

**IN THE INCOME TAX APPELLATE TRIBUNAL  
MUMBAI BENCH "D" MUMBAI**

**BEFORE SHRI OM PRAKASH KANT (ACCOUNTANT MEMBER)  
AND  
SHRI RAJ KUMAR CHAUHAN (JUDICIAL MEMBER)**

**ITA Nos. 264, 318 to 322/MUM/2025  
Assessment Years: 2014-15 to 2019-2020**

Manish Kantilal Kapadia,  
301-B Pleasant Park, CHSL,  
Pedder Road,  
Mumbai-400026.  
**PAN NO. AAPPK 5676 H**  
**Appellant**

ACIT-CC-8(2),  
Room No. 658, 6<sup>th</sup> floor,  
**Vs.** Aayakar Bhavan,  
Mumbai-400020.  
**Respondent**

**ITA Nos. 263, 280 to 284/MUM/2025  
Assessment Years: 2014-15 to 2019-2020**

Rekha Manish Kapadia  
301-B Pleasant Park, CHSL,  
Pedder Road,  
Mumbai-400026.  
**PAN NO. AAPPK 5677 G**  
**Appellant**

ACIT-CC-8(2),  
Room No. 658, 6<sup>th</sup> floor,  
**Vs.** Aayakar Bhavan,  
Mumbai-400020.  
**Respondent**

Assessee by : None  
Revenue by : Mr. Uma Shankar Prasad, CIT-DR

Date of Hearing : 06/11/2025  
Date of pronouncement : 26/11/2025



## ORDER

### PER BENCH

These appeals by the captioned assessee(s) arise from separate but contemporaneous orders passed by the Learned Commissioner of Income-tax (Appeals)-50, Mumbai [hereinafter referred to as “the Ld. CIT(A)”], pertaining to assessment years 2014-15 to 2019-20, respectively. Inasmuch as the issues involved in all these appeals are common, they were heard together, and are being disposed of by this consolidated order for the sake of convenience and in the interest of procedural uniformity.

2. We shall first advert to the appeal of **Smt. Rekha Manish Kapadia** for assessment year 2014-15, which was taken up as the lead matter. It was fairly agreed by both the parties that the adjudication in the said appeal would, *mutatis mutandis*, govern the disposal of the remaining appeals as well, as the underlying facts and circumstances being substantially identical, barring variations in the quantum of additions.

2.1 The grounds raised by the assessee in Rekha Manish Kapadia in appeal for assessment year 2014-15 are reproduced as under:

**1. Against Addition of Rs. 2.63 Crores including Interest of 1,65,49,942 Rs. 4.10 Lakhs**

*Whether on the facts and circumstances of the case and in law, the Learned Commissioner of Income Tax (Appeal) has wrongly estimated the income of the appellant @ 3% for total turnover of*



*Purchase and Sales as reported in profit and loss account, prepared from Audited Book of Accounts amounting to Rs.51,78,40,543/ though the alleged turnover of Sales and Purchase with 'One World Group Companies' was Rs.12,81,11,995/-, during the captioned year, which is against the natural justice.*

*Further Ld CIT(A) has wrongly confirmed the Interest Income of 4,10,010/- added by DCIT as operational income.*

*2. Whether on the facts and circumstances of the case and in la the Learned Commissioner of Income Tax (Appeal) has erre in allowing the appeal partly on assumption bases and not or facts.*

*3. Whether on the facts and circumstances of the case and in la the learned Commissioner of Income Tax (Appeal) has erred upholding the action of learned assessing officer of treating the business activities as accommodation entry without appreciating the submission / documentary evidence provide to prove the genuineness of all the Audited purchase and sale submitted by appelliant.*

*4. Whether on the facts and circumstances of the case and in la the learned Commissioner of income Tax (Appeal) has erred not allowing the assessee's appeal for disapproving the learn Assessing officer's view of rejecting the Books of Accounts and Income of appelliant by invoking the provision of sectorior 145 (3) of the income tax Act, 1961.*

*5. The Learned Commissioner of Income Tax (Appeal) has again erred in allowing the respondent made an addition u/s. 68 of Rs. 2,75,000/-/- in respect of unsecured loan appearing in audited Balance Sheet of the appelliant prepared from the books of accounts which were rejected u/s 145(3) of the Act. The said loan was availed from my husband Manish Kapadia [(PAN: AAPPK5676H)] which was received and credited in Books of Accounts prior 01.04.2013 and is also appearing in the books of accounts in my husband Manish Kapadia as Loans & Advances.*

3. Briefly stated, facts of the case are that during relevant assessment year, the assessee was proprietor of M/s RM Textiles. The assessee claimed to have been engaged in the trading of textile products. A search u/s 132 of the Income-tax Act, 1961 (in short 'the Act') was carried out on 06.11.2019 at the premises of a "One



World Group” entities along with residential and office premises of the assessee.

3.1 Pursuant to the said search action, a notice under section 153A of the Act was issued on 24.03.2021. In response thereto, the assessee filed her return of income on 23.03.2021 declaring a total income of ₹8,61,740/-. Subsequently, a notice under section 143(2) of the Act was issued and served on 24.01.2021, followed by multiple statutory notices under section 142(1) calling for explanations and supporting evidences, particularly concerning the allegedly bogus purchase and sales transactions unearthed during the search.

3.2 As the assessee did not furnish any response to the aforementioned notices, the Assessing Officer issued a final show-cause notice dated 14.09.2021 requiring the assessee to explain why the assessment should not be framed *ex parte*. In the continued absence of compliance, the Assessing Officer proceeded to complete the assessment *ex parte* under section 153A read with section 144 of the Act on 28.09.2021, determining the total income at ₹2,66,61,017/-.

3.3 In the assessment, the Assessing Officer held that the transactions recorded by the assessee represented accommodation entries in respect of bogus purchases and sales. Invoking section 145(3) of the Act, he rejected the books of account and, treating the



assessee as an entry operator, estimated commission income at 5% of the declared turnover of ₹51,78,40,543/-, resulting in an addition of ₹2,58,92,027/-. The Assessing Officer further made an addition of ₹2,75,000/- under section 68 of the Act, treating the unsecured loan reflected in the books as unexplained cash credit.

4. Before the Ld. CIT(A), the assessee contended that complete books of account pertaining to the textile business had indeed been produced, though the same were not duly considered by the Assessing Officer. It was submitted that the assessee had been engaged in the business of textile trading since 2010 with the assistance of her husband. However, owing to serious health issues faced by her husband from financial year 2013-14 onwards, the operational control of the business was handed over to one Shri Hemendra Kapadia, a family acquaintance who was already active in textile trading. According to the assessee, Shri Kapadia managed the business under the existing trade name, upon assuring her husband a monthly return of approximately ₹1,20,000/- for permitting the continued use of the proprietorship concerns belonging to the assessee, her husband, and their HUF.

4.1 It was further submitted that, simultaneous with the search conducted in the case of the One World Group entities and Shri Hemendra Kapadia, a search was also executed at the assessee's premises. During the search of One World Group companies, the



statement of Shri Urvil Jani, Director of the group, was recorded on oath, wherein he admitted that the group had artificially inflated its turnover by engaging in paper transactions with entities owned or controlled by Shri Hemendra Kapadia, including the assessee's concern.

4.2 The assessee contended that the entire addition made by the Assessing Officer rested exclusively upon the statements of Shri Urvil Jani and Shri Hemendra Kapadia, without affording the assessee any meaningful opportunity of rebuttal. It was further urged that the sworn statement of the assessee's husband, explaining the arrangement under which Shri Kapadia was permitted to run the business in return for fixed monthly profits, was disregarded without cogent reasons.

4.3 Without prejudice, it was also argued that, even assuming the business was treated as an accommodation-entry operation, the rate of commission could not reasonably exceed 0.05% to 0.5 paisa on turnover.

4.4 The Ld. CIT(A), after considering the assessment order, the submissions of the assessee, and the material gathered during the course of search, noted that the assessee's proprietary concern, M/s R M Textiles, as well as related concerns of her husband, had substantial transactions with entities of the One World Group. During the search on both the assessee and her husband, no



documentary evidence supporting actual business activity—such as records of stock, transportation, delivery, or party-wise purchase and sales details—was found. On the contrary, statements recorded under section 132(4) from the assessee’s husband, Shri Manish Kapadia, and from Shri Hemendra Kapadia established that the business concerns were effectively controlled and managed by Shri Hemendra Kapadia, and that the transactions reflected in the books were merely accommodation entries without any genuine movement of goods.

4.5 The Ld. CIT(A) further observed that these admissions stood corroborated by the statement of Shri Urvil Jani, Director of the One World Group, who confirmed that the group had used entities managed by Shri Hemendra Kapadia, including the assessee’s concern, for inflating purchases and sales through paper transactions. In light of these consistent findings, the Ld. CIT(A) held that the books of account maintained by the assessee were unreliable and had been rightly rejected under section 145(3) of the Act.

4.6 Regarding the turnover disclosed by the assessee, the Ld. CIT(A) noted that although only part of the sales pertained to One World Group entities, the assessee had not produced any evidence to substantiate the genuineness of the remaining transactions with non-group parties. In the absence of such evidence, and



considering the admitted modus operandi of Shri Hemendra Kapadia, he held that the entire turnover was liable to be treated as arising from accommodation entries.

4.7 On the issue of the rate of commission, the Assessing Officer had applied 5%. The Ld. CIT(A), after examining the judicial precedents relied upon by the assessee—particularly the decision of the Delhi Bench of the Tribunal in the case of *Shri Anil Kumar v. ITO*—considered a commission rate of 3% to be fair and reasonable. Accordingly, while upholding the rejection of books and the estimation of commission on the total turnover of ₹51.78 crore, he restricted the applicable rate to 3%, granting partial relief to the assessee.

4.8 The relevant finding of the Ld. CIT(A) is reproduced as under:

*“8. I have considered the assessment order, submission of the appellant and facts available on record in this case. A search u/s 132 of the IT Act was conducted on the appellant along with the One World Group entities. During the search, it was found that M/s R M Textiles, a proprietary concern of the appellant, had major transactions with the One World Group entities. A search was also conducted on Shri Manish Kapadia, husband of the appellant, who is the proprietor of M/s R K Impex and M/s R K Traders. These concerns also had significant transactions with One World Group entities. During the search, a statement of Shri Manish Kapadia was recorded u/s 132(4) of the IT Act. In this statement, it was stated that he was not involved in any actual business transactions with any of the One World Group entities and all the business activities of M/s R K Traders, M/s R K Impex and M/s R M Textiles were managed and controlled by Shri Hemendra Kapadia. Further, no documentary evidence regarding the purchases and sales were found with Shri Manish Kapadia.*



8.2 During the search, the statement of Shri Hemendra Kapadia was also recorded u/s 132(4) of the IT Act, wherein he has stated that there was no actual delivery of goods to One World concerns. Only bills were provided to them whenever they demanded the same. Thus, Shri Hemendra Kapadia has admitted in this statement recorded u/s 132(4) of the IT Act that the entities M/s R K Traders, M/s R K Impex, and M/s R M Textiles were controlled and managed by him and he was engaged in providing accommodation entries in the form of bogus purchase and sale bills without any actual supply of goods.

8.3 During the search on One World Group, the statement of Shri Urvil A. Jani, director of One World Group entities, was recorded u/s 132(4) of the IT Act on 08.11.2019. In this statement, Shri Urvil Jani has confirmed the statement given by Shri Hemendra Kapadia. It is further admitted that he has used the entities run and controlled by Shri Hemendra Kapadia to inflate purchases and sales. There was no actual movement of goods and only billing was done. Thus, Shri Urvil Jani has accepted the fact that One World Group entities have entered into bogus purchase and sales transactions with the entities controlled and managed by Shri Hemendra Kapadia.

8.4 From the above facts unearthed during the search conducted on the appellant and on One World Group, it is evident that the proprietary concern of the appellant was totally controlled and managed by Shri Hemendra Kapadia. In this concern, no actual business activity was carried out and all the transactions shown in the books of account are paper transactions.

8.5 In the assessment order, the AO noted that at the fag end of assessment, the appellant has submitted the basic documents like the copy of the return of income, computation of income and financials. The appellant has not furnished the details like party-wise purchase and sales, documents showing transportation of goods, proof of delivery, address of place for delivery of goods etc. It is further noted that in the absence of these details, the AO could not carry out independent inquiries regarding the purchases and sales shown by the appellant. As per the findings of the search, it is an undisputed fact that the appellant has not carried out any actual business transactions and has provided only accommodation entries. The AO held that the books of accounts maintained are incorrect and hence, unreliable. Accordingly, the AO rejected the books of accounts as per the provisions of section 145(3) of the IT Act and estimated the commission income @5% on total turnover shown of Rs.51,78,40,543/-.



8.6 During the appeal proceedings, several notices for hearing were issued to the appellant. In response to these notices, the appellant has filed a submission dated 21.12.2023 as reproduced above. In this submission, the appellant contended that she was engaged in textile trading business since 2010 with the assistance of her husband. However, due to health issues faced by her husband, the responsibility of running the business activity was handed over to Shri Hemendra Kapadia. Thus, there is no dispute on the facts unearthed during the search that the proprietary concern of the appellant (M/s RM Textiles) was controlled and managed by Shri Hemendra Kapadia. The appellant has admitted that her business was entirely managed and controlled by Shri Hemendra Kapadia.

8.7 The appellant further contended that during the year under consideration, out of total sales shown of Rs.26,87,14,833/-, the sales with the One World Group entities are of Rs. 12,72,10,096/- only. Further, there is no purchase made from One World Group entities. However, the AO assessed the commission income on total purchases and sales of Rs.51,78,40,543/-. It is further contended that the estimation of commission @5% is on the higher side. For the same, the appellant has relied on decisions of the Hon'ble ITAT.

8.8 From the submissions of the appellant, it is evident that the appellant has not disputed the fact that the turnover shown with the One World Group entities is bogus. The only contention is regarding the estimation of commission on other transactions with non-One World Group entities and rate of percentage of commission on such transactions.

8.9 Regarding the remaining purchase and sales with the other parties, the appellant's contention is that the same are genuine and hence, no commission income can be estimated on such transactions. In the year under consideration, the appellant has shown total sale of Rs.26,87,14,833/-, out of which sales of Rs. 12,72,10,096/- is shown with other than One World Group entities. However, the appellant has not furnished any documentary evidence to establish the fact that the other purchase and sales shown are from genuine business activity. It is an admitted fact that the activities of the proprietary concern of the appellant have been controlled and managed by Shri Hemendra Kapadia. No documentary evidence regarding actual business activity and stock was found during the search. In the statement recorded during the search u/s 132(4) of the IT Act, Shri Hemendra Kapadia has admitted that he has not carried out any actual purchase and sale transaction. Thus, as per the admission



*of Hemendra Kapadia and findings of the search, there was no actual business activity carried out by the appellant's concern. Further, during the assessment proceedings as well as during the appeal proceedings, despite giving several opportunities, the appellant has not furnished any documentary evidence to establish the fact that any genuine business activity has been carried out by the appellant's concern. Therefore, the contention of the appellant deserves to be rejected.*

*8.10 As there is a specific finding unearthed during the search that the appellant has not carried out any genuine business activity and was involved in providing bogus purchase and sale bills, the books of accounts maintained by the appellant are incorrect and hence, unreliable. Therefore, the same are to be rejected as per the provisions of section 145(3) of the IT Act. Accordingly, I upheld the decision of the AO rejecting the books of accounts and estimating the commission on the total turnover.*

*8.11 Now coming to the rate of commission to be charged for estimation of income, the AO has estimated the commission @5%, whereas the appellant has contended that the commission is to be estimated @0.05% to 0.2%. To support her contention, the appellant has relied on the decision of Shri Anil Kumar vs ITO (ITAT Delhi) and decision in the case of Sanjay Kumar Chaudhary vs ACIT, (ITAT Surat). I have perused the decisions relied upon by the appellant. It is seen that the Honorable Delhi ITAT, in the case of Shri Anil Kumar vs ITO (ITA NO 6002/DEL/2017), has upheld the decision of the CIT(Appeals) in estimating the commission @3%. This decision is relevant and applicable in the facts of the case of the appellant. The other decision of the Hon'ble ITAT, Surat in the case of Shri. Sanjay Kumar Chaudhary is in the context of different set of facts. The issue involved is the import of rough and cut polished diamonds and hence, this decision is not applicable in the facts of the appellant.*

*Therefore, following the decision of the Hon'ble ITAT Delhi in the case of Shri Anil Kumar vs. ITO, which is also relied upon by the appellant, I direct the AO to adopt the rate of commission @3% on the total turnover of Rs.51,78,40,543/- instead of 5%. Accordingly, appeal on this ground is PARTIALLY ALLOWED.”*

5. We have carefully considered the rival submissions advanced on behalf of the parties and have perused the material placed on record. The controversy that falls for adjudication pertains to the



rejection of the books of account and the consequent estimation of commission income on the footing that the textile-trading activity ostensibly carried on by the assessee was, in substance, nothing more than a conduit for accommodation entries.

5.1 Before us, the learned counsel for the assessee urged that the entire operations were, in fact, conceived, directed, and executed by Shri Hemendra Kapadia, and that any commission attributable to the impugned transactions ought, if at all, to have been brought to tax in his hands and not in the hands of the assessee. The record, however, belies the foundation of such a plea. The assessee has not produced before the Assessing Officer or before the Ld. CIT(A) any contemporaneous documentary evidence—whether in the nature of purchase and sales registers, delivery challans, transportation records, or other primary documents—to substantiate the existence of genuine trading activity. The few ledger extracts eventually filed were tendered only at the eleventh hour, leaving no opportunity for meaningful verification; and significantly, no application seeking admission of additional evidence was preferred before the Ld. CIT(A).

5.2 In the absence of even the rudiments of proof supporting the claim that actual trading in textile goods was undertaken during the relevant year, the assessee's contention cannot be accepted. The



finding that the alleged transactions bore the character of accommodation entries thus stands on firm factual foundation.

5.3 The further grievance that the interest income of ₹4,10,010/- has been treated as part of the operational income also merits no acceptance. The assessee herself has disclosed such amount as interest income; the Assessing Officer has merely brought it to tax in accordance with its true character. No infirmity, factual or legal, attaches to the approach adopted by the lower authority.

5.4 Upon a comprehensive consideration of the submissions and the evidence—or the conspicuous want thereof—we discern no error in the conclusions arrived at by the Ld. CIT(A). The rejection of the books of account and the estimation of commission income have been rightly upheld.

5.5 In the result, **Ground Nos. 1 to 4 raised by the assessee stand dismissed.**

6. In Ground No. 5, the assessee challenges the addition of ₹2,75,000/- made under section 68 of the Act in respect of an unsecured loan reflected in her audited balance sheet. It is the assessee's case that the amount in question represents a loan advanced by her husband, Shri Manish Kapadia, and that the said sum stood credited in her books, as well as correspondingly



recorded as a loan and advance in the books of Shri Manish Kapadia, well prior to 01.04.2013.

6.1 In principle, if the credit pertains to a period preceding 01.04.2013, the same cannot be brought to tax as an unexplained cash credit in the assessment year under consideration. However, the assessee has not produced any contemporaneous documentary evidence—such as bank statements, confirmations, or supporting ledger entries—to substantiate the factum and timing of the loan. In the absence of such material, the matter cannot be conclusively adjudicated at this stage.

6.2 In the interests of justice, therefore, we consider it appropriate to remit this issue to the file of the Assessing Officer. The assessee shall be afforded an opportunity to furnish all necessary evidence, including bank statements and supporting records, to establish that the loan was received prior to 01.04.2013. The Assessing Officer shall examine the same and adjudicate the issue afresh in accordance with law. Ground No. 5 is, accordingly, allowed for statistical purposes.

7. As regards the remaining appeals for the assessment years 2015-16 to 2019-20, the sole issue relates to rejection of books of account and estimation of commission income. The facts and circumstances being identical, our findings rendered in relation to assessment year 2014-15 shall apply *mutatis mutandis* to the



corresponding grounds in those years. The said grounds are disposed of accordingly.

8. Now we take up the appeals in the case of Mr. Manish Kapadia for assessment year 2014-15. The relevant grounds raised by the assessee are reproduced as under:

*1. Whether on the facts and circumstances of the case and in law, the Learned Commissioner of Income Tax (Appeal) has wrongly estimated the income of the appellant @ 3% for total turnover of Purchase and Sales as reported in profit and loss account, prepared from Audited Book of Accounts amounting to Rs.69,49,11,846/- though the alleged turnover of Sales and Purchase with 'One World Group Companies' was Rs.12,81,11,995/-, during the captioned year, which is against the natural justice.*

*Further Ld CIT(A) has wrongly confirmed the Interest Income of 6,61,315/- added by DCIT as operational income*

*2. Whether on the facts and circumstances of the case and in law, the Learned Commissioner of Income Tax (Appeal) has erred in allowing the appeal partly on assumption bases and not on facts*

*3. Whether on the facts and circumstances of the case and in law the learned Commissioner of Income Tax (Appeal) has erred in upholding the action of learned assessing officer of treating all the business activities as accommodation entry without appreciating the submission / documentary evidence provided to prove the genuineness of all the Audited purchase and sales submitted by appellant*

*4. Whether on the facts and circumstances of the case and in law the learned Commissioner of income Tax (Appeal) has erred not allowing the assessee's appeal for disapproving the learned Assessing officer's view of rejecting the Books of Accounts and Income of appellant by invoking the provision of section 145 (3) of the income tax Act, 1961.*

*5. The Learned Commissioner of Income Tax (Appeal) has erred in allowing the respondent made an addition u/s. 68 of Rs. 53,28,330/- in respect of unsecured loan appearing in audited Balance Sheet of the appellant prepared from the books of accounts*



*which were rejected u/s 145(3) of the Act The said loan was availed from Shri. Gurucharan Bhandari [(PAN: ADAPC0247Q) (Address: 260 Building No.2 A.P.M market Vashi New Mumbai 400705)] which were received a credited in Books of Accounts prior 01.04.2013*

8.1 The ground No. 1 to 4 of the appeal are identical to the grounds raised in the case of Rekha Manish Kapadia and therefore, same are decided mutatis mutandis.

8.2 The ground No. 5 of the appeal relation to addition u/s 68 of Rs.53,28,330/- in respect of unsecured loan received from Gurucharan Bhandari which is claimed to have received or credited in the books of accounts of ground prior to 01.03.2013.

8.3 As identical issue in the case Rekha Manish Kapadia for AY 2014-15 has been restored back to the file of the Assessing Officer for deciding afresh after considering the submission and documentary evidence of the assessee that said loan was received prior to 01.04.2013. Accordingly, this ground of the appeal is also allowed for statistical purposes.

8.4 The grounds raised in other assessment years from 2015-16 to 2019-2020 in the case of Mr. Manish Kapadia are identical to grounds raised in assessment year 2014-15 except change of the amount and therefore, respectfully following our finding in assessment year 2014-15, the grounds are decided mutatis mutandis.



9. In the result, all the appeals for AY 2014-15 are allowed partly for statistical purposes whereas other appeals are dismissed.

**Order pronounced in the open Court on 26/11/2025.**

**Sd/-  
(RAJ KUMAR CHAUHAN)  
JUDICIAL MEMBER**

**Sd/-  
(OM PRAKASH KANT)  
ACCOUNTANT MEMBER**

Mumbai;  
Dated: 26/11/2025  
Rahul Sharma, Sr. P.S.

**Copy of the Order forwarded to :**

1. The Appellant
2. The Respondent.
3. CIT
4. DR, ITAT, Mumbai
5. Guard file.

//True Copy//

BY ORDER,  
(Assistant Registrar)  
**ITAT, Mumbai**