

**IN THE INCOME TAX APPELLATE TRIBUNAL
COCHIN BENCH**

**BEFORE SHRI INTURI RAMA RAO, AM
AND SHRI ANIKESH BANERJEE, JM**

**ITA No. 601/Coch/2025
Assessment Year: 2016-17**

Merchandisers (P) Ltd. Appellant
7/594, Jew Town, Mattancheery, Kochi
[PAN: AABCM6455D]

vs.

DCIT, Corporate Circle-2(1), Kochi Respondent

Assessee by: Shri Thomson Thomas, CA
Revenue by: Smt. Leena Lal, Sr. D.R.

Date of Hearing: 27.10.2025
Date of Pronouncement: 29.10.2025

ORDER

Per: Inturi Rama Rao, AM

This appeal filed by the assessee is directed against the order of the National Faceless Appeal Centre, Delhi (NFAC) dated 06.08.2025 for Assessment Year (AY) 2016-17.

2. Brief facts of the case are that the appellant is a private limited company engaged in the business of trading in raw-rubber. The return of income for AY 2016-17 was filed on 17.10.2016 disclosing loss of Rs. 3,79,128/-. The said return of income was processed u/s 143(1) of the Income Tax Act, 1961 (the Act) accepting the returned

loss. Subsequently, the AO issued notice u/s. 148 of the Act based on the statement recorded from one Shri Joginder Pal Gupta during the course of search and seizure operation in his case on 23.12.2019 that he provides bogus accommodation entries and the appellant is one of the beneficiaries. Against the said notice assessment was completed by the AO vide order dated 03.05.2023 passed u/s. 147 r.w.s. 144B of the Act after making addition of Rs. 1,45,91,304/- as unexplained expenditure of the appellant and applied the tax rate as prescribed u/s. 153BBE of the Act.

3. Being aggrieved, an appeal was filed before the CIT(A), who vide the impugned order confirmed the action of the AO.

4. Being aggrieved, the appellant is in appeal before this Tribunal in the present appeal.

5. The learned counsel for the assessee contends that the appellant company never dealt with the company owned by Shri Joginder Pal Gupta. The appellant company is engaged in the business of raw-rubber and not engaged in garment business. The total turnover of the company is only Rs. 23,13,615/-. Therefore, the question of purchasing to the tune of Rs. 1,45,91,304/- does not arise.

6. On the other hand, the learned Sr. DR opposed the above statement.

7. We have heard the rival contentions and perused the material available on record. On mere perusal of the assessment order it would reveal that the AO made addition of Rs. 1,45,91,304/- based on the statement recorded from one Shri Joginder Pal Gupta. The appellant company had denied having any transaction with the said company and moreover it is asserted that the total purchase made by the assessee company and debited to the Profit & Loss A/c. comes only Rs. 23,13,615/-. Therefore, the question of making addition on account of alleged bogus purchase to the tune of Rs. 1,45,91,304/- does not arise. Further, the submission of the appellant that it does not deal in garments, requires verification by the AO. Therefore, in the interest of justice, we remand the matter back to the file of AO for due verification of the contentions of the appellant. Accordingly, the matter is set aside to the file of AO for de novo adjudication in accordance with law after affording reasonable opportunity of hearing to the appellant.

8. In the result, the appeal filed by the assessee stands partly allowed for statistical purposes.

Order pronounced in the open court on 29th October, 2025.

Sd/-

(ANIKESH BANERJEE)
JUDICIAL MEMBER

Cochin, Dated: 29th October, 2025

Sd/-

(INTURI RAMA RAO)
ACCOUNTANT MEMBER

n.p.

Copy to:

1. The Appellant
2. The Respondent
3. The Pr. CIT concerned
4. The Sr. DR, ITAT, Cochin
5. Guard File

By Order

Assistant Registrar
ITAT, Cochin