

IN THE INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCHES: G : NEW DELHI

BEFORE SHRI ANUBHAV SHARMA, JUDICIAL MEMBER  
AND  
SHRI MANISH AGARWAL, ACCOUNTANT MEMBER

ITA No.3923/Del/2025  
Assessment Year: 2011-12

Nipin Steels Private Ltd.,  
Y-4-A-C, Loha Mandi,  
Naraina Industrial Estate,  
Delhi – 110 028.

Vs ITO,  
Ward 18(3),  
Delhi

PAN:AACCM2046H

(Appellants)

(Respondents)

Assessee by	:	Shri Ashwini Kumar & Shri Ankur Aggarwal, CA
Revenue by	:	Shri Mahesh Kumar, CIT-DR
Date of Hearing	:	16.09.2025
Date of Pronouncement	:	28.11.2025

ORDER

PER ANUBHAV SHARMA, JM:

This appeal is preferred by the assessee against the order dated 03.06.2025 of the Commissioner of Income-tax (Appeals), NFAC, Delhi (hereinafter referred as Ld. First Appellate Authority or in short Ld. 'FAA') in appeal No.CIT(A), Delhi-6/10269/2018-19 arising out of the appeal before it against the order dated 30.12.2018 passed u/s 143(3)/147 of the Income Tax

Act, 1961 (hereinafter referred as 'the Act') by the ITO, Ward 18(3), New Delhi (hereinafter referred to as the Ld. AO).

2. Heard and perused the record. It was ground no. 1 of the appeal which has been first argued submitting that reopening was not in accordance with law yet same was sustained by Id. CIT(A). Ld. Counsel has submitted that the basis for the validity of any action u/s 147/148 of the Act has to be some 'tangible, substantive and specific belief' that the income of a particular assessee in question has escaped assessment. The information on the basis of which such an action has been taken should be specific in relation to the particular assessee. Merely on the basis of some general information and without any specific application of mind, the issue of escapement of income cannot be determined and any action taken on the basis of the same is beyond the letter, spirit and intention of law. The reassessment proceedings having the potential to put an assessee through additional Legal/procedural compliances and to saddle him, perhaps, also with additional tax liability need to conform to the highest degree to procedural requirements and spirit of law and not be based on what may be termed as random, bits and pieces of information culled from independent enquiries on third parties.

2.1 In reference to impugned reopening reasons it was submitted that in the instant case a review of the reasons recorded for resorting to the reassessment proceedings and issue of notice u/s 148 of the Act would reveal that the same

are merely based on information received from DDIT(Inv)-1, Faridabad that the Appellant Company had purchased 30,00,000 shares of M/s Abhinandan Trafin Pvt Ltd and 26,94,000 shares of M/s Hollysea Finvest Pvt Ltd at a face value of Re. 1/- per shares on 26.05.2010. As per the information received by the Ld. Assessing Officer, the Appellant Company had acquired 30.14% share of M/s Abhinandan Trafin Pvt Ltd, having asset value worth Rs. 10.88 crores, by paying merely an amount of Rs. 30 lakhs, and 34.36% shares of M/s Hollysea Finvest Pvt Ltd, having asset value of Rs. 10.32 crores, by paying merely an amount of Rs. 26.94 lakhs. It was, on that basis concluded that the transactions, allegedly, appeared to be sham, wherein the Appellant Company had, with the help of some perceived paper/shell companies, obtained shares in the said companies at a value lesser than the fair market value of such shares.

2.2 Ld. Counsel submitted that a review of the reasons for issuing the impugned notice u/s 147/148 of the Act for “alleged escapement of income” would reveal that they merely relied upon the information conveyed to the Ld Assessing Officer from the Investigation Wing which has not been independently verified by any degree of application of mind or conducting any enquiries. The Ld. Assessing Officer has merely reproduced the information received from the Investigation Wing without any independent application of mind thereto thereby clearly pointing to the fact that he has neither arrived at, nor recorded any satisfaction. Accordingly, the mere receipt of information

from the Investigation Wing has served to arrive at a conclusion as to “escapement of income”, without the Ld. Assessing Officer bringing anything on record on the basis of which any nexus could have been established between the material and the escapement of income. The reasons fail to demonstrate the link between alleged tangible material and formation of the reason to believe that income has escaped assessment whereby the very basis which enables an Assessing Officer to assume justification u/s 147 of the Act is violated.

3. The Ld. DR has however contended that reason are quite comprehensive and the outcome ultimately is the same merely because there is some diversion in the Assessment Order that does not make the reopening bad when otherwise the transaction under scan are demonstrated to be sham.

4. Appreciating the material on record and after taking into consideration the copy of reasons recorded under Section 148 of the Act available at page 54 – 56 of the paper book, we find that the AO in para 1 had given background of the company wherein AO mention that return of assessee was downloaded from ITD system and the same was examined in the light of information received from the Investigation Wing. Then in para 2 the AO mentions of the details of information wherein the information with regard to purchase of shares of the companies referred above has been mentioned and the AO also mentions investigation wing opinion that there is possibility of applicability of provision

of Section 56(vii) of the Act or any provision of Income Tax Act with respect to the impugned transactions of purchase and sale of shares, which allegedly introduced unaccounted money into group concern.

4.1 However, what is relevant is that after reproducing the details of information then while mentioning in para 3, 'the analysis of information' the AO mentions that the information received from Investigation Wing is required to be examined for the purpose of findings of 'source of the purchase of share worth Rs.56,94,000/- on 21.05.2010 as a source of purchase of the shares remained unexplained'. It was alleged that the information could not be reconciled with the return of income filed by the assessee company leading to formation of belief of escapement of income of Rs.56,94,000/-.

4. The Ld. AR has demonstrated from the ITR of the assessee that assessee company has declared Rs.307.62 lakhs under the head investment vide item number 2 in the balance sheet of the assessee company and this fact was also specifically submitted by reply dated 28.09.2018 to the AO. The investment of Rs.56,94,000/- on 21.05.2010 is by way of consideration paid to acquire shares of two companies i.e. M/s Abhinandan Trafin Pvt. Ltd. & M/s Hollysea Finvest Pvt. Ltd. through banking transactions from different sellers and this investment is shown to be included in the total investment of Rs.307.62 lakhs. Thus, the foundation of reason for reopening was to enquire into unexplained source of

purchase of shares and but the addition was made by recourse to Section 56(vii) of the Act.

5. The Id. DR has relied upon the decision of Hon'ble Supreme Court in the case of Raymond Woollen Mills Ltd. Vs. ITO, (1999) 236 ITR 34 (SC) to contend that at the stage of reopening only prima facie case has to be seen and sufficiency or correctness of the material was not to be considered at this stage. However, here we are confronted with the situation where no addition has been made on the basis of questioning the source of investment but addition have been made under deeming income provision by recourse of Section 56(vii) of the Act and such assessment are hit by the decision of Hon'ble Delhi High Court in the case of Ranbaxy Laboratories Ltd. Vs. CIT, (2011) 200 taxman 242 (Delhi). Thus, with regard to the additions made there was no valid assumption of jurisdiction under Section 147 of the Act. Consequently, ground no. 1 deserves to be sustained. As a consequence of the aforesaid discussion, the appeal of the assessee is allowed and the impugned addition is quashed.

6. The appeal of the assessee is allowed.

Order pronounced in the open court on 28.11.2025.

Sd/-  
(MANISH AGARWAL)  
ACCOUNTANT MEMBER

Sd/-  
(ANUBHAV SHARMA)  
JUDICIAL MEMBER

Dated: 28<sup>th</sup> November, 2025.  
Rohit, Sr. PS

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(A)
5. DR

Asstt. Registrar, ITAT, New Delhi