



आयकर अपीलीय अधिकरण "ए" न्यायपीठ पुणेमें।  
IN THE INCOME TAX APPELLATE TRIBUNAL  
PUNE BENCHES "A" :: PUNE

BEFORE MS.ASTHA CHANDRA, JUDICIAL MEMBER  
AND  
DR.DIPAK P. RIPOTE, ACCOUNTANT MEMBER

आयकर अपील सं. / ITA No.1377/PUN/2025

निर्धारण वर्ष / Assessment Year: 2020-21

Alicon Castalloy Ltd., Gat No.1426, Village Shikrapur, Taluka Shirur, Pune – 412208.	V s	The Pr.Commissioner of Income Tax-1, Pune.
PAN: AABCP0252B		
Appellant/ Assessee		Respondent / Revenue

Assessee by	Shri Nikhil S Pathak
Revenue by	Shri Aditya Shukla – CIT(DR)
Date of hearing	17/09/2025
Date of pronouncement	14/11/2025

**आदेश/ ORDER**

**PER DR. DIPAK P. RIPOTE, AM:**

This is an appeal filed by the assessee against the order of Id.Principal Commissioner of Income Tax, Pune-1, under section 263 of the Income Tax Act, 1961 dated 27.03.2025 for Assessment Year 2020-21 emanating from the Assessment Order u/s.143(3) of the Act, dated 20.09.2022. The Assessee has raised the following grounds of appeal :

“1] The learned Pr.CIT erred in revising the asst, order passed u/s



*143(3) r.w.s. 144B on the ground that it was erroneous and prejudicial to the interest of the revenue.*

*2] The Pr. CIT erred in revising the asst, order u/s 263 by setting aside the asst. order to the file of the learned A.O. to reexamine the issue of trade creditors without appreciating that the asst, order was neither erroneous nor prejudicial to the interest of the revenue and therefore, there was no reason to set aside the asst, order on the said issue.*

*3] The learned Pr. CIT erred in setting aside the asst, order with a direction to reexamine the issue of trade creditors without giving any opportunity to the assessee and therefore, the revision order passed u/s 263 is invalid in law and the same may be declared null and void.*

*4] The learned Pr. CIT failed to appreciate that the issue of trade creditors was duly verified by the learned A.O. in the course of asst, proceedings and therefore, the asst, order passed u/s 143(3) was neither erroneous nor prejudicial to the interests of the revenue and hence, the order passed u/s 263 be declared null and void.*

*5] The appellant craves leave to add, alter, amend or delete any of the above grounds of appeal.”*

**Submission of Id.AR :**

2. The Id.Authorised Representative(Id.AR) for the Assessee filed a paper book containing 129 pages. Ld.AR submitted that the issue of creditors was duly verified by the Assessing Officer during assessment proceedings. Ld.AR further submitted that the Assessing Officer has specifically mentioned in the Assessment Order that after verification of the submission of the Assessee, no adverse inference can be drawn. Ld.AR read out page 14 and 15 of the assessment order. Ld.AR submitted that once Assessing Officer has verified the issue of creditors, the Pr.CIT has no jurisdiction to



issue notice u/s.263 of the Act. Ld.AR relied on the following decisions :

- *The Hon'ble High Court of Delhi in the case of CIT Vs. Contimeters Electricals (P.) Ltd. [2009] 178 Taxman 422 (Delhi) vide order dated 02.12.2008.*
- *ITAT Delhi Bench in the case of Genesis Colors (P.) Ltd Vs. CIT [2014] 42 taxmann.com 552 (Delhi Tribunal) vide order dated 11.10.2013.*
- *ITAT Pune Bench in the case of Goel Eisha Capitals Vs. PCIT(Central), Pune in ITA No.1006/PUN/2024 vide order dated 07.04.2025.*
- *ITAT Pune Bench in the case of Sanjay Amrutrao Satav(HUF) vs. ITO in ITA No.200/PUN/2021 vide order dated 30.06.2022.*

3. Ld.AR further submitted that Pr.CIT in Para 6 of the order has specifically mentioned about 37 creditors, but no opportunity was granted by Pr.CIT to explain the same. Therefore, ld.AR pleaded that Pr.CIT's order is bad in law.

**Submission of ld.DR :**

4. Ld.Departmental Representative for the Revenue relied on the order of Pr.CIT. Ld.DR submitted that Assessee had not properly submitted details before the Assessing Officer. Ld.DR submitted that Assessee had mixed the Debtors and Creditors in the list provided to the Assessing Officer. Therefore, AO was precluded from making proper verification.

**Findings & Analysis :**

5. We have heard both the parties and perused the records. In this case, Assessee is a company engaged in manufacturing aluminum casting. Assessment Order in the case of the Assessee for A.Y.2020-21 was passed on 20.09.2022.

5.1 Then, the Pr.CIT issued notice u/s.263 of the Act, on 12.03.2025. The relevant notice u/s.263 is reproduced in the order of the Pr.CIT. After considering the submission of the Assessee, Pr.CIT held that Assessment Order dated 20.09.2022 is erroneous and prejudicial to the interest of the Revenue. The relevant paragraph 7, 8 and 9 of the order u/s.263 of the Act, dated 27.03.2025 are reproduced here as under :

*“7. It can be seen from the above data that, all the 37 trade creditors have constant figures of balance for all the three years. The information tabulated above is highly suspicious being unusual and indicative of possibility of cessation of these liabilities. Such data deserves deeper enquiries and examination.*

*8. The FAO ought to have gone deeper in the list of 1768 creditors provided by the assessee during assessment proceedings, should have understood the methodology adopted by the assessee and should also have conducted proper enquiries in respect of all the trade creditors including the 37 number of trade creditors specifically short listed above Failure to conduct such enquires and verifications has rendered*



*the assessment order under consideration to be erroneous and prejudicial to the interest of revenue*

9. *In the light of the facts, discussed in the foregoing paragraphs, the order passed on 20.09.2022 u/s 143(3) rws 1448 for AY 2020-21 is erroneous and prejudicial to the interest of the revenue. Since the conditions stated in section 263 are satisfied in this case, and it is a fit case to invoke provisions of the section. In view of the above the assessment order dated 20.09.2022 u/s 143(3) r.w.s. 1448 for AY 2020-21 is hereby partly set aside to the file of the Assessing Officer for proper verification of facts and to re-examine the issue of trade creditors considering the aspects discussed in the foregoing paragraphs of this order and decide the issue afresh. However before arriving at any conclusion, the Assessing Officer shall give reasonable opportunity of being heard and to adduce the evidence and information with regard to the issues involved.”*

5.1 Thus, the main contention of the Pr.CIT is that 37 Creditors have constant figures of outstanding for three years. Therefore, Pr.CIT was of the opinion that it was suspicious and there was possibility of cessation of liability. Thus, the order of the Pr.CIT itself says that the Pr.CIT was suspicious. It means the Pr.CIT was not sure and he has merely expressed a doubt.

6. In this case, in the assessment order dated 20.09.2022 the Assessing Officer has mentioned as under :



*“As regards other liabilities the assessee has given complete reply vide its letter dated 14/8/2021 the assessee company has clearly given the details.*

*The details of all the liabilities have been thoroughly examined, comparative charts obtained for past years and with the details available in the annual report. NO adversity is found in this regards.”*

6.1 Thus, the Assessing Officer in the assessment order has specifically mentioned that comparative chart of past years have been verified. Assessing Officer has mentioned that he has verified the details and there was nothing adverse. In these circumstances, Pr.CIT only on the basis of suspicion, invoking jurisdiction u/s.263 of the Act is bad in law.

7. The Pr.CIT in the order has stated that liability may have ceased. However, to invoke provisions u/s.41(1) of the Act, there has to be a benefit derived by the Assessee from cessation of liability. It has not been brought on record by Pr.CIT that Assessee has received benefit in respect of the impugned trading liabilities.

8. The Hon’ble Supreme Court in the case of CIT Vs. Sugauli Sugar Works (P.) Ltd.236 ITR 518(SC) vide order dated 04.02.1999 has explained that “a unilateral act on the part of the debtor cannot bring about a cessation of his liability”. Therefore, the presumption,



assumption on the part of Pr.CIT that liability may have ceased is not based on facts and the law applicable.

9. Be it as it may be, we have already mentioned in earlier paragraphs that Assessing Officer had carried out required enquiries and then arrived at a conclusion that no adverse inference can be drawn. We have also gone through the various notices u/s.142(1) issued by the Assessing Officer during the assessment proceedings and it is noted that Assessee specifically asked question regarding creditors and liabilities. It is also observed that Assessee had filed details. Rather the Pr.CIT had invoked jurisdiction u/s.263 of the Act, only after perusing the submission of the Assessee filed during assessment proceedings. Therefore, once Assessing Officer arrived at a conclusion which is a plausible view, the Pr.CIT is precluded from invoking jurisdiction u/s.263 of the Act.

9.1 The Hon'ble Supreme Court in the case of CIT Vs. Amitabh Bachchan, 384 ITR 200(SC) observed as under :

*“21. There can be no doubt that so long as the view taken by the Assessing Officer is a possible view the same ought not to be interfered with by the Commissioner under Section 263 of the Act merely on the ground that there is another possible view of the matter. Permitting exercise of revisional power in a situation where two views are possible would really amount to conferring some kind of an appellate power in*



*the revisional authority. This is a course of action that must be desisted from.”*

9.2 The Hon’ble Jurisdictional High Court in the case of CIT v/s Mepco Industries Ltd. 294 ITR 121 (Madras) held as under :

*Quote, “8. Therefore, on the facts of the case, when two views are possible and it is not the case of the Revenue that the view taken by the Assessing Officer is not permissible in law, the CIT is not justified in invoking the jurisdiction under section 263 of the Act.” Unquote.*

9.3 The Hon’ble Bombay High Court in the case of CIT Vs. Future Corporate Resources Ltd in IT Appeal No.1275 of 2017 vide order dated September 29, 2021 held as under :

*Quote ,“ 7. In the order of PCIT it is stated "in paragraph 4.3 of the assessment order, the Assessing Officer has recorded that from the details submitted by the assessee and the explanation given by him, it was observed that assessee had regular business connection with the company in which investment had been made and also there was business income to the assessee from the same. Therefore, interest expense debited by the assessee has not been considered for the calculation of disallowance under section 14A because the same has been incurred for the purpose of business." The PCIT therefore agrees that the Assessing Officer has recorded from the details submitted by respondent and the explanation given by respondent that the assessee had regular business connection with the company in which investment has been made and also there was a business income to the assessee from the same. He notes that the Assessing Officer, therefore did not consider the calculation of disallowance under section 14A the interest expense debited by the assessee because the same has been incurred for*



*the purpose of business. The PCIT though was unhappy with the view of the Assessing Officer, the PCIT himself does not say why it should have been considered for the calculation of disallowance under section 14A. Even if one assumes that he has, after reading of the order expressed his views, but still the position is two views therefore were possible. Therefore, if one of the two possible views was taken by the Assessing Officer, the PCIT could not have exercised his powers under section 263 of the Act. 8.” Unquote .*

9.4 ITAT Pune Bench in the case of Goel Eisha Capitals Vs. PCIT(Central), Pune in ITA No.1006/PUN/2024 vide order dated 07.04.2025 held as under :

*“18. The various other decisions relied on by the Ld. Counsel for the assessee placed in the paper book also support his case to the proposition that when the Assessing Officer had raised specific queries on an issue and the assessee had given the reply to the same and the Assessing Officer, after considering the reply of the assessee, has passed the order u/s 143(3), the same cannot be set aside by the Ld. PCIT by invoking the jurisdiction u/s 263 of the Act since it is not a case of lack of enquiry but may be inadequate enquiry. Since the Assessing Officer in the instant case has raised the specific queries regarding the provision for expenses and the assessee had replied to the same and the Assessing Officer after considering the reply of the assessee has accepted the submissions made by the assessee, therefore, it is not a case of lack of enquiry and therefore, respectfully following the decisions cited (supra), we hold that it is not a fit case for invoking the jurisdiction u/s 263 of the Act. We, therefore, set aside the order passed by the Ld. PCIT and allow the grounds raised by the assessee.”*



9.5 Thus, the principal of the law emanating from the above decision of the Hon'ble Supreme Court, Hon'ble Jurisdictional High Court and ITAT Pune Bench is that when two views are legally possible and AO adopts one view the Assessment Order cannot be said to be erroneous for the CIT to invoke jurisdiction u/s.263. In this case, Assessing Officer has recorded in the Assessment Order that no discrepancy is found on study of the chart submitted, further it is seen that the increase in creditors is proportionate to the increase in turnover as compared to past two years. Thus, Assessing Officer was satisfied about creditors.

10. In these facts and circumstances of the case, we are of the opinion that the Assessment Order dated 20.09.2022 is not erroneous and prejudicial to the interest of the Revenue. Therefore, the order u/s.263 is not sustainable. Accordingly, grounds of appeal raised by the Assessee are allowed.

11. In the result, appeal of the Assessee is allowed.

Order pronounced in the open Court on 14 November, 2025.

**Sd/-**  
**MS.ASTHA CHANDRA**  
**JUDICIAL MEMBER**

**Sd/-**  
**Dr.DIPAK P. RIPOTE**  
**ACCOUNTANT MEMBER**

पुणे / Pune; दिनांक / Dated : 14 Nov, 2025/ SGR



**आदेशकीप्रतिलिपिअग्रेषित / Copy of the Order forwarded to :**

1. अपीलार्थी / The Appellant.
2. प्रत्यर्थी / The Respondent.
3. The CIT(A), concerned.
4. The Pr. CIT, concerned.
5. विभागीयप्रतिनिधि, आयकर अपीलीय अधिकरण, "ए" बेंच, पुणे / DR, ITAT, "A" Bench, Pune.
6. गार्डफ़ाइल / Guard File.

आदेशानुसार / BY ORDER,

// TRUE COPY //

Senior Private Secretary  
आयकर अपीलीय अधिकरण, पुणे/ITAT, Pune.