

**IN THE INCOME TAX APPELLATE TRIBUNAL, 'D' BENCH
MUMBAI**

**BEFORE: SHRI AMIT SHUKLA, JUDICIAL MEMBER
&
SHRI ARUN KHODPIA, ACCOUNTANT MEMBER**

**ITA No.6599/Mum/2025
(Assessment Year :2010-11)**

M.Shashikant & Co. 601, 6 th Floor Aman Chambers M.P. Marg, Opera House, Charni Road Mumbai- 400 004	Vs.	Income Tax Officer Ward 23(2)(1) Mumbai
PAN/GIR No.AAHFM9676M		
(Appellant)	..	(Respondent)

Assessee by	Shri Suchek Anchaliya & Ms. Vanshika Agarwal
Revenue by	Shri Annavarani Kosuri, Sr. AR
Date of Hearing	18/12/2025
Date of Pronouncement	08/01/2026

आदेश / O R D E R

PER AMIT SHUKLA (J.M):

The present appeal has been preferred by the assessee against the order dated 09.09.2025 passed by the National Faceless Appeal Centre, Delhi, whereby the assessment framed under section 143(3) read with section 147 of the Income Tax Act, 1961 for the Assessment Year 2010-11 has been upheld.

2. By way of the grounds raised, the assessee has challenged, firstly, the validity of assumption of jurisdiction

under section 147 of the Act, and secondly, on merits, the addition of ₹59,11,774/- made by treating the purchases as bogus.

3. The brief facts, necessary for the present adjudication, are that the assessee is engaged in the business of trading and export of cut and polished diamonds. The return of income for the year under consideration was filed on 05.08.2010 and was processed under section 143(1) of the Act. Subsequently, the assessment was reopened under section 147 on the basis of information received from the Investigation Wing pursuant to a search and seizure action conducted by the Directorate General of Income Tax (Investigation), Mumbai, on 03.10.2013 in the case of the Rajendra Jain Group, wherein it was alleged that certain concerns belonging to the said group were engaged in providing accommodation entries in the guise of purchase transactions.

4. On the basis of the said information, it was alleged in the reasons recorded that the assessee had obtained accommodation purchase entries of ₹67,05,344/- from M/s. Aadi Impex and ₹9,94,644/- from M/s. Kailash Enterprises, aggregating to ₹76,99,988/-. During the reassessment proceedings, the assessee categorically clarified that the actual purchases from M/s. Aadi Impex were only to the extent of ₹49,17,130/- and not ₹67,05,344/- as stated in the reasons recorded.

5. In response to the show cause issued by the Assessing Officer, the assessee furnished comprehensive documentary evidence to substantiate the genuineness of the purchases and submitted that the diamonds so purchased were duly recorded in the books of account and were subsequently exported, the sale proceeds whereof stood credited in the bank account and formed part of the declared turnover.

6. Notwithstanding the aforesaid explanation and evidences, the Assessing Officer proceeded to treat the purchases from the said two parties as non-genuine and made an addition of ₹59,11,774/-. Before the first appellate authority, the assessee reiterated that no enquiry had been conducted by the Assessing Officer and that all primary and secondary evidences stood filed on record. However, the learned CIT(A) confirmed the addition by largely reiterating the findings of the Assessing Officer.

7. We have heard the rival submissions at length and have carefully perused the material available on record. It is an admitted and undisputed position that the assessee has furnished comprehensive documentary evidence in support of the purchases made from both M/s. Aadi Impex and M/s. Kailash Enterprises. The evidences placed before the Assessing Officer, in respect of both the parties, include income tax return acknowledgements, copies of purchase invoices, account confirmations, bank statements evidencing payments through account payee cheques, and sworn affidavits affirming the genuineness of the transactions. These documents, taken cumulatively, establish the identity of the

suppliers, the genuineness of the purchase transactions, and the fact that such purchases were duly recorded in the regular books of account maintained by the assessee in the normal course of business.

8. Apart from the aforesaid primary evidences, the assessee has also furnished a detailed quantitative statement mapping the purchases with corresponding sales and exports, along with particulars of stock movement. The statement showing the purchase-sale-stock reconciliation, which is a crucial document evidencing the flow of goods, is reproduced herein below :

MSHASHIKANT & CO. AY 2010-11 Statement showing Purchases and Sales of mapping stock											
S.No	Date	B.No./Date	Name of Party	Qty	Amount Excluding VAT	Date	B.No./Date	Name of Party	Qty	Amt	GP%
1	28.05.2009	KE/PD/MAY/38	Kalash Enterprises	21.09	3,41,658.00	01.06.2009	EXP/2/09-10	Okuyama Jewellery Co Ltd,Japan	10.03	1,74,422.00	
						01.06.2009	EXP/2/09-10	Okuyama Jewellery Co.Ltd,Japan:	11.06	1,92,333.00	
				21.09	3,41,658.00				21.09	3,66,755.00	
	28.05.2009	KE/PD/MAY/38	Kalash Enterprises	10.19	1,44,698.00	01.06.2009	EXP/2/09-10	Okuyama Jewellery Co. Ltd,Japan	10.19	1,55,652.00	
				10.19	1,44,698.00				10.19	1,55,652.00	
2	16.06.2009	KE/PD/JUN/17	Kalash Enterprises	21.00	3,29,700.00	22.06.2009	EXP/3/09-10	K'S Jewellery & Co(100%EOU)	21.00	3,45,450.00	
						22.06.2009	EXP/3/09-10	K'S Jewellery & Co(100%EOU)	6.49	1,72,342.00	
				27.49	4,98,440.00				27.49	5,17,792.00	
3	01.07.2009	AI/PD/JUL/4	Aadi Impex	166.32	27,60,912.00	04.07.2009	EXP/4/09-10	K'S Jewellery & Co(100%EOU)	166.32	29,16,962.00	
				166.32	27,60,912.00				166.32	29,16,962.00	
4	21.07.2009	AI/PD/JUL/25	Aadi Impex	60.50	8,95,400.00	28.07.2009	EXP/6/09-10	K'S Jewellery & Co(100%EOU)	60.50	9,44,783.00	
						28.07.2009	EXP/5/05-10	K'S Jewellery & Co(100%EOU)	64.82	12,76,986.00	
				125.32	21,07,534.00				125.32	22,21,769.00	
				350.41	58,53,242.00			350.41	61,78,930.00	5.56%	

9. Significantly, neither the Assessing Officer nor the first appellate authority has disputed the quantitative tally of stock, the corresponding sales arising therefrom, or the

factum of export of diamonds effected by the assessee. There is no finding on record to even remotely suggest that the diamonds allegedly purchased were not available for sale, or that the export turnover declared by the assessee was fictitious or inflated. In the absence of any discrepancy in quantity, stock movement, or sales realisation, the very substratum of the allegation that the purchases were bogus stands substantially diluted.

10. It is a well-settled proposition, consistently reiterated by this Tribunal in a long line of decisions, that where an assessee demonstrates a complete and coherent trail of purchase transactions supported by contemporaneous documentary evidence, coupled with quantitative reconciliation and accepted sales, the evidentiary burden shifts squarely upon the Revenue to rebut such material by way of independent enquiry or by bringing on record cogent and tangible evidence to the contrary. Mere reliance on third-party information or general investigation reports, without confronting the assessee with any specific incriminating material and without undertaking any meaningful verification, cannot sustain an addition of this magnitude.

11. In the present case, despite the assessee having placed on record all primary and secondary evidences, no independent enquiry whatsoever has been conducted by the Assessing Officer. The suppliers were not summoned, the affidavits filed were neither controverted nor tested by way of cross-examination, and no adverse material has been brought on record to demonstrate that the payments routed through

banking channels had flown back to the assessee in cash or otherwise. Such omissions assume particular significance in the context of diamond trading, where the business operates on thin margins, rapid inventory turnover, and export-linked transactions.

12. Another material aspect emerging from the record is the gross profit declared by the assessee. As per the tax audit report, the assessee has disclosed a gross profit rate of 6.26%. It has been specifically clarified that the gross profit rate relating to the impugned purchases works out to 5.56%, resulting in a marginal variation of merely 0.71%. Such a negligible deviation, viewed in the backdrop of accepted turnover, undisputed exports, and reconciled stock movement, does not justify the extreme inference that the entire purchases are non-genuine.

13. The reliance placed by the Revenue on the judgments of the Hon'ble Bombay High Court in PCIT v. Kanak Impex (India) Ltd. and PCIT v. Drisha Impex Pvt. Ltd. is clearly distinguishable on facts. Those decisions were rendered on materially different factual foundations where the assessee had failed to substantiate the genuineness of the transactions and where adverse material remained unrebutted. In the present case, the assessee has not only furnished complete documentary evidence but has also demonstrated corresponding sales and export realisation, none of which has been disputed by the Revenue.

14. It is a cardinal principle of income-tax jurisprudence that suspicion, howsoever strong, cannot take the place of proof. Once the purchases are supported by invoices, confirmations, bank statements, affidavits, and quantitative reconciliation, and once the corresponding sales and exports have been accepted, the disallowance of the entire purchase amount becomes legally unsustainable. Even an estimation of any profit element would be unwarranted in a case where the declared gross profit is reasonable, consistent, and commensurate with the nature of the business carried on by the assessee.

15. Viewed in the totality of the facts and circumstances, we are unable to sustain the addition of ₹59,11,774/- made by the Assessing Officer and confirmed by the first appellate authority. The impugned addition is accordingly directed to be deleted.

16. In the result, the appeal filed by the assessee stands allowed.

Order pronounced on 8th January 2026.

Sd/-
(ARUN KHODPIA)
ACCOUNTANT MEMBER

Sd/-
(AMIT SHUKLA)
JUDICIAL MEMBER

Mumbai; Dated 08/01/2026
KARUNA, *sr.ps*

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,

(Asstt. Registrar)
ITAT, Mumbai