

**IN THE INCOME TAX APPELLATE TRIBUNAL,
BENCH: DB
KOLKATA-CUTTACK 'e-COURT', KOLKATA
[Hybrid Court Hearing]**

**Before Shri Duvvuru RL Reddy, Vice-President (KZ)
&
Shri Rajesh Kumar, Accountant Member**

**I.T.A. No. 383/CTK/2025
Assessment Year: 2018-2019**

***GRC Garments Partnership Firm,.....Appellant
Cuttack Sadar, Choudhury Bazar,
Cuttack-753001, Odisha
[PAN:AAEFG7391N]***

-Vs.-

***Income Tax Officer,.....Respondent
Ward-1(1), Cuttack,
Tulasipur, Cuttack-753008, Odisha***

Appearances by:

*Shri Diganta Das, Advocate, appeared on behalf of the
assessee*

*Shri Vijay Singh, Sr. D.R., appeared on behalf of the
Revenue*

**Date of concluding the hearing: September 03, 2025
Date of pronouncing the order: October 31, 2025**

O R D E R

Per Duvvuru RL Reddy, Vice-President (KZ):-

The present appeal is directed at the instance of assessee against the order of Id. Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi, dated 18th September, 2024 passed for assessment year 2018-19.

2. Ld. Advocate on behalf of the assessee-firm submitted a letter dated 2nd September, 2025 before the Bench praying to adjourn the appeal fixed on 03.09.2025 and relist the matter after four weeks from the date of listing the appeal. He submitted in the form of letter that non-submission of additional evidence and in absence of which demand arises, which is now required to be filed before the Tribunal in the form of paper book, which could not be prepared and filed earlier. We after perusing the relevant documentary evidence available on record reject the adjournment application filed by the ld. Counsel for the assessee and proceed to dispose of the appeal on merit.

3. Brief facts of the case are that the assessee-firm filed its return of income in ITR 5 for the AY 2018-19 on 30.09.2018 declaring total income of Rs.58,02,840/-. The case was selected for limited scrutiny through CASS due to large increase in unsecured loan during the year and mismatch in amount paid to an employee as bonus or commission reported in audit report and ITR. Subsequently notice under section 143(2) of the Act was issued to the assessee on 28.09.2016 and duly served upon the assessee. Subsequently notice under section 142(1) was issued to the assessee to submit details on amount of bonus paid to employee as bonus and commission and explained the mismatch in amount of bonus paid to employee as per ITR and audit report. In reply, the assessee submitted that the auditor has wrongly

mentioned the amount of bonus paid in form 3CD which has been revised by him and uploaded on the Portal stating that there are no employees to whom bonus has been paid, which would otherwise be payable to him as profits or dividends. On examination of the reply submitted, it was observed that the confirmation of loan was received from 13 parties only out of total 28 parties from whom loan taken and Addition to unsecured loan was made during the year. But there were 15 parties from whom confirmation was not received. Subsequently notice under section 133(6) dated 02.02.2021 was issued to the four parties, from which loan confirmation received from three parties, i.e. Shri Ramchander Chhapolia, Shri Dinesh Chhapolia and Lifewood Commodities. One party namely Smt. Manju Devi Jhunjhunwala did not confirm the loan amount given amounting to Rs.22,60,740/-. On examination of the confirmation and copy of ITR received from Shri Ramchander Chhapolia, total amount is Rs.3,82,144/- and the loan given to assessee is only Rs.3,50,000/-. Whereas the addition of loan amounting to Rs.8,96,250/- as declared by the assessee, as per the ledger account of the party, the opening balance of loan amount is not matching to the amount declared by the assessee in Group Summary of unsecured loan. Ld. Assessing Officer added the amount of Rs.8,96,250/- as unsecured loan to the income of the assessee as per the provision of section 68 of the Act. As per reply received from Shri Dinesh Chhapolia, it was observed that in the

bank statement, there is a corresponding credit entry of cash deposit of Rs.6,00,000/- before extending loan to M/s. GRC Garments as reflecting in the screenshot of the bank statement. The ld. Assessing Officer added this amount to the total income of the assessee as unexplained under section 68 of the Act. As no reply on received loan from Avinash Chhapolia for an amount of Rs.1,90,000/- and from Ms. Shardha Chhapolia of Rs.4,00,000/- in response to notice under section 142(1), the ld. Assing Officer added the aggregated amount of Rs.5,90,000/- to the total income of the assessee. Moreover, as the assessee failed to prove the identity, creditworthiness and genuineness of four parties, the loan availed during the year of Rs.20,86,250/- was added back by the ld. Assessing Officer to the total income of the assessee as per the provision of section 68 of the Income Tax Act. The assessee claimed interest on loan paid to various parties, but as the assessee failed to prove the genuineness and creditworthiness of the parties, the ld. Assessing Officer added the amount of interest paid of Rs.41,07,631/- to the total income of the assessee. Thus, the ld. Assessing Officer assessed the total income of the assessee at Rs.1,19,96,721/-. On being aggrieved, the assessee preferred an appeal before the ld. CIT(Appeals).

4. The ld. CIT(Appeals) partly allowed the appeal of the assessee. Firstly, with regard to the amount of addition of Rs.20,86,250/- under section 68 of the Act made by the

ld. Assessing Officer, the ld. CIT(Appeals) dismissed the ground by deleting the addition saying that the appellant failed to simultaneously meet the three ingredients mandated under section 68 in respect of the loan lenders, i.e. their identity and creditworthiness and also genuineness of the transactions. Secondly with regard to the amount of addition to the tune of Rs.41,07,631/- made by the ld. Assessing Officer, the ld. CIT(Appeals) found that the ld. Assessing Officer has disallowed the entire interest amount claimed by the appellant without realising that the substantial part of the interest pertains to loans available prior to the relevant financial year. In view of that, the ld. CIT(Appeals) restricted the disallowance of interest payment on the unsecured loans of Rs.20,86,250/- which have been added under section 68 of the Act, by allowing this ground for statistical purposes.

5. On being aggrieved, the assessee preferred an appeal before the Tribunal. It was the submission of the ld. Counsel for the assessee that assessee is willing to prove the same with supporting evidences and materials and to prosecute the appeal before the ld. CIT(Appeals) on merit by placing certain additional evidences in the form of paper book and, therefore, he pleaded to set aside the order passed by the ld. CIT(Appeals) and restore the matter to the file of ld. CIT(Appeals) to decide it afresh.

6. On the other hand, ld. Departmental Representative pleaded to confirm the order passed by the ld. CIT(Appeals).

7. We have heard both the sides and perused the material available on record. It is an admitted fact that the assessee filed additional evidence before the ld. CIT(Appeals), but the ld. CIT(Appeals) duly considered the additional evidence saying that the assessee has not filed any petition according to the provisions of Rule 46A and disposed of the appeal without considering the additional evidence. The ld. CIT(Appeals) ought to have considered the additional evidence filed by the assessee on merits, but simply he rejected the additional evidence due to some technical aspects. Therefore, considering the facts and circumstances of the case, we are of the view that it is a fit case to remit the matter back to the file of ld. CIT(Appeals) to examine the additional evidence filed by the assessee and dispose of this appeal on merits by passing a speaking order. Therefore, the grounds raised by the assessee are allowed for statistical purposes.

8. In the result, the appeal of the assessee is allowed for statistical purposes.

Order pronounced in the open Court on 31/10/2025.

Sd/-
(Rajesh Kumar)
Accountant Member

Sd/-
(Duvvuru RL Reddy)
Vice-President

Kolkata, the 31st day of October, 2025

*Copies to :(1) GRC Garments Partnership Firm,
Cuttack Sadar, Choudhury Bazar,
Cuttack-753001, Odisha*

- (2) *Income Tax Officer,
Ward-1(1), Cuttack,
Tulasipur, Cuttack-753008, Odisha*
- (3) *CIT(Appeals), NFAC, Delhi;*
- (4) *CIT - ;*
- (5) *The Departmental Representative;*
- (6) *Guard File*

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By order

*Assistant Registrar,
Income Tax Appellate Tribunal,
Kolkata Benches, Kolkata*

Laha/Sr. P.S.