

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH 'B', NEW DELHI**

BEFORE SHRI ANUBHAV SHARMA, JUDICIAL MEMBER

&

SHRI MANISH AGARWAL, ACCOUNTANT MEMBER

ITA No. 2567/DEL/2025
[Assessment Year: 2021-22]

GAUTAM CHOPRA A-11, DDA Commercial Complex Ring Road, Defence Colony, Greater Kailash, South Delhi-110048 (APPELLANT)	Vs	DCIT Central Circle-20, ARA Centre, Jhandewallan, New Delhi (RESPONDENT)
PAN No. AAHPC 6500 G		

Appellant by	Shri R.S. Singhvi, CA & Shri Satyajeet Goel, Adv
Respondent by	Shri Rajesh Kumar Dhanesta, Sr. DR

Date of Hearing	13.01.2026
Date of Pronouncement	21.01.2026

ORDER

PER MANISH AGARWAL, AM :

The present appeal is filed by the assessee against the order dated 27.03.2025 of Ld. Commissioner of Income Tax (A)-27, New Delhi ["Ld. CIT(A)"] in Appeal No. CIT(A), Delhi-27/10058/2020-21 passed u/s 250 of the Income Tax Act, 1961 ["the Act"] arising out of assessment order dated 08.03.2024 passed u/s 147 r.w.s. 143(3) of the Act pertaining to Assessment Year 2021-22.

2. Brief facts of the case are that a search & seizure operation u/s 132 of the Income Tax Act, 1961 (hereinafter referred as "the Act") was conducted on M/s Design Workshop (India) Pvt. Ltd. (a leading company in interior designing and furnishing based in Gurgaon), hereinafter referred to as "M/s Design Workshop (India) on 09.02.2022. During the aforesaid search operation, various incriminating documents in the form of Excel Working sheet were found in the soft data seized during the search which showed that M/s Design Workshop (India) was routinely engaged in out-of-books cash sales of furniture and providing of interior designing services to its various clients over various years. During the search operations, statements of the Directors and key person of M/s Design Workshop (India) were recorded under oath u/s 132(4), wherein they accepted that their company was engaged in out-of-books cash sales to its various clients. The practice has been adopted by the company in active collusion with its clients, inter-alia, helping M/s Design Workshop (India) to suppress its sales and to deflate its income taxes while allowing its clients to route their undisclosed cash income. On perusal of the said Excel working sheets, it was noted that the assessee, Shri Gautam Chopra purchased furniture from M/s Design Workshop and total value of work order was INR 2,02,33,876/- out of which major amount was paid in cash. Therefore, proceeding u/s 147 were initiated with the approval of the specified authority and notice u/s 148 of the Act dated 31.03.2023 was issued, requesting assessee to file his return of income u/s 148 of the Act. In response, assessee filed his return of income on 20.04.2023, declaring total income at INR

2,62,84,870/- . Thereafter, notice u/s 143(2) was issued followed by various notices u/s 142(1) from time to time and in response thereto, the assessee submitted his replies and requisite details. After considering the submissions filed by the assessee and the information available with AO, assessment order was passed u/s 147 r.w.s. 143(3) of the Act on 08.03.2024 at a total income of Rs.3,82,26,721/- .

3. Against the said order, assessee filed an appeal before Ld. CIT(A) who vide impugned order dated 27.03.2025, partly allowed the appeal of the assessee.

4. Aggrieved by the order of Ld. CIT(A), assessee is in appeal before the Tribunal by taking following grounds of appeal:-

- 1.1 *“That on the facts and circumstances of the case, the initiation of re-assessment proceedings is merely on the basis of provisional and unsubstantiated information received from investigation wing and in absence of any independent application of mind or enquiry, the reopening u/s. 148 is wholly based on borrowed satisfaction and is not sustainable for want of tangible/ adverse material.*
- 1.2 *That information from investigation wing per se does not constitute tangible material and there being no other adverse material on record, the reopening u/s. 148 is illegal and not sustainable.*
- 1.3 *That there being no evidence of any cash transaction brought on record or provided to the Assessee inspite of reference under RTI and as such there is no legal basis for issue of notice u/s. 148 and order u/s. 147 of the Income Tax Act, 1961.*
- 1.4 *That the Notice u/s 148 of the Act issued without proper approval in terms of provisions of section 151 of the Act is invalid and void-ab-initio.*
- 2.1 *That on the facts and circumstances of the case, the CIT(A) was not justified in upholding the addition of Rs. 54,57,705/- u/s. 69C of the Income Tax Act, 1961 on the alleged ground of cash expenditure incurred for purchases made from M/s Design Workshop India without appreciating the correct facts and documentary evidences filed during the course of Assessment proceedings.*

- 2.2 *That infact, the property in relation to which work was given belongs to M/s Consolidated Coin Private Limited and as such the Assessing Officer has erred in not considering the cheque payments made to M/s Design Workshop in relation to the work done in the said property which is fully corroborated from the invoices raised.*
- 2.3 *That the alleged excel sheet and statement of Employees/Directors as referred to in the Re-Assessment order having being recorded at the back of the Appellant are of no relevance and have no evidentiary value for want of proper opportunity for cross-examination.*
- 3 *That the Re-Assessment Order & CIT(A) Order passed by the lower authorities are not sustainable on facts and same is bad in law.*
- 4 *That the Appellant craves leaves to add, alter, amend, forgo any of the grounds of appeal at the time of hearing.”*

5. Heard the parties and perused the material available on records. Ld.AR submits that in the satisfaction note recorded, AO has not recorded the satisfaction that these documents contained the entries which **“have bearing on the determination of total income of the assessee”** though he has observed that these documents pertained to the assessee. Reliance is placed on the judgement of Hon’ble Jurisdictional High Court in the case of **Saksham Commodities Ltd** reported in **(2024) 161 Taxmann.com 485 (Delhi)** wherein the Hon’ble Court has held as under:-

“48. *In terms of the Second Proviso to Section 153A, all assessment or reassessment proceedings relating to the six AYS' or the "relevant assessment year" pending on the date of search are statutorily envisaged to abate. Abatement is envisioned to be an inevitable consequence of the initiation of action under Section 153A. Neither issuance of notice nor abatement are predicated upon a formation of opinion by the AO of the searched person that the material is likely to impact the total income of that assessee. However, the spectre of abatement insofar as the "other person" is concerned would arise only after the jurisdictional AO has formed the requisite satisfaction of the material having "a bearing on the determination of the total income of such other person" and having formed the opinion that proceedings under Section 153C are liable to be initiated. It would be pertinent to bear in mind that Kabul Chawla was a decision rendered in the context*

of Section 153A. It was in the aforesaid backdrop that the Court significantly observed that once a search takes place under Section 132 of the Act, notice under Section 153A(1) would mandatorily issue. The abatement of assessment and reassessment pending on that date would, in the case of a Section 153A assessment, be a preordained consequence. However, and in light of what has been observed hereinabove, it is apparent that Section 153C constructs a subtle and yet significant distinction insofar as the question of commencement of proceedings or assumption of jurisdiction is concerned.

- 49.** That takes us to the principal question and which pertains to the nature of the incriminating material that may be obtained and the years forming part of the block which would merit being thrown open. Regard must be had to the fact that while Section 153C enables and empowers the jurisdictional AO to commence assessment or reassessment for a block of six AYs' or the "relevant assessment year", that action is founded on satisfaction being reached that the books of accounts, documents or assets seized "have a bearing on the determination of the total income of such other person". We in this regard bear in mind the well settled distinction which the law recognizes between the existence of power and the exercise thereof. Section 153C enables and empowers the jurisdictional AO to assess or reassess the six AYs' or the "relevant assessment year". The Act thus sanctions and confers an authority upon the AO to exercise the power placed in its hands for up to a maximum of ten AYs'. Despite the conferral of that power, the question which would remain is whether the facts and circumstances of a particular case warrant or justify the invocation of that power. It is the aforesaid aspect which bids us to reiterate the distinction between the existence and exercise of power.
- 50.** What we seek to emphasise is that merely because Section 153C confers jurisdiction upon the AO to commence an exercise of assessment or reassessment for the block of years which are mentioned in that provision, the same alone would not be sufficient to justify steps in that direction being taken, unless the incriminating material so found is likely to have an impact on the total income of a particular AY forming part of the six AYs' immediately preceding the AY pertaining to the search year or for the "relevant assessment year".
- 51.** Ultimately Section 153C is concerned with books, documents or articles seized in the course of a search and which are found to have the potential to impact or have a bearing on an assessment which may be undergoing or which may have been completed. The words "have a bearing on the determination of the total income of such other person" as appearing in Section 153C would necessarily have to be conferred pre-eminence. Therefore, and unless the AO is satisfied that the material gathered could potentially impact the determination of total income, it would be unjustified in mechanically reopening or assessing

all over again all the ten AYs' that could possibly form part of the block of ten years.

- 52.** *The decisions which hold that an assessment is liable to be revised only if incriminating material be found, even if rendered in the context of Section 153A, would clearly govern the question that stands posited even in the context of Section 153C. It would be relevant to recall that the Division Bench in Kabul Chawla had observed that in the absence of any incriminating material, a completed assessment may be reiterated and the abated assessment or reassessment be concluded. The importance of incriminating material was further underlined in Kabul Chawla with the Court observing that completed assessments could be interfered with, only if some incriminating material were unearthed. This aspect came to be reiterated in RRJ Securities when the Court held that it would be impermissible to either reopen or reassess a completed assessment which may not be impacted by the material gathered in the course of the search and which may have no plausible nexus. The aforesaid position also comes to the fore when one reads para 17 of ARN Infrastructure and which annulled an action aimed at reopening assessments for years to which the incriminating document which was found did not relate.*
- 53.** *Sinhgad Technical Education Society also constitutes a binding precedent in respect of the aforesaid proposition as would be evident from the Supreme Court noticing that the material disclosed pertained only to AY 2004-05 or thereafter and that consequently the Section 153C action initiated for AYs' 2000-01 to 2003-04 would not sustain. It was this position in law as enunciated in that decision which came to be reiterated by our Court in Index Securities.*
- 54.** *In any case, Abhisar Buildwell, in our considered opinion, is a decision which conclusively lays to rest any doubt that could have been possibly harboured. The Supreme Court in unequivocal terms held that absent incriminating material, the AO would not be justified in seeking to assess or reassess completed assessments. Though the aforesaid observations were rendered in the context of completed assessments, the same position would prevail when it comes to assessments which abate pursuant to the issuance of a notice under Section 153C. Here too, the AO would have to firstly identify the AYs' to which the material gathered in the course of the search may relate and consequently it would only be those assessments which would face the spectre of abatement. The additions here too would have to be based on material that may have been unearthed in the course of the search or on the basis of material requisitioned. The statute thus creates a persistent and enduring connect between the material discovered and the assessment that may be ultimately made. The provision while speaking of AYs' falling within the block of six AYs' or for that matter all years forming part of the block of ten AYs', appears to have been put in place to cover all possible contingencies. The aforesaid provisions clearly*

appear to have been incorporated and made applicable both with respect to Section 153A as well as Section 153C ex abundanti cautela. Which however takes us back to what had been observed earlier, namely, the existence of the power being merely enabling as opposed to a statutory compulsion or an inevitable consequence which was advocated by the respondents.

- 55.** *Take for instance a case where the material gathered in the search is contemplated to have an adverse impact on the declarations and disclosures made by an assessee pertaining only to AYs' 2016-17 and 2017-18. What we seek to emphasise is that pending assessments for those two years could validly form subject matter of action under Section 153C and pending assessments in that respect would surely abate. However, that by itself would not be sufficient to either reopen or issue notices in respect of AYs' prior to or those falling after those two AYs' and which may otherwise fall within the maximum block period of ten years merely because the statute empowers the AO to do so. Unless the material gathered and recovered is found to have relevancy to the AY which is sought to be subjected to action under Section 153C, it would be legally impermissible for the respondents to invoke those provisions. Consequently, the AO would be bound to ascertain and identify the year to which the material recovered relates. The years which could be then subjected to action under Section 153C would have to necessarily be those in respect of which the assessment is likely to be influenced or impacted by the material discovered. Section 153C neither mandates nor envisages a mechanical or an enblanc exercise of power, or to put it differently, one which is uninformed by a consideration of the factors indicated above.*
- 56.** *We also bear in mind the pertinent observations made in RRJ Securities when the Court held that merely because an article or thing may have been recovered in the course of a search would not mean that concluded assessments have to "necessarily" be reopened under Section 153C and that those assessments are not liable to be revised unless the material obtained have a bearing on the determination of the total income. This aspect was again emphasised in para 38 of RRJ Securities with the Court laying stress on the existence of material that may be reflective of undisclosed income being of vital importance. All the aforementioned judgments thus reinforce the requirement of incriminating material having an ineradicable link to the estimation of income for a particular AY.*
- 57.** *It becomes pertinent to note that both Sections 153A and 153C require the assessee upon being placed on notice to furnish ROIs' for the six AYs' or the "relevant assessment year". All that the two provisions mandate is that notwithstanding the submission of those ROIs', the AO would frame one assessment order in respect of each of the years which were made subject matter of the notice and which would deal with both disclosed and undisclosed income. This too reinforces our*

view that Section 153C would apply only to such AYs' where the jurisdictional AO is satisfied and has incriminating material for those AYs' and which may be concerned with disclosed and undisclosed income.

- 58.** The aforesaid position stands further fortified from a reading of the First Proviso to Section 153A and which speaks of the power of the AO to assess or reassess the total income in respect of "each assessment year". The aforesaid phraseology stands replicated in Section 153B(1)(a) which again alludes to "each assessment year" falling within the six AYs or the "relevant assessment year". The aforesaid language is then reiterated in Section 153D and which prescribes that no order of assessment or reassessment shall be passed by an AO in respect of "each assessment year" referred to in Section 153A or 153B of the Act, except with the prior approval of the Joint Commissioner. We note that once the aforesaid principles are borne in mind, there would exist no discernible distinction between abated and completed assessments. This, since in both situations, the AO would be bound to base its decision to abate or reopen on material that is likely to impact the assessment of the total income for a particular AY. In case of assessment proceedings which are ongoing on the date when the AO proceeds to draw its satisfaction and in respect of which no incriminating material has been discovered, there would exist no justification to initiate proceedings under Section 153C.
- 59.** It would be pertinent to recall that Section 153C essentially seeks to merge ongoing assessments with a search assessment which may be triggered by the discovery of material obtained in a search and which was the statutory procedure which prevailed in terms of the provisions contained in Chapter XIV B. However, and in cases where on facts it is found that the material gathered is unlikely to have any impact on the computation of total income for a particular year, there would exist no justification to invoke the powers conferred by Section 153C.
- 60.** Before concluding, we also deem it imperative to briefly notice certain aspects which emerge from a reading of the Satisfaction Notes themselves. As is manifest from a reading of the Satisfaction Note drawn by the jurisdictional AO of the assessee in W.P. (C) 1459/2024, after noticing the material which was recovered during the search and related to FYs' 2009-10, 2010-11 and 2011-12 [corresponding AYs' thus being AYs' 2010-11, 2011-12 and 2012-13], it has proceeded to observe that the assessments which were liable to abate or be reopened would be AYs' 2010-11 to 2020-21. A similar note appears in W.P. (C) 1117/2024. Here again, after referring to the material pertaining to FY 2009-10 [and thus relating to AY 2010-11], the AO proceeded to seek approval for initiating action under Section 153C in respect of AYs' 2010-11 up to 2020-21.

- 61.** *A reading of the aforesaid Satisfaction Notes would establish that jurisdictional AOs' appear to have proceeded on the premise that the moment incriminating material is unearthed in respect of a particular AY, they would have the jurisdiction and authority to invoke Section 153C in respect of all the assessment years which could otherwise form part of the "relevant assessment year" as defined in Section 153A. In our considered opinion, the aforesaid understanding of Section 153C is clearly erroneous and unsustainable. As explained hereinabove, the discovery of material likely to implicate the assessee and impact the assessment of total income for a particular AY is not intended to set off a chain reaction or have a waterfall effect on all AYs' which could form part of the "relevant assessment year". This, more so since none of the Satisfaction Notes record any reasons of how that material is likely to materially influence the computation of income for those AYs'.*
- 62.** *Hypothetically speaking, it may be possible for the material recovered in the course of a search having the potential or the probability of constituting incriminating material for more than one assessment year. However, even if such a situation were assumed to arise, it would be incumbent upon the AO to duly record reasons in support of such a conclusion. The Satisfaction Notes would thus have to evidence a formation of opinion that the material is likely to be incriminating for more than a singular assessment year and thus warranting the drawl of Section 153C proceedings for years in addition to those to which the material may be directly relatable.*

G. CONCLUSIONS

- 63.** *On an overall consideration of the structure of Sections 153A and 153C, we thus find that a reopening or abatement would be triggered only upon the discovery of material which is likely to "have a bearing on the determination of the total income" and would have to be examined bearing in mind the AYs' which are likely to be impacted. It would thus be incorrect to either interpret or construe Section 153C as envisaging incriminating material pertaining to a particular AY having a cascading effect and which would warrant a mechanical and inevitable assessment or reassessment for the entire block of the "relevant assessment year".*
- 64.** *In our considered view, abatement of the six AYs' or the "relevant assessment year" under Section 153C would follow the formation of opinion and satisfaction being reached that the material received is likely to impact the computation of income for a particular AY or AYs' that may form part of the block of ten AYs'. Abatement would be triggered by the formation of that opinion rather than the other way around. This, in light of the discernibly distinguishable statutory regime underlying Sections 153A and 153C as explained above. While in the case of the former, a notice would inevitably be issued the moment a search is undertaken or documents requisitioned, whereas in the case of the latter, the proceedings would be liable to be commenced only*

upon the AO having formed the opinion that the material gathered is likely to inculcate the assessee. While in the case of a Section 153A assessment, the issue of whether additions are liable to be made based upon the material recovered is an aspect which would merit consideration in the course of the assessment proceedings, **under Section 153C, the AO would have to be prima facie satisfied that the documents, data or asset recovered is likely to "have a bearing on the determination of the total income". It is only once an opinion in that regard is formed that the AO would be legally justified in issuing a notice under that provision and which in turn would culminate in the abatement of pending assessments or reassessments as the case maybe.**

65. **We would thus recognize the flow of events contemplated under Section 153C being firstly the receipt of books, accounts, documents or assets by the jurisdictional AO, an evaluation and examination of their contents and an assessment of the potential impact that they may have on the total income for the six AYs' immediately preceding the AY pertaining to the year of search and the "relevant assessment year". It is only once the AO of the non-searched entity is satisfied that the material coming into its possession is likely to "have a bearing on the determination of the total income" that a notice under Section 153C would be issued. Abatement would thus be a necessary corollary of that notice. However, both the issuance of notice as well as abatement would have to necessarily be preceded by the satisfaction spoken of above being reached by the jurisdictional AO of the non-searched entity.**

66. Therefore, and in our opinion, abatement of the six AYs' or the "relevant assessment year" would follow the formation of that opinion and satisfaction in that respect being reached.

67. On an overall consideration of the aforesaid, we come to the firm conclusion that the "incriminating material" which is spoken of would have to be identified with respect to the AY to which it relates or may be likely to impact before the initiation of proceedings under Section 153C of the Act. A material, document or asset recovered in the course of a search or on the basis of a requisition made would justify abatement of only those pending assessments or reopening of such concluded assessments to which alone it relates or is likely to have a bearing on the estimation of income. The mere existence of a power to assess or reassess the six AYs' immediately preceding the AY corresponding to the year of search or the "relevant assessment year" would not justify a sweeping or indiscriminate invocation of Section 153C.

68. The jurisdictional AO would have to firstly be satisfied that the material received is likely to have a bearing on or impact the total

income of years or years which may form part of the block of six or ten AYs' and thereafter proceed to place the assessee on notice under Section 153C. The power to undertake such an assessment would stand confined to those years to which the material may relate or is likely to influence. Absent any material that may either cast a doubt on the estimation of total income for a particular year or years, the AO would not be justified in invoking its powers conferred by Section 153C. It would only be consequent to such satisfaction being reached that a notice would be liable to be issued and thus resulting in the abatement of pending proceedings and reopening of concluded assessments.

H. OPERATIVE DIRECTIONS

69. *When tested in light of the aforesaid principles, we find that except for a few exceptions which were noticed in the introductory parts of this judgment, the writ petitions forming part of this batch, impugn the invocation of Section 153C in respect of AYs' for which no incriminating material had been gathered or obtained. **The Satisfaction Notes also fail to record any reasons as to how the material discovered and pertaining to a particular AY is likely to "have a bearing on the determination of the total income" for the year which is sought to be abated or reopened in terms of the impugned notices. The respondents have erroneously proceeded on the assumption that the moment any material is recovered in the course of a search or on the basis of a requisition made, they become empowered in law to assess or reassess all the six AYs' years immediately preceding the assessment correlatable to the search year or the "relevant assessment year" as defined in terms of Explanation 1 of Section 153A. The said approach is clearly unsustainable and contrary to the consistent line struck by the precedents noticed above.***

6. The Hon'ble Jurisdictional Delhi High Court in the case of Saksham Commodities (supra) in clear terms held that for initiation of proceedings u/s 153C of the Act, the AO should satisfy that books of accounts or documents or assets seized or requisition must be pertained to the assessee and satisfaction recorded must contained that the entries / papers found "have bearing on the determination of the total income of such other person".

7. The Ld. AR for the assessee also placed reliance on the judgment of Co-ordinate Bench of Tribunal in the case of **Deepak Builders & Engineers India Ltd. in ITA No.875/Del/2025** wherein vide order dated **01.12.2025**, the bench has made following observations:-

2. *It emerges during the course of hearing that there arises the first and foremost legal issue of validity of the impugned section 153C proceedings/assessments framed on 26th March, 2023 itself between the parties; for want of a valid satisfaction recorded by the learned lower authorities. There is hardly any dispute that the learned Assessing Officer of the assessee (who happens to be a person other than the searched party) had set into the motion section 153C proceedings herein reading as under:*

“Satisfaction Note for initiating proceedings under section 153C read with section 153A of the Income Tax Act, 1961 in the case of M/s. DEEPAK BUILDERS & ENGINEERS INDIA PVT. LTD.

A search n/s 132 of Income Tax Act was conducted on an Entry operator Sanjay Jain along with his facilitators and some of his beneficiaries who were found to be generating cash against bogus billing of cement and other such items on 28.10.2020. Proposal for centralization of the group cases was made vide letter No. PDIT(Inv.)-1/Delhi/Centralization/SJAM/2030-31/854 dated 08.03.2021. The Group is centralized with the DCIT Central Circle-30, New Delhi under the charge of Pr. UIT (Central)-3, New Delhi by the order of Chief Commissioner of Income Tax (Central), circulated vide file no. F. No. COIT(C)/Del/CD-305/2020-21/1181 dated 18.03.2021.

1. *The entire web of transaction mounted through a maze of bank accounts Initiated by the receipt of willing beneficiaries and the trail right up-to the withdrawal of the cash for the beneficiary is seen. Digital records, whatsapp chats were liberally used by the racketeers for inward communication and quick access. Sharing of a unique ID of pictures bank note serial numbers were utilized by the entry operators and the band of cash handlers and the recipients of the entries to mask the fraudulent transactions.*

2. *The beneficiaries have been found to have made huge investments in real estate properties in prime cities to the tune of crores of rupees. The personal staff/employees/associates of entry operators had been made dummy directors/partners of these shell entities and all bank accounts were managed and controlled by these entry operators. Statements of such entry operators, their dummy partners/employees, the cash handlers as well as the covered beneficiaries have also been recorded clearly validating the entire modus operandi.*

3. Search and seizure operation u/s 133 of the Income Tax Act, 1961 dated 26.10.2020 by Unit-5, Delhi lead to seizure of approx. Rs 62 Crores of cash from the premises of beneficiaries who have benefitted from entry operator.

4. Apart from issuance of bogus billing, Sanjay Jain is also involved in arranging cash against RTGS. These transactions would be different than previously discussed bogus transactions in following ways:-

- No invoice would be raised by Sanjay Jain against these transactions
- There would be no GST ITC received by the beneficiary in such transactions
- Commission charged by Sanjay Jain on these transactions would be less than
- what he would charge for with-bill transactions
- Sanjay Jain would use his firms who do not get audited
- Beneficiaries taking this facility would normally take billis from some other entity and bank entries will be provided by Sanjay Jain
- M/L. DEEPAK BUILDERS & ENGINEERS INDIA PVT. LTD. (AAGCD34790)
- Beneficiaries might use this to clear the outstanding bogus purchases/loans/liabilities by issuing RTGS and receiving cash back
- Such entries in the books of the beneficiaries is carried out through settling the outstanding creditors and debtors across different financials years

Sanjay Jain would not necessarily withdraw cash from his own accounts, He had many sources in the market that used to arrange the same for him, viz, Rajeev Jain, Kumar Pankaj and Deepak Gupta. At times, Sanjay Jain would forward the RTGS entries to Rajeev Jain, Kumar Pankaj, etc. and they will withdraw the money and send it back to Sanjay Jain and Sanjay Jain would forward that cash to the end beneficiary. Before, introduction of TDS on cash withdrawal, Sanjay Jain used to withdraw cash through various benami firma of his associates.

However, since the applicability of TDS of 0.1% u/s 1947, the charges for arranging such cash increased from 30 paisa to 100 paisa. The difference between billing amount and the bank credit entries is on account of such RTGS to cash entries.

5. During the course of search dated 26.10.2020 on the entry operator, Mr. Sanjay Jain, 2 sets of books of tally were found and seized from the office premise of Sh. Sanjay Jain i.a. 87, First Floor, Dharamvir Mann Marg, Sabri Market, Hari Nagar Ashram, New Delhi, which were annexured as Annexure-A31. The set of tally data which contains the receipt and expenditure in cash. This data is compiled as List of beneficiary and named as R-1.

List of beneficiaries who have received benefits out of Rs 1590,94,68,436 in total, as bogus purchases from Sanjay Jain is appended to this report as Annexure-R1, for necessary action/intimation.

The said list is derived in the following format: -

S. No.	PAN	Name of entity	of 2019-20	Total
	AAGCD3470 Q	M/s. DEEPAK BUILDERS & ENGINEERS INDIA PRIVATE LIMITED	9,79,66,80 1	9,79,66,801

The list of all the beneficiaries (including entities in the above list) identified were confronted to Sanjay Jain in his statement dated 25/12/2020 1/3 132(4) of IT Act as well as on statement dated 11/06/2021 u/s 131 of IT act, 1961, in which he agreed to the quantum of entries as discussed.

6. Satisfaction: The above facts/information states that the assessee M/s. DEEPAK BUILDERS & ENGINEERS INDIA PVT. LTD. is involved in the above transactions of unaccounted receipts and payments with respect to of Rs. 9,79,66,801/-, which has escaped assessment, which nature and source of fund, genuineness are required to be verified.

7. The above seized documents/material give details of transactions in suspicious nature (as appear) undertaken by the assessee, which are recorded below as satisfaction & seized documents as discussed above at Para 5 of such transactions.

8. Genuineness of those transactions indicating their nature, sources of fund, their treatment in books of accounts and their effect with respect to taxability on the assessee are required to be examined in this case.

9. In view of the above, I have reasons to believe that the assessee may he issued notice u/s 153C of the IT Act 1961.”

3. That being the case, learned CIT(DR) strongly supports the above satisfaction note inter alia that the same had been properly recorded in light of the relevant incriminating material found/seized during the course of search dated 26th October, 2020 which led the Assessing Officer of the said searched party to satisfy himself that the same belonged or pertained or related to the assessee; as the case may be, leading to the Assessing Officer's satisfaction note finally culminating in the impugned assessment framed in its hands.
4. Faced with this situation, the tribunal invited the Revenue's attention to the clinching fact that the learned Assessing Officer's above extracted satisfaction note has nowhere made it explicitly clear as to whether the relevant seized material had a "bearing on the determination of the total income of such other person". Learned CIT(DR) seeks to buttress the point herein that such a satisfaction

note has to be read in totality than after adopting a hyper technical approach.

5. *We find no reason to accept the Revenue's stand. We make it clear that there is no quarrel between the parties about the learned Assessing Officer of the assessee/third person not having clarified as to whether the relevant seized material had any "bearing....." as stipulated in section 153C(1) of the Act. Hon'ble jurisdictional high court's recent landmark decision in Saksham Commodities Ltd. Vs. ITO (2024) 464 ITR 1 (Delhi)(HC) has settled the law in the assessee's favour and against the department that such recording of section 153C satisfaction is not a mere mechanical exercise. We thus draw strong support therefrom to conclude that the learned assessing authority in the assessee's case had erred in law and on facts in recording an improper satisfaction before initiating section 153C proceedings which vitiates the assessment itself in above terms. Ordered accordingly.*

8. As observed above, in the instant case, AO has recorded the satisfaction that entries belonged to the assessee but has failed to record the satisfaction that such entries "have the bearing on the determination of the income of the assessee". Therefore, by respectfully following the judgement of Hon'ble Delhi High Court in the case of Saksham Commodities (supra), and of the coordinate bench in the case of Deepak Builders (supra), we hold that in the present case satisfaction recorded before initiating the proceedings u/s 153C of the Act is not a valid satisfaction. Accordingly, we allow Ground of appeal No.1 raised by the assessee and quashed the proceedings initiated u/s 153C based on such invalid satisfaction and the also quashed the consequent order passed u/s 153 of the Act.

9. Since we have allowed assessee's legal Ground of appeal No.1 and quash the proceedings initiated u/s 153C of the Act, the remaining Grounds of appeal requires no adjudication.

10. In the result, appeal of the assessee is allowed.

Order pronounced in the Open Court on 21.01.2026.

Sd/-

(ANUBHAV SHARMA)
Judicial Member

Sd/-

(MANISH AGARWAL)
Accountant Member

Dated: 21.01.2026
Mittali/Amit Kumar

Copy forwarded to:

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

Asstt. Registrar, ITAT, New Delhi