



**IN THE INCOME TAX APPELLATE TRIBUNAL, RAJKOT BENCH,  
RAJKOT**

**BEFORE DR. ARJUN LAL SAINI, ACCOUNTANT MEMBER  
AND  
SHRI DINESH MOHAN SINHA, JUDICIAL MEMBER**

आयकरअपीलसं./ITA No. 272/RJT/2024

(निर्धारणवर्ष / Assessment Year: (2014-15)

(Hybrid Hearing)

Sapphire Reclaim Rubber Pvt. Ltd. Bhoomi Industrial Area, Plot No: 1/44, National highway 27, Veraval (Shapar), Rajkot - 360311	<b>Vs.</b>	The Principal Commissioner of Income Tax-1, 2 <sup>nd</sup> Floor Aayakar Bhawan, Race Course Ring Road, Rajkot Gujarat - 361006
स्थायीलेखासं./जीआइआरसं./PAN/GIR No.: AAPCS6205B		
<b>(Appellant)</b>		<b>(Respondent)</b>

Appellant by : Shri Vimal Desai, Ld. AR

Respondent by : Shri Sanjay Punglia, Ld. Sr. (DR)

**Date of Hearing** : 30/07/2025

**Date of Pronouncement** : 28/10/2025

**आदेश / ORDER**

**PER DINESH MOHAN SINHA, JM:**

Captioned appeal filed by assessee pertaining to Assessment Year 2014-15, is directed against order passed by the principal Commissioner of Income Tax, vide order dated 28/03/2024, u/s. 263 of the Income Tax Act, 1961.

2. Grounds of appeal raised by the assessee:

1. *The order u/s. 263 of the Act is bad in law.*

2. *The learned Pr. CIT has erred in law as well as on facts in not considering the submissions of the appellant on the strength of which*



*the re-assessment order was neither erroneous nor prejudicial to the interest of revenue and therefore, the provisions of Section 263 of the Act were not applicable to the case of the appellant.*

*3. The learned Pr. CIT has erred in law as well as on facts in setting aside the re-assessment order passed by the Id. A.O. u/s. 147 r.w.s. 144B and directing de-novo assessment regarding verification of alleged cash received of Rs. 17,35,250/- from Shri Chetan Bhalodiya, Prop. of M/s Yash Enterprise (Angadiya/Shroff).*

### 3. Facts of the Case:

“A survey Action u/s 133A was carried out on 18 September 2014. Subsequent upon finding unaccounted cash of Rs. 1,10,00,000/- (Rs. One Crore Ten Lakh) found at premises of Yash Enterprise (Prop. - Shri Chetan Haribhai Bhalodiya), 202-Darshan Complex, Opp.- Bombay Garage, Gondal Road, Rajkot. Consequently, search action u/s. 132 was conducted on 19 September 2014.

The search has resulted into seizure/impounding of incriminating documents. Further enquiries were made into source of the cash deposits and their destination. As a result, a number of beneficiaries have been identified, who received unaccounted payments Sh. Chetanbhai Haribhai Bhalodiya. Sh. Chetan Bhalodiya identified beneficiaries and the cash payments made to them. On the basis of seized material and his statements recorded on various dates, the beneficiaries were identified, to whom Sh. Chetan Bhalodiya has given cash. Sh. Chetan Bhalodiya, in his statement under oath, recorded on 17.02.2015, he mentioned the name and address of the beneficiaries and the amount he had paid to each. This amount was also recorded in the material seized from the premises of Sh. Chetan Bhalodiya. The assessee is one of the beneficiaries and had received



aggregate cash of Rs. 17,35,250/- from Shri Chetan Bhalodiya, Prop. of M/s Yash Enterprise, who was engaged in the business of shroff/angadiya.

4. During the assessment proceedings the assessee denied having any transaction with Shri Chetan Bhalodiya, Prop. of M/s Yash Enterprise (Angadiya/Shroff). However, the AO did not make any efforts to find out correctness of the information received from the Authority concerned who gave such information to the AO and accepted the returned income. The AO has failed to treat aggregate cash receipts of Rs. 17,35,250/- as unexplained income within the meaning of section 69A of the IT Act and not charged tax u/s 115BBE of the IT Act. Considering such facts, notice u/s 263 of the Income-tax Act, 1961 dated 18.02.2024 was issued and duly served upon the assessee.
5. The assessee has filed his reply on 09.03.2024. Relevant portion of said reply is reproduced hereunder:

The notice u/s. 148 was issued on 20.03.2020 on the allegation that assessee have received cash of Rs. 17,35,250/- from Shri Chetan Bhalodiya, Prop. of Mis Yash Enterprise (Angadiya/Shroff) during the year under consideration. The assessee denied transaction with M/s Yash Enterprise (Prop. Chetan Bhalodiya) during the year under consideration. In support of denial, assessee had provided a copy of Bank statements, bank books, cash book, purchase register and sale register wherein neither the name of any Chetan Bhalodiya or M/s. Yash Enterprise was appearing nor any amount of Rs. 17,35,250/- was reflected.



6. The Ld. PCIT has observed that,

*“I have carefully considered the submission and relevant facts of the assessee. The submission filed by the assessee is not acceptable. Sh. Chetan Bhalodiya, in his statement under oath, recorded on 17.02.2015, has identified the beneficiary and the assessee is one of them. The Ld. PCIT considered that this is a fit case for invoking section 263 of I. T. Act as the twin conditions namely, (i) the order of the Assessing Officer sought to be revised is erroneous: and (ii) it is prejudicial to the interests of the revenue are satisfied. Accordingly, the impugned assessment order passed by the A.O. u/s 147 r.w.s. 148 of the Income-tax Act, 1961 on 29.09.2021 is set aside for fresh assessment only to the extent of the issues discussed above and direct the Assessing Officer to pass a fresh assessment order after making necessary enquiries relating to cash transactions made by the assessee with Shri Chetan Bhalodiya, Prop. of M/s Yash Enterprise.”*

7. Against the impugned order dated 28-03-2024, the assessee filed an appeal and challenged the legality and validity of the order before this Tribunal.

(i) During the course of hearing, the Ld. A.R. of the assessee submitted that the AO has duly considered submission/documents filed before AO return income was acceptable. The Ld. AR has also relied on certain case law.

(ii) On the other hand, the Ld. DR submitted that it is a case of search assessment while passing an order by Ld. AO. The AO did not make efforts to find out correctness of the information received from the authority concern who give such information to AO.



8. We have heard both the parties and perused the material available on record assessment order and the paper book submitted by the AR during the course of hearing. We note that the case of the appellant was reopened on the allegation that the appellant had received cash of Rs. 17,35,250/- from Shri Chetan Bhalodiya, Prop. of M/s Yash Enterprise (Angadiya/Shroff) during the year under appeal.

(i) Facts stated in the ITBA order sheet are as under:

Vide notice u/s. 142(1) dated 10.11.2020. the AO enquired about the alleged transaction of Rs. 17,35,250/- carried out with Shri Chetan Bhalodiya, Prop. of M/s Yash Enterprise. the appellant clearly denied having entered into any transaction with Shri Chetan Bhalodiya, Prop. of M/s Yash Enterprise. Thereafter, the AO again inquired about transaction of Rs. 17,35,250/-carried out with Shri Chetan Bhalodiya, Prop. of M/s Yash Enterprise. The appellant reiterated his earlier reply of denial of having entered into any transaction with Shri Chetan Bhalodiya, Prop. of Mis Yash Enterprise. Considering the denial of the appellant, the AO issued a letter to the Jurisdictional Assessing Officer (AO) on 01.09.2021 and 14.09.2021 demanding relevant incriminating materials on the basis of which the case of the appellant was reopened. The above facts are in the order sheet of the ITBA portal. A show cause notice to the appellant was issued proposing the addition of Rs. 17,35,250/- u/s. 69 of the Act in respect of the transaction with Shri Chetan Bhalodiya, Prop. of M/s Yash Enterprise (Angadiya/Shroff). The appellant once again denied having entered into any transaction with Shri Chetan Bhalodiya. Prop. of M/s Yash Enterprise. The appellant requested for a copy of the incriminating material available on record and requested for a cross examination of



Shri Chetan Bhalodiya. The AO did not have any incriminating material in his possession and no such material could be obtained from the AO; the AO passed the assessment order without making any variation. This is evident from the ITBA order sheet.

(ii) We note that the AO has issued notice dated: 10.11.2020, 09.08.2021, 27.09.2021 inquiring about the transaction of Rs. 17,35,250/- with Chetan Bhalodiya.

(iii) That Ld. AR has relied on following judgements

- Supreme Court in the case of Shreeji Prints (P.) Ltd. (2021)-130 taxmann.com 294: [Page No. 60-63]
- Supreme Court in the case of Nirav Modi 77 taxmann.com 78: [Page No. 64-65]
- Gujarat High Court in the case of Amit Corporation. taxmann.com 64. [Page No. 66-67] 21
- Delhi High Court in case of Sunbeam Auto Ltd. 332 ITR 167 [Page No. 68-78]
- Mumbai ITAT in case of Narayan Tatu Rane - 70 taxmann.com 227 [Page No. 79-891]
- Rajkot ITAT in case of Metropole Tiles Pvt Ltd. (decision dated 24.08.2022 in ITA no. 59/Rjt/2021) - [Page No. 90-114]

(iv) The Supreme Court judgment in the case of Principal Commissioner of Income Tax vs. Shreeji Prints (P.) Ltd. (2021) 130 taxmann.com 294 wherein the Hon'ble Supreme Court held as follows:

*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 his 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 inquiries in details and accepted genuineness loans received 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 6.5. The case laws held as follows:*

(v) CIT vs. Nirav Modi [2017] 77 taxmann.com 78 (SC)

*Section 68, read with section 263, of the Income-tax Act, 1961- Cash credit (Gift) - Assessment Years 2007-08 and 2008-09 - assessee received certain amount as gifts from his father and sister who were non-residents in India -Assessing Officer after making detailed enquiries, took a view that assessee had duly proved identity, source and creditworthiness of donors Commissioner, however, passed a revisional order under section 263 directing Assessing Officer to enquire into capacity of donors and to decide about genuineness of gifts afresh - it was noted that Commissioner in his order of revision, did not indicate any doubt in respect of genuineness of evidence produced by assessee - Moreover, satisfaction of Assessing Officer on basis of documents produced was not shown to be erroneous - High Court by impugned order held that it was a case where a view had been taken by Assessing Officer after making proper enquiry and, thus, Tribunal was*



*justified in setting aside impugned revisional order - Whether Special leave Petition filed against impugned order was to be dismissed - Held, Yes in favour of assessee.*

(vi) CIT vs. Amit Corporation [2012] 21 taxmann.com 64 (Guj.).

*Section 263 of the Income-tax Act, 1961 Revision - Of orders prejudicial to interest of revenue - Whether when, during course of framing of assessment, Assessing Officer had access to all records of assessee, and after perusing said records, he framed assessment, said assessment could not be re-opened in exercise of revision power under section 263 for making further inquiries-Held, yes in faovur of assessee.*

9. It is evident from the record that the Ld. Assessing Officer has made inquiries by issuing notices and the assessee filed detailed submissions during the course of assessment.

We note in the assessment order dated 29.09.2021 u/s. 147 r.w.s. 144B of the Act. has been recorder,

*“the assessee submitted cash book, bank book and purchase and sales register and financial statements. The letter stated that the company had not done any transaction with the above mentioned parties. The assessee company vide reply dated 20.02.2021 and 19.08.2021 had reiterated its submisisons. After considering the replies of the Assessee and the material available on record, the assessment is completed u/s. 147 r.w.s 1448 of the Income Tax Act, 1961 accepting the Returned*



*Income and the total income of the assessee is computed as under: -*

*Returned Income Rs. Nil*

*Assessed Income Rs Nil”*

That the Ld. PCIT has observed in the order dated 28.03.2024

*“on the basis of seized material and his statements recorded on various dates, the beneficiaries were identified, to whom Sh. Chetan Bhalodiya has given cash. Sh. Chetan Bhalodiya, in his statement under oath, recorded on 17.02.2015, has mentioned the name and address of the beneficiaries and the amount he had paid to each. This amount was also recorded in the material seized from the premises of Sh. Chetan Bhalodiya During the search and survey action, Sh. Chetan Bhalodiya was confronted with the seized materials and was requested to explain the contents of the seized material. The reply of Sh. Chetan Bhalodiya is reproduced hereunder”*

The Ld. PCIT further observed

*“assessee's contention that there are no evidence to prove that assessee has undertaken transactions with Yash Enterprise/Chetan Bhalodiya is not acceptable. The AO did not make any efforts to find out correctness of the information from the Authority concerned who gave such information to the AO which clearly proves that AO has passed the assessment order hurriedly and without making proper enquiry”*



That the assessment order dated 25.03.2025 passed by AO in pursuance to the PCIT order 28.03.2024 The AO observed

*“In the said reply dated 15-03-2025, the assessee made a prayer that if their main argument is not accepted by the Assessing Officer, the addition may please be restricted to the profit element of the alleged unaccounted sales receipts of Rs.17,35,250/- and claimed that the proposed addition of the entire amount of alleged unaccounted cash receipts is unjustified and results in an exaggerated assessment and placed reliance on the some jurisdictional High Court decisions. If the assessee is very confident that he was not involved in any way with Sri. Chetan Bhalodiya and receipt of unaccounted cash of Rs. 17,35,250/- from him, why the assessee is coming forward to accept the addition of profit element on account of unaccounted sale value of Rs. 17,35,250/-. This claim of the assessee itself proves that the assessee is involved in the receipt of unaccounted cash from Mr. Chetan Bhalodiya. Since the assessee is involved in this type of unaccounted transactions, even though he had admitted a Sales turnover of Rs.5,73,61,608/- during the F.Y:2013-14, he has not admitted any income for the A.Y. 2014-15.”*

In view of the above facts and circumstance of the case, we observed merely issue of notice to the assessee and the assessee filed replay to the notice is not correct. In view of the Ld. Pr. CIT has observed in the order that the contention of the assessee that there was no evidence. The AO did not make any efforts to find out correctness of the information from the Authority concerned who gave such information



to the AO which clearly proves that AO has passed the assessment order hurriedly and without making proper enquiry and further the Ld. AO while passing an order in pursuing to the direction of Pr. CIT. it was observed that in replay the assessee submitted that proposed addition of entire amount is not justified and why the assessee is coming forward to accept the addition of profit element un accounted sale value of Rs. 17,35,250/- following the view taken by the Jurisdictional High Court. Thus, we confirm the order passed u/s. 263 by the Ld. PCIT. Therefore the Revision order dated 28-03-2024 is hereby disallowed and the grounds of appeal raised by the Assessee are hereby disallowed.

10. In the result, appeal filed by the Assessee is rejected.

**Order pronounced in the open court on 28-10-2025.**

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

Rajkot

दिनांक/ Date: 28 /10/2025

**Copy of the Order forwarded to**

1. The Assessee
2. The Respondent
3. The CIT(A)
4. Pr. CIT
5. DR/AR, ITAT, Rajkot
6. Guard File

**Sd/-**  
**(DINESH MOHAN SINHA)**  
**JUDICIAL MEMBER**

By Order

Assistant Registrar/Sr. PS/PS  
ITAT, Rajkot