

IN THE INCOME TAX APPELLATE TRIBUNAL
(DELHI BENCH 'A' : NEW DELHI)

BEFORE SHRI MAHAVIR SINGH, HON'BLE VICE PRESIDENT
AND
SMT. RENU JAUHRI, HON'BLE ACCOUNTANT MEMBER

ITA No. 5733/Del/2025
Asstt. Year : 2020-21

NITIN KAHER,
F-21, SECOND FLOOR, DSIDC
COMPLEX, UDYOG NAGAR,
PEERA GARHI, DELHI – 110 041
(PAN: AORPK8073N)
(Appellant)

VS. AO, WARD 44(6),
DELHI
(Respondent)

Appellant by : Sh. R.K. Gaur, CA
Respondent by : Sh. Ajay Kumar Arora, Sr. DR

Date of Hearing	12.01.2026
Date of Pronouncement	12.01.2026

ORDER

PER MAHAVIR SINGH, VP:

This appeal by the assessee is arising from the order of the NFAC, Delhi in appeal No. NFAC/2019-20/10452785 dated 10.7.2025. Assessment was framed by the AO u/s. 147 read with section 144B of the Income Tax Act, 1961 dated 14.5.2024 relating to assessment year 2020-21. The sole issue in this appeal is as under:-

“On the facts and in the circumstances of the case, and in law, the Ld. CIT(A) has erred in sustaining the order of the Assessing Officer and confirming the demand of Rs. 20,98,332/-.”

2. Brief facts of the case are that the assessee had filed his return of income for AY 2020-21 on 24.3.2021, declaring total income at Rs. 4,90,740/-. As per the

information available in insight portal and information received from the DDIT (Inv.), Unit 1(1), New Delhi, AO noted that the assessee had entered into “High Risk Transaction” during the year. Further, during the search action in the case of M/s Johnson Watch Group, M/s Kapoor Watch Group and others, it was noted that above two entities have taken accommodation entries from several shell entities and no-filers. On analysis of the GST data of those shell entities and non-filers, further such entities were identified who had also taken the benefits of such illegal / illegitimate accommodation entries. Various beneficiary entities have taken accommodation entries for bogus sales and purchases which are non-genuine. The assessee is involved in the sale transaction by dummy entity of Rs. 16,65,340/-. In view of the above, the assessee was asked to explain the same, but the assessee failed to explain the issue. Therefore, order u/s. 148A(d) of the Act was passed and a notice u/s. 148 of the Aft dated 27.3.2024 was issued and served upon the assessee. In response to the said notice the assessee filed his return of income by declaring total income at Rs. 4,90,740/-. During the course of assessment proceedings, the assessee was asked to explain the same with documentary evidences. The assessee before the AO submitted that it had made purchases with a party who had GSTIN No. filing proper GST return, payments were made using banking channel and there is no evidence against the assessee of transaction being not genuine. The AO noted that in search operation conducted on 31.10.2022 in the cases of M/s Johnson Watch Group and M/s Kapoor Watch Group, revealed large scale accommodation entries involving bogus purchase and sales through dummy entities. The assessee was found to have made purchases worth Rs. 16,65,340/- during FY 2019-20 from M/s Shree Govinda Enterprises, whose proprietor, Shri Sanjay, denied any knowledge of the entity or the transactions in his sworn statement recorded on 8.2.2023. Therefore, the AO noted if the entity itself was not aware of the transaction made, then the assessee’s contention of genuineness does not hold. Hence, the transaction entered by the assessee M/s Shree Govinda Enterprises was held as non-genuine by the AO. In view of the

above, the AO passed an order by making disallowance of Rs. 16,65,340/- u/s. 69C of the Act and added back to the total income of the assessee. Against the action of the AO, the assessee preferred appeal before the Ld. CIT(A), who vide his impugned order dated 10.7.2025 has dismissed the appeal of the assessee. Aggrieved, assessee is in appeal before us.

3. Before us, Ld. Counsel for the assessee stated that AO has erred in making the addition solely on the basis of information received from the Investigation Wing, without any independent verification or revalidation. He further stated that AO has erred by not providing the relevant information relied upon, and by denying the opportunity of cross examination of the witness on the basis of whom the addition has been made. It was further submitted that AO erred in disallowing the purchases under section 37 of the Income Tax Act, 1961 despite the appellant furnishing details of PAN, GST returns, and evidence of payments made through banking channels and made the addition of Rs. 16,65,340/- u/s. 37(1) of the Act, which in appeal was wrongly confirmed by the Ld. CIT(A).

4. On the other hand, Ld. DR relied upon the orders of lower authorities.

5. We have heard the rival contentions and gone through the facts and circumstances of the case. We noted that assessee is an individual engaged in the business of poly packing material, plastic products and other allied goods. During search operation in one unrelated entity M/s Kapoor Watch Group, M/s Shri Govinda Enterprises was identified as entry operator. The assessee has made purchases from Shri Govinda Enterprises to the extent of Rs. 16,65,340/- out of total purchases made during the year worth Rs. 3,53,43,129/- (page 5 PB). A notice under section 148A(b) was issued on the pretext of statement recorded by Investigation Wing of Proprietor Shri Sanjay Kumar who claimed to have no knowledge of the transactions as well as of the entity. Assessee has submitted documentary evidences in the form of details of goods purchased from the party viz. supplier's complete name, address and PAN/GSTIN; tax invoice no. and date through which goods were purchased; nature of goods purchased; quantity of goods

purchased; invoice value, taxable value and CGST/SGST charged by the party; ; copy of ledger account of party (Shri Govinda Enterprises) as appear in the books of account of the assessee; copy of bank statement highlighting payments made to the party against goods purchased; extracts of GSTR-2A, showing that goods purchased during the year were reflected on the GST portal i.e. the supplier of goods (Shri Govinda Enterprises) has filed his GST returns and paid the taxes; copy of purchase invoices with Eway bills, in support of physical delivery received from the supplier of goods; return of filing status of the party as appear on the GST portal for the relevant period, showing that the supplier of goods was active and regular filer till the date of goods sold to the assessee; complete quantity ledger of 'poly packing material' showing goods purchased from Shri Govinda Enterprises and subsequently sold to customers as appear in the books of account; Quantitative detail with gross margin earned on sale of goods purchased from the party (poly packing material) during the year; detail of total purchases made during the year showing its details; detail of total sales made by the assessee during the year showing details viz. (Customer's Name, GSTIN of customers, tax invoice no. and date, invoice value, taxable value, CGST/SGST/IGST charged on tax invoices) and details of bank accounts maintained by the assessee alongwith copy of bank statements and copy of ledger account of bank accounts as appear in the books of the assessee, narrating all the transactions contained therein. In view of above, it is noted that goods were duly recorded in the books; all payments made through banking channels; corresponding sales were offered to tax, books of accounts are not rejected and even no investment was out outside the books. It is noted that the details supplied were not duly considered; the copy of statement not supplied before assessment; cross examination of the person not allowed. This establishes that lower authorities have failed to examine the detailed explanations and voluminous evidences which were provided and that the AO failed to examine them in desired manner. This is the fact that the books of accounts were not explicitly rejected by AO, lend weight to the assessee's argument. In view of the aforesaid

factual matrix and going by the business of poly packing material, plastic products and other allied goods of the assessee, we are of the view that the disallowances @10% by estimating the same will meet the end of justice. Accordingly, we direct the AO to disallow @10% of the disallowance and assessed the income accordingly.

6. In the result, the Assessee's appeal is partly allowed.

Order pronounced in the Open Court on 12.01.2026.

Sd/-
(RENU JAUHRI)
ACCOUNTANT MEMBER

Sd/-
(MAHAVIR SINGH)
VICE PRESIDENT

Date: 19.01.2026

SRBhatnagar

Copy forwarded to: -

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

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By Order,

Assistant Registrar, ITAT, Delhi Bench