard it is seen that the AO has made enquiries with respect to the ICDS in terms of the query letter issue u/s 142(1) on 08.12.2021

vide para 7.1 where assessee was specifically asked to file the supporting documents for compliance of ICDS/AS-7 and furnished the reasons for non-complying the provisions of section 145(2) keeping in mind substantial amount of turnover and closing stock. Thereafter vide notice u/s 142(1) dated 28.12.2021 again the same query was made. The assessee vide its letter dated 02.02.2022, filed its reply and further vide reply dated 2.8.22 available in PB page 196 onwards, necessary explanation was given with respect to the compliance of ICDS and relevant evidences were also filed along with reply submitted. Further before the Ld. PCIT, assessee has made specific replies with respect to the working of ICDS which are at pages 367 to 369 as reply dated 02.09.2024 and further reply was made vide letter dated 05.03.2025 which is available at pages 422 to 424. Since, the assessee has duly filed necessary replies towards the working as ICDS and disclosure of accounting standard which have been considered by the Assessing Officer, therefore, there is no occasion to hold that assessee has not filed any reply with regard to the queries raised on account of ICDS compliances. Accordingly, on this issue, the assessment order cannot be held as erroneous and prejudicial to the interest of Revenue.

17.3. Regarding, second allegation of non-verification of issue of refund, the AO has made necessary enquiry vide notice dated 08.12.2021, 28.12.2021 and 15.09.2022 which were duly replied by the assessee vide letter dated 02.02.2022 and 12.08.2022. It is further seen that before the PCIT also the assessee has made replies with respect to the claim of the refund wherein it was stated that since the assessee paid taxes at concessional rate as provided u/s 115BAA of the Act, therefore, the claim of refund was increased. The AO after considering these facts has allowed the refund and their remained no question to hold the assessment order as erroneous and prejudicial to the interest of the Revenue on this issue.

17.4. Regarding third allegation of lack of enquiry on the issue of difference in the value of closing stock of preceding year and opening stock of current year, we find that the AO has made specific enquiry in this regard vide letter dated 08.12.2021 and 28.12.2021 which was duly replied by the assessee in terms of the letter dated 02.02.2022. Before Ld. PCIT, assessee has again filed the explanation along with reconciliation. Further vide letter dated 20.02.2025, it was submitted by the assessee that all the documentary evidences were furnished before the AO who had made verification and after verifying the same, concluded that there was no such difference in the value of closing stock to previous year and corresponding opening value of the stock in the current year which was due to the value of goods in transit which were included in the value of closing stock in the last year and included in purchases in current year. The AO after verifying this fact had taken no adverse interference on this issue.

17.5. After considering these facts, we find that there was no difference in the value of closing stock of previous year and corresponding value of opening stock in current year. Thus, the order cannot be hold as erroneous and prejudicial to the interest of the Revenue on this issue.

17.6. With respect to the last allegation of purchases from non-filers of ITR, we find that the PCIT has based his finding from the enquiries conducted during the course of survey carried out at the business premises of assessee on 12.08.2024. Since, the survey was carried out after passing the assessment order under revision and there was no material available on record or any information was available with the AO to doubt the purchases made from the parties which are non-filer of the ITR. Further, the Ld. AR also drew our attention to the fact that the Revenue has taken action u/s 148 for reopening of the assessment based on such

enquiries/investigation/purchases separately, therefore, this cannot be an issue born out from the assessment records for which it could be held that the assessment order is erroneous and prejudicial to the interest of Revenue.

18. In view of the above facts, we find that all the issues which are forming part of the show cause notice issued for invoking the provisions of section 263 as well as the other issues which were not covered through show cause notice had either been examined by the Assessing Officer during the course of assessment proceedings or were cropped up after the completion of the assessment, therefore, in our considered opinion, there is no error in the assessment order which prejudice to the interest of the Revenue.

19. The Hon'ble Supreme Court in the case of ***Pr. CIT vs Shreeji Prints (P.) Ltd.*** reported in ***[2021] 130 taxmann.com 294 (SC)*** has held as under:-

*“Section 69, read with section 263, of the Income-tax Act, 1961 - Unexplained investments (Unsecured loans) - Assessment year 2013-14 - Assessee-company had received unsecured loans from two different companies - Commissioner noting that said loans were shown as investment in assessee's name in balance sheet of respective companies exercised revisionary powers and passed an order without giving an opportunity to assessee of being heard, invoking Explanation 2 to section 263 - High court by impugned order held that since Assessing Officer has made inquires in details and accepted genuineness of loans receive by assessee, such view of Assessing Officer was a plausible view and same cannot to be considered erroneous or prejudicial to interest of revenue - Whether SLP against said impugned order was to be dismissed – Held, Yes”*

20. Hon'ble Supreme Court in the case of ***PCIT vs NYA International***, while dismissing the SLP filed by the Revenue in Special Leave Petition (civil) Diary No.1845/2025 the Hon'ble Court vide order dated 17.02.2025 has observed as under:-

*“Delay condoned.*

*This special leave petition is misconceived and is completely contrary to the law pertaining to Section 263 of the Income Tax Act, 1961.*

*The notice under Section 148 of the 1961 Act referred to two reasons. The first reason was with regard to non-declaration of the account in ING Vysya Bank with a credit of Rs.70,13,43,319/- (Rupees seventy crores thirteen lakhs forty three thousand three hundred and nineteen only). The second reason was with regard to the claim of deduction under Section 10AA of the 1961 Act.*

*It is accepted that a reassessment order under Section 148 read with Section 143(3) of the 1961 Act was passed. Addition was not made for the first reason.*

*In the given facts, the assertion by the Revenue that inquiry and verification in re the bank account was not made is ex-facie incorrect. This being the position, this is not a case of failure to investigate, but as no addition was made, the Revenue can argue that it is a case of wrong conclusion and decision in the re-assessment proceedings. Therefore, to exercise jurisdiction under Section 263 of the 1961 Act, the Commissioner of Income Tax should have examined the merits and only on reaching a finding that the re-assessment order was erroneous and prejudicial to the interest of the Revenue made an addition.*

*This is not a case of 'no inquiry and verification', but as made out by the Revenue, a case of wrong conclusion. The difference between the two situations is clear and has different consequences.*

*This being the position, the High Court was right in dismissing the appeal preferred by the Revenue.*

*The special leave petition is dismissed in the above terms.*

*Pending application(s), if any, shall stand disposed of.”*

21. The Hon'ble Delhi High Court in the case of PCIT vs. Clix Finance India Ltd. while concurring to the findings of the Tribunal has observed as under:

*“27. Considering the aforesaid judicial pronouncements, it can be safely concluded that inadequacy of enquiry by the AO with respect to certain claims would not in itself be a reason to invoke the powers enshrined in Section 263 of the Act. The Revenue in the instant case has not been able to make out a sufficient case that the CIT has exercised the power in accordance with law. Rather, in our considered opinion, the facts of the case do not indicate that the twin*

*conditions contained in Section 263 of the Act are fulfilled in its letter and spirit.*

- 28.** *Notably, the ITAT, while making a categorical finding that the CIT had failed to point out any definite or specific error in the assessment order, has satisfactorily explained both the claims in question in Paragraph 8.2 of its order, which reads as under:-*

*"8.2 In the Impugned Order, the Ld. Commissioner of Income Tax-IV, Delhi held that the AO had not examined the aforesaid two issues properly and, therefore, set aside the issues for further inquiries to be conducted by the AO. As regards the first issue is concerned, we note that out of total provision of Rs. 1114.68 lacs, a sum of Rs. 7,60,76,105/- was suo moto added back in the computation of income and a further sum of Rs. 73,46,160- was disallowed by the AO in the original assessment order dated 30.3.2005. Therefore, out of Rs. 1114.68 lacs, Rs. 834.22 lacs already stood disallowed in the original assessment order. The balance amount represented actual write off which was palpably clear from page 2 of the impugned order itself. No deduction on account of any such provision was, therefore, allowed to the assessee. Hence, there is no error or prejudice to the interest of revenue. As regards second issue it was noted that interest rate swap was an actual loss and only the net loss of Rs. 114.05 lacs after setting of gain of interest rate swap was claimed as deduction. However, we find that both these issues were duly examined by the AO vide Questionnaire dated 2.11.2004 (Page 1-2 of the Paper Book) to which replies dated 9.12.2004, 20.12.2004 and 6.1.2005 (Page No. 3-39 of Paper Book-1) were furnished and, therefore, the finding of the Ld. CIT that the issues were not examined properly was not correct. Even the Ld. CIT has not pointed out the definite and specific error in the original assessment order and observed that the inquiry made by the AO was inadequate or improper without first pointing out the error in the original assessment order passed by the AO, particularly because both the aforesaid issues were duly examined at the stage of the original assessment proceedings, hence, the impugned order is beyond jurisdiction, bad in law and void-ab-initio."*

- 29.** *It is discernible from the aforesaid findings of the ITAT that both the claims were duly examined during the original assessment proceedings itself and neither there was any error nor the same was prejudicial to the interests of the Revenue. Thus, the findings of fact arrived at by the ITAT do not warrant any interference of this Court.*
- 30.** *So far as the reliance placed by the CIT on Umashankar Rice Mill is concerned, the same is misplaced, particularly in light of the insertion of Explanation 2 to Section 263 of the Act, brought in place by the Finance Act, 2015. The said amendment markedly specifies various conditions to exercise*

*the authority vested in the Commissioner under Section 263 of the Act, leaving no ambiguity in the interpretation of the said provision.*

*31. In view of the aforesaid, the appeal preferred by the Revenue is dismissed alongwith the pending application(s), if any.”*

22. Further the Hon’ble Supreme Court in the case of PCIT vs. V. Con Integrated Solutions Private Ltd. (supra) while dismissing the SLP of the assessee observed as under:-

*“In our opinion, the order passed by the High Court, which upheld the decision of the Tribunal, is correct on facts and in law. This case does not involve a failure by the assessee officer to conduct any investigation. Instead, according to the Revenue, it is a case where the assessing officer having made inquiries erred by not making additions.*

*The assessee does not have control over the pen of the Assessing Officer. Once the Assessing Office carries out the investigation but does not make any addition, it can be taken that he accepts the plea and stand of the assessee.*

*In such cases, it would be wrong to say that the Revenue is remediless. The power under Section 263 of the Income Tax Act, 1961, can be exercised by the Commissioner of Income Tax, but by going into the merits and making an addition, and not by way of a remand, recording that there was failure to investigate. There is a distinction between the failure or absence of investigation and a wrong decision/conclusion. A wrong decision/conclusion can be corrected by the Commissioner of Income Tax with a decision on merits and by making an addition or disallowance*

*There may be cases where the Assessing Officer undertakes a superficial and random investigation that may justify a remit, albeit the Commissioner of Income Tax rust record the abject failure and lapse on the part of the Assessing Officer to establish both the error and the prejudice caused to the Revenue.”*

23. In view of above facts and detailed discussion made herein above, in our considered opinion, the Ld. PCIT has failed to appreciate that the AO has made adequate proper enquiries and examination before concluding that income declared by the assessee was proper and, therefore, there is no error in the order of the AO for which the proceedings u/s 263 could be invoked. Accordingly, we quashed the order passed by the Ld. PCIT u/s 263 of the Act. All the grounds of appeal taken by the assessee are allowed.

24. In the result, the appeal of the assessee is allowed.

Order pronounced in the open Court on 24.10.2025.

*Sd/-*

**(YOGESH KUMAR U.S.)**  
**JUDICIAL MEMBER**

*Sd/-*

**(MANISH AGARWAL)**  
**ACCOUNTANT MEMBER**

Dated: 24.10.2025

*PK/Sr. Ps*

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

**ASSISTANT REGISTRAR**  
**ITAT, NEW DELHI**