

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

**BEFORE SHRIS.RIFAUR RAHMAN, ACCOUNTANT MEMBER
and
SHRI SUDHIR KUMAR, JUDICIAL MEMBER**

**ITA No.3834/Del/2025
(Assessment Year: 2016-17)**

M/s. South West Pinnacle Exploration Limited, vs. ACIT, Circle 24 (1),
a-4, Pushpanjali Farms, Bijwasan, New Delhi.
New Delhi – 110 061.

(PAN : AAKCS3608R)

(APPELLANT)

(RESPONDENT)

ASSESSEE BY : Shri I.P. Bansal, Advocate
Shri Vivek Bansal, Advocate
REVENUE BY : Ms. Harpreet Kaur Hansra, Sr. DR

Date of Hearing : 06.01.2026
Date of Order : 21.01.2026

ORDER

PER S. RIFAUR RAHMAN, ACCOUNTANT MEMBER :

1. The assessee has filed appeal against the order of the Learned Commissioner of Income Tax (Appeals)-24, New Delhi [“Ld. CIT (A)”, for short] dated 29.05.2025 for the Assessment Year 2016-17.
2. At the outset, ld. AR of the assessee submitted that the issues involved in the present appeal are squarely covered by various decisions and he heavily relied upon the decision of the coordinate Bench in the case of Real Innerspring Technologies Pvt. Ltd. vs. ACIT (2025) 174

taxmann.com 1130 (Delhi-Tribunal), in which one of us is the author of the order.

3. Further ld. AR of the assessee submitted brief facts and his submissions in the present case. He submitted that the assessee has been assessed under normal scrutiny (CASS) under section 143(3) of the Income Tax Act, 1961 (for short 'the Act'). He submitted that following loans are added by the AO under section 68 r.w.s 115 BBE of the Act as per impugned assessment order dated 30.12.2018 passed u/s 143(3) of the Act.

S.No.	Name of the creditor	Amount
1	M/s XO Infratech Pvt. Ltd.	50,00,000
2	M/s Unishire Urban Infra Limited	1,50,00,000
3	TOTAL	2.00,00,000

4. He further submitted that the aforementioned loans are taken by the assessee in the regular course of its business and both the abovementioned loans are repaid with interest on which TDS has been deducted and duly paid. One loan was repaid in the same financial year and other loan was fully repaid in subsequent years even before start of impugned scrutiny proceedings.
5. He submitted that the aforementioned additions are confirmed by ld. CIT(A) as per order dated 29.05.2025 which is impugned in the present appeal and the ld. CIT(A) has also enhanced the addition by disallowing the interest paid in respect of the above-mentioned loans as well as

enhanced addition of 3% of the loans on account of alleged commission and the addition and enhancement are challenged in the present appeal.

6. He further submitted that apart from aforementioned additions, AO has added a sum of Rs.7,00,106/- being expenses incurred by the assessee for forming wholly own subsidiary overseas and this addition is also upheld by the Id. CIT(A) and is also subject to challenge in the present appeal.
7. He submitted that regarding loan of Rs.50,00,000/-in the name of M/s XO Infratech Pvt. Ltd., the particulars of loan and its repayment are as under:-

XO Infratech Pvt. Ltd.								Outstanding at 31.03.2016
Date of receipt of loan	Loan amount	Repayment Details						
		Date	Principal	Interest	TDS	Total Paid	Remarks	
28.09.2015	50,00,000	21.03.2016	50,00,000	2,41,096	24,110	52,16,986	Interest @ 10% for 176 days	0

8. He further submitted that it can be seen from the above that within the relevant financial year, this loan was fully repaid along-with interest on which TDS was also deducted and deposited. He submitted that the evidence submitted with respect to above loans are filed in the paperbook as follows :-

XO INFRATECH PRIVATE LIMITED		
1.		181
a)	Copy of speed post receipt evidencing the fact that reply was sent by the creditor company to the AO through speed post.	182
b)	Confirmation of accounts evidencing that on 28-09-2015 a sum of Rs. 50,00,000/- was transferred by the creditor company.	183-184
c)	Bank statement being A/c No. 01900210016756 of UCO Bank.	185
d)	Income Tax return acknowledgement no. being 623324031160217.	186-188
e)	Form No. INC-22 dated 20-05-2017	189
f)	Board resolution dated 20-05-2017.	190
g)	Certificate dated 20-05-2017 by the landlord namely. Sushila Devi.	191
h)	Copy of electricity bill dated 28-04-2017.	123-141
i)	Copy of audited financials	

11. He submitted that from the above dates, it can be noted that the assessee initially raised loan from this entity in FY 2013-14 relevant to AY 2014-15 in which year the assessee had raised aggregate loans of Rs.2,50,00,000/- and assessment for AY 2014-15 was made in scrutiny and genuineness of this credit was examined and no addition was made by the AO in AY 2014-15 and during FY 2014-15 relevant to AY 2015-16 the assessee made repayment of loan of Rs.1,75,00,000/-. He further submitted that as at the end of the FY 2014-15, the closing balance including interest was a sum of Rs.94,27,676/- which has been brought forward as opening balance outstanding to be paid in the year under consideration. During the year under consideration, the assessee received total amount of Rs.1,50,00,000/- on 29.05.2015, 02.06.2015 and 29.12.2015 being Rs.50,00,000/- each and also repaid the amount of Rs.50,00,000/- on 29.04.2015 and repayment of Rs.15,00,000/- on 21.05.2015, repaid Rs.31,02,062/- on 03.08.2015 including interest of Rs.9,49,575/- on which TDS was made at a sum of Rs.94,958/- leaving a closing balance of Rs.1,58,94,617/- as on 31.03.2016 and entire outstanding loan was repaid with interest in FY 2017-18 by 26.03.2018 which was a sum of Rs.1,80,67,717/-. He submitted that the commencement of scrutiny proceedings for the year under consideration is as per notice dated 22.08.2018 issued u/s 143(3) of the Act, therefore, the

entire amount was repaid along with interest much before the initiation of scrutiny proceedings.

12. He submitted that it is also to be noted that during the scrutiny of AY 2014-15, this credit was examined by the AO and no addition was made in respect of this credit accepting the genuineness of the loan and the examination of this loans during the AY 2014-15 is supported by copy of reply submitted to the AO as per letter dated 05.12.2016 in respect of AY 2014-15 and copy of the same is placed at Pgs.145-157 of the paper book and this was in respect of notice issued by the AO in respect of Assessment Year 2014-15 which is placed at Pg. 158 of the paper book(relevant Pgs. 145,151,156 and 158). He submitted that the evidence submitted with respect to above loans are filed in the paperbook as follows :-

13.	M/S UNISHIRE URBAN INFRA LIMITED	
a)	Confirmed ledger for FY 2015-16 relevant to AY 2016-17.	159
b)	Source of funds lender M/s Unishire Urban Infra Limited.	160
c)	Copy of Bank Account no. 00080340022283 of M/s Unishire Urban Infra Limited in HDFC at Stephen House, Kolkata.	161-165
d)	Copy of ITR for AY 2015-16, 2016-17, 2017-18 and 2019-20 of M/s Unishire Urban Infra Limited.	166-169
e)	Leave and licence agreement dated 17-10-2017 of premises to show the address of M/s Unishire Urban Infra Limited.	170-176
f)	Electricity bill	177
g)	Form No. INC-22 dated 06-11-2017 showing address change.	178-180
h)	Copy of reply dated 24-12-2018 submitted to the office of ADIT, Kolkata submitting all the required documents in response to notice u/s 131	142-143
i)	Copy of ledgers of M/s Unishire Urban Infra Limited for FY 2016-17 and FY 2017-18 in the written submissions.	19

13. In view of his above submissions, ld. AR relied on the following decisions:-

S. No.	Particulars	Relevant Para	Page no. of Paperbook
1.	Sheela Overseas Private Limited Vs PCIT ITA 546/2023	16,17, and 22	192-202
2.	Real Innerspring Technologies Pvt. Ltd., vs. ACIT [2025] 174 taxmann.com 1130 (Delhi - Trib.)	10,11, and 12	203-212
3.	Mod Creations (P.) Ltd. vs Income-tax Officer ITA No.1158 OF 2007	12 and 14	213-222
4.	ITO Vs M/s. Rakam Money Matters P. Ltd ITA No.2821/Del./2011	14	223-239
5.	PCIT Vs Laxman Industrial Resources Ltd [2017] 397 ITR 106 (Delhi)	2	240-243
6.	Deputy Commissioner of Income Tax Vs. Rohini Builders [2002]256ITR360(Guj)	7	244-253
7.	PCIT Vs Merrygold Gems (P.) Ltd [2024] 164 taxmann.com 764 (Gujarat)	10	254-258
8.	Ravindra Madanlal Khandelwal Vs DCIT [2024] 169 taxmann.com 457 (Nagpur - Trib.)	15 and 17	259-279
9.	JCIT (OSD) Vs M/s. Shalimar Housing & Finance Ltd. I.T.A. No. 4079/Mum/2019	17	280-290

14. With regard to addition of Rs.7,00,106/-, ld. AR submitted that the assessee formed its wholly owned subsidiary named as South West Intentional DWC LLC in Dubai for which the assessee obtained services of Kaden Boriss Legal Consultants. He submitted that the invoice dated 04.11.2015 of an amount of AED 94.800 which are translated into an amount of Rs.10,08,320/- and in respect of the said amount an amount of Rs.7,00,106/- was shown as legal and professional expenses under the

major head 'other expenses' in the profit & loss account and balance expense was debited in miscellaneous expenses. In this regard, he submitted that the copy of the certificate of incorporation and payment voucher are reproduced at Pg. 32 of the written submissions. He submitted that these expenses cannot be held to be not incurred for business purposes of the assessee as it is a wholly owned subsidiary of the assessee, the assessee only has to incur these initial expenditures. He submitted that the disallowance sustained by the CIT(A), in the facts and circumstances of the case, is unjustified.

15. Accordingly, ld. AR of the assessee pleaded to delete the aforesaid disallowances which are in challenge in the present appeal as under :-
 - (a) Delete the Additions of Rs. 50,00,000/- and Rs. 1,50,00,000/- for both the above mentioned creditors made u/s 68 of the Act.
 - (b) Delete the Enhancement regarding Disallowance of Interest for both the above mentioned additions.
 - (c) Delete the Enhancement on Account of Alleged Commission (3%) for both the above mentioned additions.
 - (d) Delete the disallowance of Rs.7,00,106/-.
16. On the other hand, ld. DR of the Revenue objected to the submissions made by the ld. AR of the assessee and heavily relied on the orders of the lower authorities.
17. 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) in which one of us is the author of the order 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. CityzInfraheights 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.
18. Respectfully following the same, we are inclined to allow the grounds raised by the assessee.
19. The interest and commission is connected to the same addition. Since the main addition is decided in favour of the assessee, the interest and alleged commission also decided in favour of the assessee.
20. In the result, appeal filed by the assessee is allowed.

Order pronounced in the open court on this 21st day of January, 2026.

**Sd/-
(SUDHIR KUMAR)
JUDICIAL MEMBER**

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

**Dated: 21.01.2026
TS**

Copy forwarded to:

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

**ASSISTANT REGISTRAR
ITAT, NEW DELHI**