

**IN THE INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCHES 'A': NEW DELHI.**

**BEFORE SHRI S.RIFAUR RAHMAN, ACCOUNTANT MEMBER  
and  
SHRI ANUBHAV SHARMA, JUDICIAL MEMBER**

**ITA No.2377/Del/2025  
(Assessment Year: 2019-20)**

KTM Impex Private Limited,  
945/3, Pachranga Bazar,  
Panipath – 132 103 (Haryana).

vs.

ITO, Ward 1,  
Panipat.

**(PAN : AADCK8349L)**

(APPELLANT)

(RESPONDENT)

ASSESSEE BY : Shri Amit Kaushik, Advocate  
REVENUE BY : Shri Ajay Kumar Arora, Sr. DR

Date of Hearing : 28.10.2025  
Date of Order : 09.01.2026

**ORDER**

**PER S. RIFAUR RAHMAN, ACCOUNTANT MEMBER :**

1. The assessee has filed appeal against the order of the Learned Commissioner of Income Tax (Appeals)/National Faceless Appeal Centre (NFAC), Delhi ["Ld. CIT (A)", for short] dated 11.03.2025 for the Assessment Year 2019-20.
2. Brief facts of the case are, the case of the assessee, KTM Impex Pvt. Ltd., was reopened by the AO for AY 2019-20 on the basis of information received from the Investigation Wing after a search operation conducted in the case of Galaxy Group, wherein the residence of Shri Himanshu

Verma, who is a known accommodation entry provider, was also covered and it was mentioned therein that the assessee had received accommodation entry amounting to Rs.50,00,000/- from one concern, M/s Highrise Securities & Trading Pvt. Ltd, which was controlled and operated by Shri Himanshu Verma during the relevant year. Accordingly, after taking approval from the competent authority, notice u/s 148 of the Income-tax Act, 1961 (for short 'the Act') dated 31.03.2024 was issued and duly served on the assessee by the Assessing Officer. In response, assessee filed 'ROI' vide their response dated 21.04.2024. Accordingly, notice u/s 143(2) of the Act dated 28.06.2023 was issued and served upon the assessee. Subsequently, notices u/s 142(1) of the Act were issued to the assessee by the AO on various dates as recorded in the assessment order requiring the assessee to explain the genuineness of transaction with M/s Highrise Securities & Trading Pvt. Ltd. In response to the same, the assessee submitted that it has received unsecured loan of Rs.50,00,000/- from M/s Highrise Securities & Trading Pvt. Ltd. and subsequently paid back the same. Assessing Officer observed that Shri Himanshu Verma was held to be accommodation entry provider in the order passed by the Ld. CIT(A)-27, Delhi and this order of CIT(A)-27 was upheld by Delhi Bench of ITAT vide their order dated 15.03.2019. In view of the facts noted, the AO concluded that genuineness of the unsecured loan

transaction taken by the assessee with M/s Highrise Securities & Trading Pvt. Ltd., which is a non-descript entity, is not proved and accordingly, the AO completed assessment proceedings u/s 143(3) r.w.s. 147 by making addition of Rs.50,00,000/- along with interest expenses of Rs.5,45,753/-.

3. Aggrieved by the aforesaid order, the assessee preferred an appeal before the NFAC, Delhi and filed detailed submissions. Ld. CIT (A), after going through the submissions of the assessee and the assessment order, dismissed the appeal filed by the assessee.
4. Aggrieved assessee is in appeal before us raising following grounds of appeal :-

“Each ground is independent and without prejudice to the others:

1. Reopening of assessment u/s 147 is bad in law and void ab initio

The Learned CIT(A) erred in law and on facts in upholding the reopening of assessment u/s 147. The reopening was initiated based on generalized third-party information without any independent application of mind or tangible material relating specifically to the Appellant. Relied on.

2. Reassessment based on borrowed satisfaction and constitutes mere change of opinion

The AO acted mechanically based on third-party statements and no inquiry was conducted to corroborate allegations with the Appellant's case. Each case is separate case. Addition made merely on the basis of general statement of third party -Mr Himanshu Verma.

Name of appellant was no-where mentioned by Mr Himanshu Verma.

3. Violation of principles of natural justice - no cross-examination

The AO relied upon statements of third parties without granting the Appellant opportunity to cross-examine them, which vitiates the assessment.

4. Loan was repaid in full before reassessment proceedings -

The loan taken from Highrise Securities & Trading Private Limited amounting to Rs.50,00,000 in question was fully repaid by the Appellant during FY 2020-21 well before the issuance of notice u/s 148.

5. Identity, creditworthiness and genuineness of loan taken from Highrise Securities & Trading Private Limited amounting to Rs 50,00,000 proved by appellant-

The transaction was complete, bank-confirmed, and documented, leaving no outstanding or suspicious element. During the course of assessment proceedings appellant has filed the documents i.e. confirmation of account, copy of bank statement for receipt and payment of loan, PAN, audited balance sheet of Highrise Securities & Trading Private Limited as on 31.03.2019. The appellant had proved beyond doubt the identity and creditworthiness of party and discharged its onus.

6. Disallowance of interest of Rs.5,45,753 is erroneous, excessive and unjustified-

The Ld. AO has disallowed interest of Rs.5,45,753 alleging that the same pertains to non-genuine loans, However, the Appellant had repaid the loan much before the reassessment and had submitted all supporting documentary evidence, including confirmations, bank statements, and interest computation. The said interest expenditure was incurred wholly and exclusively for the purpose of business and is allowable under section 36(1)(iii).

The disallowance is unjustified in the absence of any finding that borrowed funds were used for non-business purposes or that the transaction was fictitious.

7. Addition u/s 68 without rejection of books or defect notice

The Appellant's books were never rejected nor any specific defect pointed out. The addition was made arbitrarily despite the existence of audited books of accounts.

8. CIT(A) order is non-speaking and mechanical

The CIT(A) has not addressed the submissions and evidence in a reasoned manner and merely reiterated the AO's order without independent findings.

9. Addition is arbitrary and not based on material evidence

The addition is speculative, excessive, and not based on any cogent material. No incriminating material was found to justify such addition.”

5. At the time of hearing, ld. AR of the assessee submitted that reopening of assessment u/s 147 is bad in law and void ab initio and further submitted that ld. CIT(A) erred in law and on facts in upholding the reopening of assessment u/s 147. The reopening was initiated based on generalized third-party information without any independent application of mind or tangible material relating specifically to the assessee. He further submitted that reassessment based on borrowed satisfaction and constitutes mere change of opinion, the AO acted mechanically based on third-party statements and no inquiry was conducted to corroborate allegations with the assessee's case. He submitted that each case is separate case and the addition made merely on the basis of general statement of third party - Mr Himanshu Verma and the name of assessee was no-where mentioned by Mr Himanshu Verma.
6. He further submitted that there is violation of principles of natural justice as cross-examination was not provided. He submitted that the AO relied upon statements of third parties without granting the assessee opportunity to cross-examine them, which vitiates the assessment.
7. Ld. AR further heavily relied on his submissions that loan was repaid in full before reassessment proceedings. He submitted that the loan taken from Highrise Securities & Trading Private Limited amounting to Rs.50,00,000 in question was fully repaid by the assessee during FY

2020-21 well before the issuance of notice u/s 148. He submitted that if a loan amount which was taken previously has been repaid before assessment proceedings started cannot be construed as un-explained loan and added to income of the assessee. In this regard, he relied on various judgments which are mentioned in the grounds of appeal above.

8. He further submitted that identity, creditworthiness and genuineness of loan taken from Highrise Securities & Trading Private Limited amounting to Rs.50,00,000 proved by the assessee. He submitted that the transaction was complete, bank-confirmed, and documented, leaving no outstanding or suspicious element. He submitted that during the course of assessment proceedings, assessee has filed the documents i.e. confirmation of account, copy of bank statement for receipt and payment of loan, PAN, audited balance sheet of Highrise Securities & Trading Private Limited as on 31.03.2019, hence the assessee proved beyond doubt the identity and creditworthiness of party and discharged its onus.
9. He further submitted that disallowance of interest of Rs.5,45,753 is erroneous, excessive and unjustified. He submitted that AO has disallowed interest alleging that the same pertains to non-genuine loans, However, the assessee had repaid the loan much before the reassessment and had submitted all supporting documentary evidence, including confirmations, bank statements, and interest computation. Accordingly,

the said interest expenditure was incurred wholly and exclusively for the purpose of business and is allowable under section 36(1)(iii).

10. He further submitted that the assessee's books were never rejected nor any specific defect pointed out. The addition was made arbitrarily despite the existence of audited books of accounts. Accordingly, in view of his submissions and decisions relied upon, he pleaded that the additions made and confirmed u/s 68/69C may be deleted. In this regard, ld. AR submitted that on the same facts on record, the ITAT had decided the issue in favour of the assessee in the following cases :-

- (i) Real Innerspring Technologies (P.) Ltd. vs. ACIT (2025) 174 taxmann.com 1130 (Delhi-Trib.)
- (ii) ITO, Ward 52 (1), New Delhi vs. M/s. Novel Infratech – ITA No.188/Del/2025;
- (iii) Dazzling Construction (P.) Ltd. vs. ITO – (2025) 172 taxmann.com 860 (Delhi-Trib.); and
- (iv) DCIT, Central Circle 2(4), Ahmedabad vs. Shri Asit Surendrabhani Shah – ITA No.945/Ahd/2018.

11. On the other hand, ld. DR of the Revenue after relying on the assessment order submitted that the conditions of section 68 was not fulfilled in the transactions carried on by the assessee with the bogus and dummy company and all these facts were found during the search conducted in the case of Shri Himanshu Verma. He relied on the findings of lower Authorities.

12. Considered the rival submissions and material placed on record. We observed that the similar issue was considered by the coordinate Bench in the case of Real Innerspring Technologies (P) Ltd. (supra) and held as under :-

“10. Considered the rival submissions and material placed on record. We observed that the AO has initiated reassessment proceedings on the basis of information received from the Investigation Wing and search proceedings in the case of Shri Verma. It is brought on record that these two companies were found to be controlled by the accommodation entry providers, Shri Verma and Shri Anil Agarwal. Merely because the assessee has taken the unsecured loan from the companies controlled by them, the addition was made rejecting the various supporting documents provided by the assessee relating to transactions.

11. In our considered view, the additions were made only on the basis of alleging that the loan taken by the assessee from the above said two companies are only accommodation entries and assessee's own money was routed through these companies with the help of accommodation entry providers. On careful note, the accommodation entries are taken which will remain in the books of account and they will ultimately written off over the period of time. These loans were normally not repaid. In the given case, it is brought to our notice that the assessee has received the unsecured loan through the banking channel and repaid thru the banking channel as under :-

Name of the Lender	Amount of the Loan	Date on which loan taken	Date of interest payment	Date of repayment of loan
M/s. Citzy Infraheights Pvt. Ltd.	50,00,000	09.07.2015 (Pg 38 of the PB)	30.12.2017 (Pg 40 of the PB)	06.12.2017 30.12.2017 (Pg 39 & 40 of the PB)
M/s. CEA Consultants Pvt. Ltd.	50,00,000	18.03.2016  (Pg 81 of the PB)	27.04.2016 28.03.2017  (Pg 81 of the PB)	17.03.2017 18.03.2017 21.03.2017 (Pg 83 & 84 of the PB)

12. From the above, it is clear that the assessee has repaid the loan even before the assessment was reopened. When the assessee takes the loan and repaid along with the interest clearly shows that the transactions are genuine. By returning the loan, the assessee has only utilised the loan for the purpose of business and repaid the same. Merely because some operator has managed the affairs and

all the transactions cannot be labelled as non-genuine. Every transaction has to be evaluated on its merit rather than on the basis of suspicion. Therefore, in this case, the assessee has submitted all the documents in support of the transaction before the AO and he has merely rejected the same on the basis of information available with him as the same on the basis of suspicion. Therefore, we are inclined to allow the grounds raised by the assessee.

13. In the result, appeal filed by the assessee is allowed.
13. Respectfully following the same, we are inclined to allow the grounds raised by the assessee.
14. In the result, appeal filed by the assessee is allowed.

**Order pronounced in the open court on this 9<sup>th</sup> day of January, 2026.**

**Sd/-  
(ANUBHAV SHARMA)  
JUDICIAL MEMBER**

**sd/-  
(S.RIFAUR RAHMAN)  
ACCOUNTANT MEMBER**

**Dated: 09.01.2026  
TS**

Copy forwarded to:

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

**ASSISTANT REGISTRAR  
ITAT, NEW DELHI**