

**IN THE INCOME TAX APPELLATE TRIBUNAL DELHI
(DELHI BENCH 'F' NEW DELHI)
BEFORE SHRI YOGESH KUMAR U.S., JUDICIAL MEMBER
AND
SHRI NAVEEN CHANDRA, ACCOUNTANT MEMBER
ITA No. 4485/Del/2019 (A.Y 2010-11)**

Ratori Maa Trading P. Ltd. M-98, 2 nd Floor, Jagat Rampark, Laxmi Nagar, New Delhi PAN: AAECR0612A	Vs	ITO Ward -21(1) C. R. Building, New Delhi
Appellant		Respondent
Assessee by	None	
Revenue by	Ms. Harpreet Kaur Hansra, Sr. DR	
Date of Hearing	18/12/2025	
Date of Pronouncement	29/12/2025	

ORDER

PER YOGESH KUMAR, U.S. JM:

The present appeal is filed by the Assessee against the order of Ld. Commissioner of Income Tax (Appeals)-7, New Delhi dated 05/03/2019 pertaining to Assessment Year 2010-11.

2. Brief facts of the case are that, the Assessee filed return of income declaring income of Rs. 15,945/-. An assessment order came to be passed under Section 147 r.w. Section 143(3) of the Income Tax Act, 1961 ('Act' for short) by making an addition of Rs. 75,75,813/- on account of unexplained investment for peak investment in bank accounts. Aggrieved by the assessment order dated 15/12/2017, Assessee preferred an appeal before the Ld. CIT(A). The Ld. CIT(A) vide order dated 05/03/2019, dismissed the Appeal filed by the Assessee. Aggrieved by the order of the Ld. CIT(A) dated 05/03/2019, Assessee preferred the present Appeal.

3. None appeared for the Assessee and no application for adjournment has been filed. Considering the fact that the Appeal has been pending right from 2019, we deem it fit to decide the appeal on hearing the Ld. Departmental Representative.

4. The Ld. Departmental Representative vehemently submitted that the Ld. A.O. as well as Ld. CIT(A) have passed the respective orders on its merits as the Assessee failed to substantiate its claim before both the authorities below. Further submitted that the Assessee has not produced books of accounts in support of its claim before the A.O. and no documents produced before the Ld. CIT(A), therefore, both the authorities have passed respective orders against the Assessee which requires no interference at the hands of the Tribunal.

5. We have heard the Ld. Departmental Representative and perused the material available on record. The Ld. CIT(A) while deciding the Appeal of the Assessee observed as under:-

“5. Ground No. 1 to 5 and additional ground are directed against reassessment proceedings u/s 147 of the Act and approval u/s 151 of the Act.

*5.1. I have carefully considered the assessment order and written submissions furnished by the Ld. AR. It is evident that there were sufficient reasons for the AO to believe that income had escaped assessment and proceedings were initiated after recording reasons. A re-assessment is valid if there is prime facie reason to believe that income had escaped assessment. Information was received by the AO and reasons were recorded that there was escapement of income. This has been reaffirmed in the cases of *Ratnachudamani S Utal v ITO (2004) 269 ITR 212 (Karn)* and *ITO**

& Others v Shree Bajrang Commercial Co (Pvt.) Ltd (2004) 269 ITR 338 (Cal). After the amendment of section 147 w. e. f. 01.04.1989, the scope of section 147 has been considerably widened. After the amendment, the only requirement under the section is that AO must have reason to believe that any income chargeable to tax has escaped assessment for any assessment year The AO is not required to conclusively prove escapement of income at the stage of issue of notice u/s 148. This aspect was considered by Hon'ble Supreme Court in the case of Raymond Woollen Mills Ltd (1999) 236 ITR 34. The Hon'ble Court held as under:

"In this case, we do not have to give a final decision as to whether there is suppression of material facts by the assessee or not. We have only to see whether there was prima facie some material on the basis of which the Department could reopen the case. The sufficiency or correctness of the material is not a thing to be considered at this stage. We are of the view that the court cannot strike down the reopening of the case in the facts of this case. It will be open to the assessee to prove that the assumption of facts made in the notice was erroneous. The assessee may also prove that no new facts came to the knowledge of the Income-tax Officer after completion of the assessment proceeding. We are not expressing any opinion on the merits of the case. The questions of fact and law are left open to be investigated and decided by the assessing authority. The appellant will be entitled to take all the points before the assessing authority. The appeals are dismissed. There will be no order as to costs."

5.2. The reasons recorded show that AO had tangible material by way of specific transactions, identifying the parties to the transactions, bank account details etc. typical of entry operators providing accommodation entries. The information conveyed by the investigation wing cast a doubt on the money received from the investing companies. When such detailed information came to the possession of the Assessing Officer, the A.O. undoubtedly had every reason to come to a reasonable belief that income had escaped assessment. Regarding the sufficiency of reasons recorded, the Delhi High Court in the case of AGR Investment Ltd. (197 Taxman 177), have decided the matter in favour of revenue and declined to interfere with the sufficiency of reasons recorded for formation of belief that income has escaped assessment in the following words:

"22. The present factual canvas has to be scrutinized on the touchstone of the aforesaid enunciation of law. It is worth noting that the learned counsel for the petitioner has submitted with immense vehemence that the petitioner had entered into correspondence to have the documents but the Assessing Officer treated them as objections and made a communication. However, on a scrutiny of the order, it is perceivable that the authority has passed the order dealing with the objections in a very careful and studied manner. He has taken note of the fact that transactions involving Rs 27 khe mentioned in the table in Annexure 7-2 constitute fresh information in respect of the assessee or a beneficiary of bogus accommodation entries provided to it and represents the undeclared income. The Assessing Officer has referred to the subsequent information and adverted to the concept of true and full disclosure of facts. It is also noticeable that there was specific information received from the office of the DIT (INV-V) as regards the transactions entered into by the assessee company with number of concerns which had made accommodation entries and they were not genuine transactions. As we perceive, it is neither a change of opinion nor does it convey a particular interpretation of a specific provision which was done in a particular manner in the original assessment and sought to be done in a different manner in the proceeding under section 147 of the Act. The reason to believe has been appropriately understood by the Assessing Officer and there is material on the basis of which the notice was issued. As has been held in *Phool Chand Bajrang Lal's case* (supra), *Bombay Pharma Products case* (supra) and *Anant Kumar Saharia's case* (supra) the Court, in exercise of jurisdiction under Article 226 of the Constitution of India pertaining to sufficiency of reasons for formation of the belief, cannot interfere. The same is not to be judged at that stage. In *SFIL Stock Braking Ltd's case* (supra), the Bench has interfered as it was not discernible whether the Assessing Officer had applied his mind to the information and independently arrived at a belief on the basis of material which he had before him that the income had escaped assessment. In our considered opinion, the decision rendered therein is not applicable to the factual matrix in the case at hand. In the case of *Sarthak Securities Co (P) Ltd.* (supra), the Division Bench had noted that certain companies were used as conduits but the assessee had at the stage of original assessment, furnished the names of the companies with which it had entered into transactions and the Assessing Officer was

made aware of the situation and further the reason recorded does not indicate application of mind That apart, the existence of the companies was not disputed and the companies had bank accounts and payments were made to the assessee-company through the banking channel Regard being had to the aforesaid fact situation, this Court had interfered. Thus, the said decision is also distinguishable on the factual score"

5.3. In similar case where an assessment had been framed earlier u/s 143(3), the Hon'ble High Court of Delhi in the case of India Terminal Connector System Ltd (21 taxmann.com 69) followed its earlier decision in the case of M/s AGR Investment Ltd (supra) to come to the conclusion that ordinarily, the Courts cannot interfere with the sufficiency of reasons for formation of belief that income has escaped assessment. The Hon'ble Allahabad High Court in the case of Pankaj Hospital Ltd. (44 taxmann.com 230) held that even the matter had been considered in an order u/s 143(3) earlier, when there was nothing in the reply filed by the assessee to the notice under Section 142(1) that would indicate a full disclosure of facts in regard to either the credit worthiness of the companies which made the investments or the genuineness of the transaction and when a cloud was cast on the genuineness of the transaction once a search took place at the premises of the Chartered Accountant who, according to the Department, had stated that he had set up 90 bogus companies, all within his control and in which the Directors were his own employees only for the purpose of providing various beneficiaries, reopening was justified. accommodation entries in favour of

5.4 in the present case, from the reasons recorded, it is apparent that the AD has applied his mind to the information and come to the independent belief, on the basis of material which he had before him, that income has escaped assessment. The reasons recorded in this case do reveal the application of mind and the belief on the part of the A. O. that owing to the new material/information received, there had been escapement of income.

5.5. Reference may also be made to the decision of the Hon'ble Supreme Court of India rendered in the case of Purushottam Dass Bangur reported in 224 ITR 362, on the issue of application of mind by the AO to information received while recording reasons. It was held. that on basis of facts and information contained in letter of Directorate of Investigation, the ITO could have formed opinion

that there was reason to believe that income chargeable to tax had escaped assessment and he was justified in his action and merely because notice was issued on very next day of receipt of letter it did not mean that ITO did not apply his mind to the information

5.6. in the light of facts and circumstances of the case and the legal principles laid down by the Hon'ble Supreme Court and the Hon'ble High Court referred above, I am of the view that the AO was justified in forming a belief that the income of the appellant had escaped assessment for the relevant assessment year I, therefore, do not find an error of law and fact committed by the AO in invoking provisions of Section 148 read with Section 147 for the year under consideration in case of the appellant. It is also noted that the reasons for reopening were communicated to the appellant company and the objections raised were duly addressed by the AO. Notice u/s 148 of the Act is therefore, validly issued by the AO.

5.7. The Ld. AR has also contended that approval u/s 151(2) of the Act is not proper as the Pr. CIT has written "Yes" on the proposal for reopening the assessment. It is noted that the Pr. CIT has approved the proposal clearly on the basis of reasons recorded by the AO and recommendations of the Addl. CIT that on the basis of reasons recorded, he recommended the case for issue of notice u/s 148. In view thereof, it is held that proper approval was accorded by the Pr CIT for reopening of the assessment. The Pr. CIT has clearly mentioned "Yes, I am satisfied"

5.8. In the light of facts and circumstances of the case and the legal principles laid down by the Hon'ble Supreme Court and the Hon'ble High Court referred above, I am of the view that the AO was justified in forming a belief that the income of the appellant had escaped assessment for the relevant assessment year. I, therefore, do not find any error of law and fact committed by the AO in invoking provisions of Section 148 read with Section 147 for the year under consideration in case of the appellant. It is also noted that the reasons for reopening were communicated to the appellant company and the objections raised were duly addressed by the AO. Notice uis 148 of the Act is therefore, validly issued by the AO This ground of appeal is ruled against the appellant.

6. Ground No. 6 to 12 are directed against addition of Rs 75,75,813/- on account of unexplained investment for Peak Balance in bank account.

6.1. I have carefully considered the assessment order and written submission filed by the Ld. AR. The AO made addition of Rs.75,75,813/- on account of unexplained investment for Peak Balance in bank account. Information was received from the office of the DDIT(Inv.), Unit 1(2) that during the F.Y. 2009-10 relevant to A.Y. 2010-11 M/s Ratrol Maa Trading (P) Ltd. had a credit entry of Rs.9,12,24,405/- in its account No. 003705015783 maintained with ICICI Bank, West Patel Nagar, New Delhi

6.2. In this case an STR was received that Arries Trade Sales Agency, was mainly depositing cash at various branches followed by transfer to accounts of various individual and business within the bank and in other banks. On enquiries it was found that none of the concerns at the addresses mentioned in the STR were functioning from their address and also none of the individual were residing or doing any kind of business activities from the given address. On receipt of the information, the return was downloaded and it was found that in spite of huge credit entries in its bank account, the assessee has shown meagre income. Thus, the source of huge credits in its bank account remained unverified.

6.3 The bank statements for the relevant period for the bank Account Numbers 003705015783 held at ICICI bank were obtained by the AO. There total credit of Rs 9,45,42,451/- was retrieved.

6.4 On perusal of the return as filed for the A.Y. 2010-11, it was apparent that the assessee has earned profit before tax of Rs.15,945/ on total gross receipt proceeds of Rs. 1,98,450/-, thus, the assessee had net profit ratio of 8.03% on total gross receipt. In the absence of any documentary evidence from the assessee, the entire amount of Rs. 9,45,42,451/- as received by the assessee in the account mentioned above was treated by the AO as its gross receipt for the relevant assessment year and the net profit of 8.03% was applied to it, which resulted in net profit before tax of Rs 75,91,758/-. Therefore, addition was made on account of estimated profit as credit reflected in the bank account of the assessee. Accordingly, the amount of Rs. 75,75,813/- was added to the total income of the assessee on account of unexplained sales/receipt credited in bank account.

6.5. Since the appellant did not file any other justification either before the AO or at the appellate stage, the action of the AO is not controverted. It is clear from the facts as discussed above that the appellant could not explain the transactions, therefore, in the light of above facts as discussed above, I am of the considered view that the AO was justified to make the addition. Therefore, addition of Rs. 75,75,813/- made by the AO is confirmed. These grounds of appeal are ruled against the appellant.

7. Ground No. 13 is general in nature, which requires no specific adjudication.

8 In the result, the appeal is dismissed.”

6. Considering the fact that both the Lower Authorities have discussed the addition and also the claim of the Assessee in detail and made/confirmed the addition. In the absence of any material brought to the notice of the Bench in support of the claim of the Assessee to contradict the findings of the Lower Authorities, we find no reason to interfere with the findings and the conclusion of the Ld. CIT(A). Accordingly, the Grounds of Appeal of the Assessee are dismissed as meritless.

7. In the result, Appeal of the Assessee is dismissed.

Order pronounced in the open court on 29th December, 2025

Sd/ -

Sd/-

**(NAVEEN CHANDRA)
ACCOUNTANT MEMBER**

**(YOGESH KUMAR U.S.)
JUDICIAL MEMBER**

Date:- 29 .12.2025
R.N, Sr.P.S*

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR
ITAT, NEW DELHI