

**IN THE INCOME TAX APPELLATE TRIBUNAL "A" BENCH, KOLKATA**

**BEFORE SHRI RAJESH KUMAR, AM  
AND  
SHRIPRADIP KUMAR CHOUBEY, JM**

**ITA Nos.1688 to 1691/KOL/2025  
(Assessment Years: 2015-16 to 2018-19)**

**ITA No. 1725/KOL/2025  
(Assessment Year: 2016-17)**

**DCIT, Central circle 4(3)**  
Aaykar Bhawan Poorva, 110,  
Shantipally, Kolkata-700107,  
Kolkata

**(Appellant)**

**Balajee Mini Steels & Rerolling  
Private Limited**  
603, Shantikunj Apartment,  
Phulwanipatna, G.P.O.800001,  
Patna

**Vs.**

**(Respondent)**

**PAN No. AABCB7265J**

**Assessee by** : Shri Manish Rastogi, AR  
**Revenue by** : S/Shri Praveen Kishore &  
Pradeep Dungdung, DRs

**Date of hearing:** 01.12.2025  
**Date of pronouncement:** 15.12.2025

**ORDER**

**Per Rajesh Kumar, AM:**

These are appeals preferred by the Revenue against the orders of the Commissioner of Income-tax (Appeals), Kolkata-27 (hereinafter referred to as the "Ld. CIT(A)") dated 13.04.2025 for the AYs 2015-16 to 2018-19.

2. As the facts and issues in all the appeals of Revenue are exactly identical, hence, for the sake of brevity, we take ITA No. 1688/KOL/2025 for A.Y. 2015-16 and decide the issue accordingly.

**A.Y. 2015-16**

**ITA No. 1688/KOL/2025**

3. The only issue raised by the Revenue is against the deletion of addition by the Id. CIT (A) of ₹1,07,03,817/- as made by the Id. AO on account of suppression of income in respect of bogus purchases.

3.1. The facts in brief are that the assessee filed the return of income u/s 139(1) of the Act on 31.03.2016, showing total income of ₹3,88,16,830/- under the normal provision and ₹3,23,00,903/- under the 115JB of the Act. A search u/s 132 of the Act was conducted on 30.11.2022 and on the subsequent dates in the case of Kanodia Group of cases and assessee was also covered under the said search. The Id. AO found during the course of assessment proceedings that assessee was involved in transactions of bogus sale and purchase of material which was intended to increase the turnover of the assessee and accordingly, applied a profit rate of 4% on the said bogus purchases in assessment framed dated 31.03.2024, passed u/s 147/143(3) of the Act.

3.2. In the appellate proceedings, the Id. CIT (A) deleted the addition by holding that the bogus purchases and sales are only managed by the same brokers/ commission agents and since both the purchases as well as the sales are fully disclosed in the books of account and were intended to inflate the turnover, therefore, no further addition is required to be made.

3.3. After hearing the rival contentions and perusing the materials available on record, we find that the assessee is belonging to Kanodia Group of cases and we have already decided the identical issue in ITA No. 1595/KOL/2025 & Ors for A.Y. 2015-16 & Ors, wherein we uphold the order of Id. CIT (A). The operative part is as under:-

"15. The issue raised in ground no.2 is against the deletion of addition of ₹2,97,52,993/- by the Id. CIT (A) as made by the Id. AO on estimation basis by applying the rate of 4% on non-genuineness purchases of ₹74,06,66,925/- made by the assessee.

15.1. The facts in brief are that the Id. AO on the basis of information gathered during the course of search and survey operation and Insight portal of ITBA in the case of the assessee noted that the assessee has grossly manipulated his purchases by obtaining fake bogus bills and accommodation entries. The AO has accepted that the assessee had undertaken trading in miscellaneous items which has nothing to do with the manufacturing activity of the assessee breakup whereof is given at para no.4.9.1 of page no.109 of the assessment order. The Id. AO noted that during the year, the assessee has made purchases of aggregating to ₹74,06,66,925/- from three parties namely M/s Tanishi Commotrade Pvt. Ltd. of ₹22,89,55,514/-, M/s Ranisati Coke Trading co. of ₹40,38,23,767/- and M/s Steel Centre of ₹10,78,87,644/-. The Id. AO discussed in detail the facts qua these parties and entry operators involved in providing accommodation entries. The Id. AO also noted that the entire purchases and sales were done through same commission agents and these were accommodation entries and these were only done in order to inflate the sales of the assessee. The Id. AO made adhoc estimation of income of 4% of the purchases made from these parties thereby making an addition of ₹2,97,52,993/- to the income of the assessee.

15.2. In the appellate proceedings, the Id. CIT (A) deleted the addition made by the Id. AO by observing and holding as under:-

"7.2.1. I have perused the assessment record as well as the submission of the assessee. On examining the same, it is found that the assessee is engaged in the business of manufacturing of TMT (Steel) bars. Apart from the manufacturing activity it is seen that the assessee has done trading of Misc. items which is distinct from their core business of manufacturing of TMT (Steel) bars. The assessee had filed its original return of income u/s 139(1) of the Act on 22.09.2015 declaring a total income at Rs.2,85,95,540/-. Later, a search and seizure operation u/s 132 of the Act was conducted on 30.11.2022 on the assessee as a part of 'Kanodia Group of cases'. Later, the AO had passed the order u/s 147/143(3) of the Act on 31.03.2024 determining the total income of the assessee at Rs.9,20,98,533/-. On perusal of the assessment order, it is observed that the AO had made addition on i.e. (a) Disallowance of Rs.2,97,52,993/- being 4% of the alleged bogus purchase. To support the disallowance made by the AO, he had relied upon the decision of Jurisdictional ITAT in the case of DCIT, Central Circle-1(4), Kolkata v. Hindusthan Engineering & Industries Ltd in ITA No. 952 & 1059/Kol/2018 order pronounced on 28.07.2020 wherein addition of "4% of such doubtful purchases" has been confirmed by the Hon'ble ITAT, 'A' bench, Kolkata and overruling disallowance of whole purchases [Para-18]. Similar decision is taken by the Hon'ble ITAT, 'B' Bench, Kolkata in the case of M/s Om Forging & Engineering Pvt. Ltd. v. PCIT-1, Kolkata in ITA No. 509 & 510/Kol/2017 order dated 13.12.2017. Identical view is taken by the Hon'ble ITAT, 'C' Bench, Kolkata in the case of DCIT, Circle-26(1), Kolkata v. M/s Chein Hsing Tannery in ITA No. 1629/Kol/2017 order

dated 15.05.2019 wherein estimation of profit on bogus purchase has been confirmed by the Ld. CIT(A) and the ITAT [Para-3].

7.2.2. Aggrieved by the assessment order, the assessee contested that the AO made estimation on bogus purchases at the rate of 4% on the alleged purchases made from alleged entry providers of Darsh Coke group. Trading account in this regard has been produced by the assessee which is placed on page no. 74 of the submission of the assessee. Further, it can be observed from the assessment order that corresponding sale entries providers which was also recorded by the AO at running page no. 6 to 10 of the assessment order. Further, it is observed that in case the purchases are excluded from the trading account, the corresponding sales would also have to be excluded. Hence, this exercise would reduce the income returned by the assessee. Therefore, it can be inferred that percentage disallowance of the purchases would amount to double taxation as the assessee has already offered for taxation income from the fictitious circular trading done by them. It had been submitted by the assessee that all the case laws relied upon by the AO is distinguishable in the case of the assessee as the facts of all the case laws are entirely different from the facts of the assessee.

7.2.3. The assessee distinguished the Hon'ble ITAT Kolkata decisions relied by the AO as under.

"It is in this regard respectfully submitted that none of the case laws relied upon by the assessing officer is applicable in the facts and circumstances of the case as in these cases percentage disallowance of the bogus purchases has been made on the ground that the purchases made from the grey market was accounted for deriving more income, case law wise analysis is as under;

i. DCIT vs Hindustan Engineering & Industries Ltd, in ITA No. 952 & 1059/Kol/2018, -

Briefly stated facts of the case is that the assessing officer during the course of scrutiny proceedings that the assessee had fraudulently availed CENVAT Credit on the basis if the fake Central excise Invoices issued by three fictitious registered dealers

Before the assessing officer it was submitted that it is borne on record that the assessee was manufacturing excisable goods namely Railway parts Railway Parts & Articles of iron and Steel and in such manufacturing M.S Waste & Scrap are used as raw materials. It was further submitted that the necessary details in form of day-to-day stock register and other statutory documents were maintained Apart from above all the payments were made by banking channels. The purchases price paid to the alleged three fictitious dealers was the same as paid to other dealers

With regard to the disallowances/additions of CENVAT Credit of Rs.4,56,78,181/-, it was submitted by the assessee that since the CENVAT Credit has already been credited in the books of accounts, the question of any

*addition or disallowance did not arise. Moreover, the entire amount of Excise Duty paid having been realized from the Railways and credited in P&L A/c, question of any disallowance or addition on this account did not arise as no amount can be said to have claimed as expenditure. Moreover, the excess credit for CENVAT Credit, if any, will be refundable to the Excise Department and it has nothing to do with the Income Tax Department and hence the question of any addition or disallowance of the aforesaid amount did not arise. Moreover, the whole of such amount does not relate to this year.*

*However, the Assessing officer rejected the submissions of the assessee and held that mere completing the paper formality will not make a transaction genuine while the surrounding circumstances suggest otherwise. The assessing officer was of the view that assessee had made accommodation adjustments in respect of some of the parties. In view of the above findings, it was held by assessing officer that the purchases made during the financial year 2010-11 from these three parties amounting to Rs. 8,62,86,046/- is bogus therefore he made addition to the lums of Rs.862.86.046*

*The additions made by the assessing officer was confirmed in the first appeal. Being aggrieved with the decision of the Commissioner (Appeals), the assessee filed appeal before the Hon'ble ITAT. It was appreciated by the Hon'ble Tribunal that the proper documents were maintained by the assessee and the assessing officer merely relied upon the enquiry made by the excise department while making the addition which was also confirmed by the Commissioner (Appeals). It was held by the Hon'ble Tribunal that the sales cannot be made without purchases and the assessee purchases, manufactures and sells the finished goods. In view of the facts stated above Hon'ble Tribunal restricted the disallowance to 4% of the bogus purchases appreciating on the ground that profit element on the said fictitious purchases would be subjected to tax. Relevant portion of the order of the Hon'ble Tribunal in verbatim is reproduced as under*

*"18 in sum and substance, we would like to state that complete documentary evidences were furnished before the assessing officer in the bill for purchases, the receipt of material, the payments by cheque, the entry made in the stock register & production register and vis-a-vis all such documents, no adverse finding has been made by the assessing officer. When the sales figures shown by the assessee has been accepted in totality, the entire purchases made by the assessee cannot be held to be bogus since it is common knowledge that sales of goods cannot taken place without purchase of goods in the first place, So, therefore, in the light of the evidences adduced to prove the genuineness of the transactions and when the fact remains that the sales has been accepted by the Assessing Officer in totality, the action of the Assessing Officer to disallow the entire purchases is not justifiable. We note that the assessee did purchases, manufactures the goods and sell the finished goods. In that view of the matter, as natural corollary, not the entire amount covered under such purchase, but the profit element embedded therein would be subject to tax. Considering the facts narrated above and to cover the small misgivings we restrict the addition*

4% of purchases, that is Rs. 34,51,441/- (4% of Rs 8,62,86,046) and balance amount of Rs. 8,28,34,605 (Rs 8,62,86,046-Rs. 34,51,441) is directed to be deleted

It would kindly be appreciated in this case the fictitious purchases were adjusted against the manufacturing items sold by the assessee. It would kindly be appreciated that the facts of the case in hand is that both the purchases and the sale are fictitious, as such, it would gratuitously be appreciated that the decision of the Hon'ble Tribunal; relied upon by the assessing officer while disallowing the purchases is not applicable in the case at hand.

ii. *Om Forging & Engineering Pvt Ltd vs PCIT, in ITA No. 509&510/Kol/2017 - Briefly stated facts of the case is that the assessing officer received information from the Investigation Wing Mumbai that the Sales Tax department had forwarded information that bogus purchase bills were issued by some of the dealers and the assessee was one of the beneficiaries.*

*The assessing officer on the said information-initiated reassessment proceedings on the said information. During the course of reassessment proceedings, the assessee submitted confirmation of accounts, purchase bills and the payments details being made by the banking channel in respect of the purchases made from the said bogus billers. The assessing officer after taking cognisance of all the details filed by the assessee made disallowance of 3% of the bogus purchases on the ground that these purchases were to cover the purchases made from the grey market which were purchased at a much lesser price than the purchases made from the open market.*

*The CIT in exercise of his revisionary powers under section 263 of the Act held that the order of the assessing officer was erroneous and prejudicial to the interest of the revenue, in as much as the AO had not examined the addition to be made in the light of the provision of section 69C of the Act.*

*Being aggrieved with the order of the CIT passed under section 263 of the Act the assessee preferred an appeal before the Hon'ble Tribunal. The order passed by the CIT under section 263 was quashed by the Hon'ble Tribunal*

*While quashing the order of the CIT, Hon'ble Tribunal went into the merits of the case as what was the enquiry made by the AO while completing the assessments which were reopened based on the information received from DGIT (Mumbai) about the assessee having obtained bogus receipts from parties in Mumbai evidencing purchases. It was noted that the AO called upon the assessee to give quantitative details of purchases and sales as well as the details of the opening and closing stock. Further during the course of assessment proceedings, the assessee filed various submissions and account statements including copy of bills, confirmation of accounts, etc showing purchases from the said parties. The statement showing the source of funds and the mode of payment for the purchases*

*Hon'ble Tribunal appreciated the findings of the AO that that the sales genuine as they were made to Government and reputed parties, therefore, once the sales are genuine corresponding purchases also cannot be denied. As such, the only possibility in the given circumstances was to proceed on the theory that the purchases were made by the assessee in the grey market at a lesser price and the bogus bills were obtained to show higher purchase price and reduce the profit margin as per the books of accounts.*

*In light of the foregoing, it was held by the Hon'ble Tribunal that the AO view taken by the AC was the possible view, relevant portion of the decision in verbatim is reproduced as under,*

*22. in the light of the information received from DGIT (Investigation), Mumbai, and the evidence filed by the assessee claiming that purchases from the aforesaid four parties were genuine, the AO concluded that the purchases from the four parties were not genuine. This conclusion was based only on the information received by the AO from the DGIT (Investigation), Mumbai. After drawing the above conclusion, the issue before the AO was as to whether the entire value of purchases should be added to the total income. Towards this objective the AO examined the sales and found that the quantity of purchases and corresponding sales matched. The Stock Register for A., Y.2010-11 and 2011-12 filed by the assessee before the AO are at pages 33 to 39 and 36 to 40 of the paper books filed by the assessee for A.Y.2010-11 and 2011-12 respectively.*

*23. On examination of the details the AO found that the sales were made to Government and reputed parties and therefore the sales as claimed by the assessee were genuine. Once the sales are genuine corresponding purchases also cannot be denied. The only possibility in the given circumstances was to proceed on the theory that the purchases were made by the assessee in the grey market at a lesser price and the bogus bills were obtained to show higher purchase price and reduce the profit margin as per the books of accounts. The AO adopted this course and estimated the possible suppression of Revenue. The course adopted by the AQ was therefore a possible view in law.*

*27. For the reasons given above, we hold that the orders of the AO were not erroneous and prejudicial to the interest of the revenue for failure to make enquiry on the applicability of Sec. 69C of the Act. We, therefore, quash the orders u/s 263 of the Act and allow the appeals of the assessee.*

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*It would kindly be appreciated that this decision of the Hon'ble Tribunal is also not applicable in the facts and circumstances of the case as the in this case the sales were genuine and which were matched with the purchase and it was held that by these bogus purchases the assessee was covering the purchases made from the grey market which were purchased at lesser price. It would kindly be appreciated that the facts of the case in hand is that both the purchases and the sale are fictitious, as such, it would gratuitously be appreciated that the*

*decision of the Hon'ble Tribunal relied upon by the assessing officer while disallowing the purchases is not applicable in the case at hand.*

*iii. DCIT vs Chein Hsing Tannery, in ITA No. 1629/Kol/2017 - Briefly stated facts of the case is that the assessing officer noticed that the assessee had indulged into obtaining fake bills of the raw materials from four unregistered parties with the sales tax. The assessing officer observed that all the parties from whom the said purchases have been made were run by professional hawala operators as the notices issued to them under section 133(6) and 131 of the Act was returned unserved. The assessing officer, therefore, proceeded to add the entire purchases made by them under section 68 of the Act*

*In the first appellate stage the assessee submitted ledger account copy, confirmation of accounts and also furnished their Sales Tax registration number. The Commissioner (Appeals) held that these transactions were trading transactions and not financial transactions, as such, cannot be added under section 68 of the Act*

*Before the Commissioner (Appeals) it was submitted by the assessee that raw hides were purchased from the four parties under consideration on the understanding that after the hides were processed and the finished leather was produced the same would be resold to same parties in substance therefore the transaction was more in the nature of barter. The details furnished in the course of assessment thus established that the raw hides were sourced from the said four parties and remained in its stock on 31st March 2012. Out of the hides supplied by the parties in the month of February 2012 finished leather was processed and thereafter sold to the same four parties in the succeeding assessment year. The assessee further submitted that it effectually functioned as processor of the hides for the four parties.*

*Accordingly, it was held by the Commissioner (Appeals) that the said purchases had no impact on the income of the assessment year under consideration as the same was carried over to next year in closing stock and the addition made by the assessing officer amounts to double addition of the same amount*

*The Commissioner (Appeals), thus reduced the addition to 5.83% of the alleged bogus purchases by applying the GP ratio of the subsequent assessment year on the ground that the purchases shown from parties which are bogus/not verifiable, the explanation given by the assessee that the hide supplied by these parties have been processed after more than 9 months from the date of purchase looks to be specious as hide can hardly be kept unused for a period of 9 months and in the A. Y. 201314 many discrepancies were found during survey proceedings OME TAX DEPP*

*Being aggrieved with the decision of the Commissioner (Appeals), the department preferred an appeal before the Hon'ble Tribunal which was dismissed, relevant portion of the order of the Hon'ble Tribunal is reproduced as under*

"3. We have given our thoughtful consideration to the rival contentions. Mr. Robin Choudhury. Addi CIT/Ad DR/the Revenue vehemently emphasizes during the course of hearing that the Assessing Officer had rightly disallowed the assessee's purchases made from 4 parties namely, M/s. A.H Traders, M/s Shree Enterprises, M/s R.K Trading and M/s JK Traders, since the same could not be traced despite various notices issued to them in the course of scrutiny The assessee on the other hand strongly supports the CIT(A)'s findings under challenge restricting the impugned addition to profit estimation 5.83% only. We find no merit in Revenue's grievance as canvased in the instant issue. The assessee is an individual engaged in manufacturing, processing, trading in leather and leather chemicals. He had placed on record the relevant documents in support of his impugned claim to have purchased the material in issue from these four parties. His corresponding actual stock/sales of the impugned purchases is not in dispute at the Revenue's behest The CIT(A) appears to have rejected the books and estimated the taxpayer's G.P@ 5.83% in these peculiar facts only. We find that assessee's G.P ratio right from Alys 2008-09 to 2012-13 read 6.73%, 10.38%, 5.42%, 3.97%, 4.58% and 5.16% respectively in succeeding Aly 2013-14, formed basis for the CIT(A) to disallow the profit element coming to 5.83% in issue. Hon'ble apex court's decision in N.K Proteins V/s DCIT (2017) 250 TAXMANN 0022, hon'ble Gujarat high court in (2015) 58 taxmann.com 44 Vijay Proteins Ltd V/s. CIT also disallowed only portion of unverifiable purchases case in similar facts and circumstances. The Revenue has quoted this tribunal's co-ordinate bench's decision in (2015) 154 ITD 849/Kol Trib Debasish Banerjee Vs ITO disallowed the entire purchases on account of assessee's failure reconciling difference between purchases as debited in trading account and purchases as per TCS certificate) We find that the same is not applicable or the given facts and circumstances since there is no reconciliation extent involved before us. We therefore affirm the CITA's findings restricting the impugned disallowance to the extent estimated profit element in issue.

4 This Revenue's appeal is dismissed

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As stated above it would kindly be appreciated that this decision of the Hon'ble Tribunal is also not applicable in the facts and circumstances of the case as the in this case the sales were not doubted and the alleged bogus purchases had no impact on the income as were carried over to the closing and the disallowance was made on the ground of the discrepancies found during the course of survey.

It would kindly be appreciated that the facts of the case in hand is totally different as no incriminating document was found during the case of search and seizure operation conducted by the department. The disallowance has been made on the basis of the information available in the insight portal and also

*that shared by the investigation wing which alleged that both the purchases and the sales were fictitious.*

*In view of the foregoing, it is humbly prayed that no heed may kindly be paid to the decisions of the Hon'ble Tribunal referred to by the assessing officer."*

*The assessee clearly brought out the facts of the above-mentioned Hon'ble ITAT Kolkata decisions relied on by the AO. The assessee distinguished the facts that in all these three cases, the sales are genuine and the purchases are from grey markets or without bills. The profit element in the purchases, because of its low cost compared to organised sellers, are brought to tax at 4% to 5%. However, in the present case, the purchases and sales are also bogus. The assessee has already offered a percentage of profit on the bogus sales made out of bogus purchases in its regular returns of income.*

*7.2.4. It is pertinent to mention that the entry operators during the course of search & seizure operation in their own case admitted that it is a circular trading provided to inflate the gross turnovers of the beneficiaries/clients. The entry operator Sri Sanjay Kumar Agarwal has stated in his sworn statement by the Investigation wing during the course of search at his premises on 13.02.2022 is reproduced as under for ready reference:*

*Q.13 Please explain the modus operandi of bogus billings used for M/s Balmukund Sponge & Iron Private Limited and M/s Balmukund Cement & Roofings Pvt. Ltd. By Tanishi Commotrade Pvt. Ltd.*

*Ans Sir, M/s Tanishi Commotrade Pvt. Ltd. provided accommodation entries of bogus billings in the form of LC discounting to M/s Balmukund Sponge & Iron Private Limited and M/s Balmukund Cement & Roofings Pvt. Ltd. Bank account of Mis Tanishi Commotrade Pvt. Ltd. were used to route the funds for LC discounting and later sending back funds to M/s Balmukund Sponge & Iron Private Limited and M/s Balmukund Cement & Roofings Pvt. Ltd. via the network of shell companies.*

*The entry operator clearly explained the circular trading of bogus purchases and sales through bank guarantees/LC. The entry provider is giving the purchase entry as well the sales entry also. As a result, the entire circuit of the bogus sale is started and ended at the entry operator only However, the assessee had already offered income on such alleged bogus purchases and sales.*

*7.2.5. Further, the assessee had relied upon the Hon'ble Delhi High court judgement in the case of PCIT vs Agson Global (P.) Ltd, reported in [2022] 286 Taxman 519 (Delhi).. This decision is squarely applicable in the case of the assessee. The facts of the case before the Hon'ble High Court were that the assessee was alleged to have been engaged in booking the fictitious/bogus purchases and sales. Both the alleged bogus sales and purchases were entered in the regular books of accounts. The sales were booked at a price higher than the purchase price, as such, profit on this account was returned in the books of accounts. The assessing officer added 25% of the bogus purchases booked by*

the assessee but ignored the sales booked to the fictitious parties. Hon'ble Tribunal deleted the addition made on account of bogus purchases on the ground that in case the bogus purchases are disallowed then the corresponding sales against these purchases would also have to be disallowed which would result into the lower of the profit than the returned income which is not permissible. The order passed by the Hon'ble Tribunal was accepted by the Hon'ble High Court, relevant portion of the decision in verbatim is reproduced as under,

"15.9 If the revenue chooses to disallow bogus purchases, it would necessarily have to, in our view, ignore the corresponding sales recorded against the very same parties.

107. In view of the above discussion, we are of the opinion that the learned assessing officer has incorrectly disallowed 25% of the purchases from the alleged bogus parties without finding any evidence and ignoring the sales paid by them to the assessee.....

Further, the assessee also relied on the decision of the Hon'ble Bombay High Court delivered in the case of *PCIT vs Nitin Ramdeoji Lohia*, reported in, [2022] 145 taxmann.com 546 (Bombay), "wherein, no disallowance of the bogus purchases can be made on the basis of the information received from sales tax department that assessee was beneficiary of accommodation entries without disputing the corresponding sales transactions.

Further, the assessee relied upon the Hon'ble ITAT Delhi Bench, in the case of *DCIT vs Sharp Mint Ltd*, reported in [2024] 159 taxmann.com 1381 (Delhi - Trib.), wherein, it has been held that "no ad hoc disallowance of purchases can be made so long as the sales has been accepted. Reiterating the proposition laid down as above it is respectfully submitted that the exclusion of both the purchases and sales would result into lower the profits below the returned income.

7.2.6. In view of the above discussions and judicial pronouncements of Hon'ble Delhi High Court, Hon'ble Bombay High Court and Hon'ble Delhi ITAT, when the purchases and sales are fictitious and the profit on such fictitious turnover is already offered by the assessee then there is no logic to disallow any percentage on such alleged fictitious purchases Therefore, the addition of Rs 2.97.52.9931- made by the AD is deleted. Hence, these grounds of appeal raised by the assessee are allowed."

15.3. After hearing the rival contentions and perusing the materials available on record, we find that both the authorities below have admitted that the purchases and sales were made through the same commission agents who were only arranging the bills in order to inflate the gross sales / turnover of the assessee and in fact these purchases had not gone into manufacturing process. We also note that the assessee in fact had not generated any income or profit from these circular transactions. The Id. CIT (A) noted in Para no.7.2.4 that the entry operators during the course of search on them admitted that these were circular transactions intended to inflate the gross

turnover of beneficiaries/ clients. Therefore, there is no dispute as to the fact that both the purchase and sale entries were arranged by the same operators and were meant to inflate the turnover. Therefore, we find merit in the contention of the Id. AR, who relied heavily on the order of the Id. CIT(A) that since there was no profit realized from these transactions over and above, what has been shown in the books account. We note that the Id. CIT (A) while passing the order has relied on series of decisions as extracted above. Therefore, we do not find any infirmity in the order of the Id. CIT (A) and accordingly, uphold the order of the Id. CIT (A) on this issue by dismissing the ground No. 2 raised by the Revenue.”

3.4. Since the fact of the instant case before us are materially same , we, respectfully following the decision in the case of assessee’s sister concern, dismiss the appeal of the Revenue by upholding the order of Id. CIT (A). The appeal of the revenue is dismissed.

**A.Y. 2016-17**

**ITA No. 1689/KOL/2025**

The facts in this appeal are also identical as in involved as discussed above in A.Y. 2015-16. The only difference is that in stead of apply profit rate 4%, the Id. AO made the entire addition of bogus purchases to the income of the assessee on the ground that unaccounted transactions through intermediary M/S Reyansh Reroller Pvt Ltd. despite the assessee stating before the AO that the assessee has no transactions with the said party. Ld. Commissioner of Income-tax (Appeals) delete the addition by recording a finding of facts that there was no transaction with the said party and in fact noted in the appellate order that the assessee had done transactions with the said party in A.Y. 2015-16. We note that the Id. AO has made addition under wrong appreciation of facts which correctly recognized by the appellate authority in the appellate proceedings. The operative part is as under:-

"6.2. Discussion and decision:- 6.2.1. I have perused the assessment order u/s 147 r.w.s 144B of the Act dated 26.03.2022, post search assessment order u/s 147/143(3) of the Act dated 31.03.2024 and submission of the assessee.

6.2.2. In the assessment order dated 26.03.2022, addition of Rs. 10,10,35,518/- was made by the AO and income was assessed to Rs. 10,83,32,270/-. In the said assessment order, the AO opined that the assessee company is the beneficiary of the accommodation entries facilitated by one of the bogus intermediary entity namely M/s Reyansh Re Roller Private Limited. The AO further opined that the assessee company has routed its unaccounted money through M/s Reyansh Re Roller Pvt Ltd. and received the accommodation entry of Rs. 10,10,35,518/- through the banking channel. Nature of the receipt of this money was not found to be discussed in the assessment order. Further, in the course of assessment proceeding, the assessee has declined any such credit of amount in his books of account and asserted that during the year under consideration, it had not received any loan or also not raised any share capital from the company under reference i.e. from M/s Reyansh Re Roller Pvt Ltd.

6.2.3. Further, in this case search & seizure u/s 132 of the Act was conducted on 30.11.2022 and assessment proceeding u/s 143/143(3) dated 31.03.2024 was completed at assessed income of Rs. 11,02,51,978/-. In this assessment order, addition of Rs. 19,19,708/- was made on account of bogus purchase from the entity M/s Tanishi Commotrade Private Limited. After analyzing the materials found in the search & seizure action and further investigation made thereafter, it has been unearthed that the assessee has grossly manipulated its purchase by obtaining the bogus purchase bill from different parties in terms of getting the accommodation entries. Leading from these finding, year wise break up of such fake purchases were made by the AO which found to be as under:-

A.Y	Entries taken from	Amount (Rs.)
2018-19	M/s PCPL Commercial Pvt Ltd.	1,00,02,105/-
	M/s Shashwat Metallic Pvt Ltd.	1,30,02,612/-
	Total	2,30,04,717/-

2017-18	M/s Shashwat Metallic Pvt Ltd.	81,37,605/-
2016-17	M/s Tanishi Commotrade Pvt Ltd.	4,79,92,711
2015-16	M/s Reyansh Re-Roller Pvt Ltd	26,75,95,432/-

On going through the above tabulated finding, it is quite evident that the assessee has not made any fake purchases or received any amount from the alleged entity M/s Reyansh ReRoller Private Limited during the period of AY 2016-17. Indeed, the

assessee has received amount of Rs. 4,79,92,711/- from M/s Tanishi Commotrade Private Limited and the same amount has also been taken in consideration in the assessment order passed after the search & seizure operation. On verification, the transaction not related to the AY 2016-17. Therefore, the addition of Rs. 10,10,35,318/- is deleted. Hence, these grounds raised by the assessee are allowed.”

3.5. We, therefore, find no infirmity in the order of the Id. CIT (A) and considering the same in the light of our decision in ITA No. 1688/Ko/2025 A.Y. 2015-16 supra , we uphold the order of Id. CIT (A), by dismissing the appeal of the Revenue.

**A.Ys 2016-17 to 2018-19**

**ITA Nos. 1725, 1690 & 1691 /KOL/2025**

4. The issue raised in these appeals are similar to one as decided by us in ITA No. 1688/KOL/2025 A.Y. 2015-16. Accordingly, our decision would, mutatis mutandis, apply to these appeals of assessee in ITA Nos. 1690 & 1691/KOL/2025. Hence, the appeals of Revenue are dismissed.
5. In the result, the appeals of the Revenue are dismissed.

Order pronounced in the open court on 15.12.2025.

Sd/-  
(PRADIP KUMAR CHOUBEY)  
(JUDICIAL MEMBER)

Sd/-  
(RAJESH KUMAR)  
(ACCOUNTANT MEMBER)

Kolkata, Dated: 15.12.2025

*Sudip Sarkar, Sr.PS*

Copy of the Order forwarded to:

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

BY ORDER,



True Copy//

Sr. Private Secretary/ Asst. Registrar  
Income Tax Appellate Tribunal, Kolkata