

**IN THE INCOME TAX APPELLATE TRIBUNAL,
“A” BENCH, JAIPUR**

**BEFORE: SMT. ANNAPURNA GUPTA, ACCOUNTANT MEMBER AND
SHRI NARINDER KUMAR, JUDICIAL MEMBER**

**ITA No. 1293/JPR/2025
Assessment Year : 2014-15**

Star Cotspin Limited Gangrar Chhogawadi Road, Gangrar, Chittorgarh - 312021	Vs.	Central Circle, Ajmer - 305001
PAN/GIR No.: AAFCS 9575 E		
Appellant		Respondent

Assesseeby : Shri P.C. Parwal, CA & NareshJagetia, CA

Revenue by : Mrs. Anita Rinesh, JCIT

Date of Hearing : 24/12/2025

Date of Pronouncement: 13/01/2026

ORDER

PER: ANNAPURNA GUPTA, AM

The present appeal has been filed by the assessee against the order passed by the Ld. Commissioner of Income Tax (Appeal), (Id. CIT(A))/National Faceless Appeal Centre (NFAC), Delhi under Section 250 of the Income Tax Act, 1961, (hereinafter referred to as “Act”).

2. It was common ground that the solitary issue in the present appeal pertained to addition made to the income of the assessee on account of unsecured loan taken by it during the year from one M/s Diwakar Commercial Pvt. Ltd. (DCPL) amounting to Rs.50 lakh being treated as

an accommodation entry, the addition being made u/s 68 of the Act in proceedings conducted u/s 153C of the Act. Also addition of Rs.75,000 was made u/s 69A of the Act allegedly on account of commission paid by the assessee for availing the said accommodation entry, treating it as un-explained expenditure in terms of Section 69A of the Act.

3. The background of the case leading to the present appeal is that a search and seizure operation was conducted on the Alankrit Group on 18.10.2019. During the course of search, various incriminating documents and statements were found and recorded including those of Shri Sunil Kumar Gupta and Shri Alok K. Agarwal owner of Alankrit Group allegedly revealing that M/s DCPL, from whom the assessee had received Rs. 50 lakhs via RTGS on 20.06.2013, was in fact a shell company controlled by the Alankrit Group and used solely for providing accommodation entries in lieu of cash. Based on the seized material and after duly recording satisfaction, proceedings u/s 153C of the Act were initiated against the assessee and the assessment completed making addition of Rs.50 lakhs to the income of the assessee treating it as accommodation entry received by the assessee, u/s 68 of the Act and Rs. 75,000 on account of alleged commission paid by the assessee for availing the said accommodation entry, u/s 69A of the Act. The

assessee carried the matter in appeal before the Ld. CIT(A) who upheld the order of the AO. Aggrieved by the same, the assessee has come up in appeal before us raising the following grounds:

- 1. The Ld. CIT(A) erred in confirming the addition of Rs. 50,00,000/- under section 68 of the Act whereas Rs. 50 lakh loan was genuine, supported by PAN, bank proof, and repayment, no contrary evidence provided.*
- 2. The Ld. CIT(A) erred in confirming the addition of Rs. 75,000/- under section 69A of the Act which is presumptive, based solely on third-party statements.*
- 3. The Ld. CIT(A) erred in upholding the validity of proceedings initiated under section 153C is bad in law post-Finance Act, 2021; reassessment should have followed section 148A.*
- 4. Any other matter with the prior permission of the Chair.*

4. During the course of hearing before us arguments at length were made orally by both the sides who also filed copies of their arguments in writing before us. The arguments orally made by the Ld. Counsel for the assessee before us are briefly summarized as under:

- 1. That assessee had duly discharged its onus of proving the genuineness of the loan transaction of Rs. 50 lakhs with M/s DCPL by filing all necessary documents including the confirmation of the said party, the bank statement of the assessee as well as M/s DCPL reflecting the said transaction and the copy of the ITR of the said party.*
- 2. There was no basis with the department to treat the said loan as an accommodation entry except for the statement of Mr. Sunil Kumar Gupta and Shri Alok Agarwal who had only made a general statement of having*

conducted the business of providing accommodation entries through various shell companies that including M/s DCPL in none of the statements the assessee was mentioned as a beneficiary of the accommodation entry.

3. *Even otherwise, despite repeated requests, the assessee was not provided an opportunity to cross-examine Shri Sunil Agarwal/ Shri Alok Agarwal whose adverse statements the Revenue had relied upon for making and confirming the impugned addition in the hands of the assessee.*

4. *That in any case the loan taken by the assessee of Rs. 50 lakhs from M/s DCPL during the year was returned back to M/s DCPL during the year itself, proving the genuineness of the transaction and also demonstrating the fact that the assessee could in no way be said to have benefitted in any manner by availing the said loan for treating it as an accommodation entry.”*

Reference was made to decision of the Hon'ble High Courts of Rajasthan, Bombay and Gujarat in the following cases for the proposition that where the amount received was shown to have been returned back,it could not in any way be treated as an accommodation entry:

“1. Pr. CIT, Udaipur Vs. Subh Mines Pvt. Ltd., DBITA No.96/2015 order dated 03.05.2016.

2. PCIT Vs. Bairagra Builders (P.) Ltd., (2024) 299 Taxman 460.

3. PCIT Vs. AmbeTradecorp(P.) Ltd. (2022) 145 Taxman.com 27”.

(Copies of the orders were placed before us.)

5. The submissions filed in writing by the assessee before us are reproduced here under:

1. *"The Assessee, Mis Star Cotspin Ltd (PAN AAFCS9575E) engaged in the business of manufacturing and trading of yarn had originally e-filed its Income Tax Return (ITR) for A.Y. 2014-15 on April 29, 2014, declaring a total income of Rs 1,27,64,050/-. Subsequently, assessment proceedings under Section 143(3) of the Act were duly completed on December 17, 2016. In that assessment, the income was determined at Rs. 1,29,51,330/-, reflecting minor additions of Rs. 1,87,282/- on account of disallowances from expenses and receipts. This signifies that the original assessment for AY 2014-15 was a completed assessment, implying that the income and transactions for that year had already undergone scrutiny and acceptance by the Income Tax Department.*
2. *The initiation of the current proceedings stems from a search and seizure operation conducted by the Income Tax Department in the Alankrit Group of cases on October 18. 2019. During the course of assessment proceedings for the Alankrit Group under Section 153A, certain material and documents were purportedly found that related to STAR COTSPIN LIMITED. Based on this, a satisfaction note was prepared by the DCIT, Central Circle-28, New Delhi, to initiate proceedings under Section 153C of the Act in the assessee's case. Subsequently, this information was passed on to the Jurisdictional Assessing Officer (ITO, Ward-1, Bhilwara),*

who then issued a notice under Section 153C of the Act to STAR COTSPIN LIMITED on June 30, 2022, after recording a satisfaction note.

3. In response to the notice issued under Section 153C, STAR COTSPIN LIMITED filed its return of income on July 17, 2022, declaring a taxable income of Rs. 1,28,39,050/-Following this, a notice under Section 143(2) was issued on August 3, 2022. Over the course of the assessment, the assessee consistently raised objections regarding the validity of the proceedings, particularly questioning the applicability of Section 153C after the Finance Act, 2021 amendments and vehemently protesting the denial of the opportunity for cross-examination of key witnesses whose statements formed the basis of the additions.

4. The CIT (A) maintained that the legal requirement of providing material and opportunities for explanation had been met by the AO, and that the right to cross-examination was not absolute and upheld the addition of Rs. 50,00,000/- under Section 68 by treating the unsecured loan as accommodation entry and the consequential addition of Rs. 75,000/-under Section 69A representing an alleged commission for obtaining an accommodation entry done by AO.”

6. The contentions of the Ld. DR are summarized as under:

1. He relied on the findings of the Ld. CIT appeal that the assessee had failed to discharge its onus of proving the genuineness of the transaction by filing necessary documents.

2. Reliance was placed on the decision of the ITAT, Jaipur Bench in the case of Bagariya Impex Pvt. Ltd. Vs. ITO, ITA No.696, 697 and 705/JPR/2025

dated 29.09.2025 for the proposition that mere refund or returning the loan amount did not establish the genuineness of the loan transaction.

3. That the statements recorded on oath of Shri Alok Agarwal and Shri Sunil Gupta had evidentiary value. That statements directly explain the true nature and source of credits appearing in the assessee's book and constituted direct evidence.

4. That the assessee failed to rebut the statements. The assessee's plea of cross examination was misconceived since cross examination is not a absolute right particularly where the statements recorded on oath during search are confronted to the assessee and assessee fails to rebut the same with evidence. That the bank statement of the assessee revealed bank balance remaining with the assessee consistently more than the amount of loan taken by the assessee thus impinging upon the genuineness of the loan amount taken.

7. The contents of the written submissions filed by the Ld. DR are reproduced hereunder:

1. Issue in Appeal

The present appeal arises out of an addition made under Section 68 of the Income-tax Act, 1961 on account of unexplained credits. The assessee's principal defence is that the amount was returned during the same financial year and therefore the transaction should be treated as genuine.

2. Failure of the Assessee to Establish Genuineness

It is submitted that the assessee has failed to discharge the statutory onus under Section 68. The assessee has never denied the receipt of the impugned credits in its books of account; the transaction itself stands admitted. However, mere admission of receipt does not establish genuineness.

The assessee has failed to prove:

- *the genuineness of the transaction, and rebuttal of statement recorded during search.*
- *the creditworthiness of the alleged creditors.*

It is a settled position of law that Section 68 applies at the stage of receipt, and repayment of money in the same year does not cure the defect of an unexplained credit. Temporary circulation and same-year return of funds is a recognized modus operandi of accommodation entries.

3. Evidentiary Value of Statements Recorded on Oath During Search

The addition is based on statements recorded on oath under Section 132(4) during search proceedings. These statements were given by the very parties who provided the funds, wherein they categorically admitted that the transactions were mere accommodation entries and not genuine loans or investments.

Statements recorded during search under Section 132(4) are statutorily recognized and have substantive evidentiary value. They directly explain the true nature and source of the credits appearing in the assessee's books and constitute direct evidence.

4. Failure of the Assessee to Rebut the Sworn Statements

The aforesaid statements were duly confronted to the assessee during assessment proceedings. Adequate opportunity was provided. However, the assessee:

- *failed to rebut the statements on merits,*
- *failed to bring any contrary material on record, and*
- *failed to establish genuineness or creditworthiness by independent evidence.*

The assessee has merely relied upon repayment of money, which is legally irrelevant once the nature of the transaction is explained by unrebutted sworn admissions.

5. Rebuttal to Plea of Cross-Examination / Retraction

The assessee's plea regarding denial of cross-examination is misconceived and an afterthought. The transaction itself is not denied by the assessee, therefore, no prejudice is shown to have been caused.

Cross-examination is not an absolute right, particularly where:

- *statements are recorded on oath during search.*
- *the statements are confronted to the assessee, and*
- *the assessee fails to rebut the substance of the evidence.*

There is also no valid retraction of the sworn statements by the accommodation entry providers. It is well settled that retraction must be prompt, voluntary, and supported by cogent evidence, none of which exists in the present case. Bald or delayed retraction does not dilute the evidentiary value of statements recorded under Section 132(4).

Reliance is also placed on the decision of ITAT Jaipur Bench in Bagariyalmpex Pvt. Ltd. v. ITO (ITA No. 696, 697 & 705 /JP/, A.Y. 2013-14 & 2014-15), wherein the Hon'ble Tribunal upheld addition under section 68 based on statements of accommodation entry providers, holding that repayment and bank routing do not establish genuineness when statements remain unrebutted."

Further the transaction was between assessee and entry provider (Ankit Agarwal and Sunil Gupta). Business relation between both has not been denied by the appellant assessee. It is further respectfully submitted before the Hon'ble Members that the onus was upon the appellant to file rebuttal at the stage of assessing officer. Assessee has not submitted any documents before the assessing officer which was written to the person who admitted making admission that assessee has taken accommodation entry from Alankriti Group. The assessee has made no complaint also before any authority that Alankriti Group has defamed it as being and entry receiver.

6. Bank account and Confirmation

Assessee has submitted a paper book before the Hon'ble Bench on 06.11.2025. As per this photo copy of bank account the balance was running from minimum amount of 26,14,140/- Rs (from 24.06.2013 to 26.06.2013). The maximum amount was 64,39,012/- Rs. (on 25.06.2013). on 26.06.2013 assessee has shown various deposits including RTGS from Diwakar Commercial Pvt. Ltd. (Rs. 50,00,000/-). On this date the assessee was having closing balance of Rs. 1,60,08,832/- Rs. and almost this same amount was remained with assessee till 27.06.2013. After 27.06.2013 there is a constant balance with the assessee more than Rs. 50,00,000/-. Hence, the genuineness of the loan amount is not proved. Further, the date on which amount has been returned assessee was having only Rs. 49,56,577/-. Assessee has claimed to submit confirmation of accounts from Diwakar Commercial Pvt. Ltd. but the same is having date as on 01.04.2014 (paper book page no. 18) this reflects that this confirmation was before the search proceedings and not after the statement recorded and admission by the related persons.

6. Conclusion

In the present case:

- the transaction is admitted by the assessee,*
- the true nature of the transaction is explained by sworn statements of accommodation entry providers,*
- the statements carry independent evidentiary value, and*
- the assessee has failed to rebut or disprove the evidence despite opportunity.*

As per the financial accounts submitted by the appellant assessee Sunil Kumar Gupta was Director in Diwakar Commercial Pvt. Ltd. as on 31.03.2014 and his statement are referred o Page no. 13 of the assessment order which has never been rebutted by the assessee.

Mere repayment of money in the same year cannot override sworn admissions recorded during search nor discharge the onus u/s 68.

8. We have heard the rival contentions, gone through the orders of the authorities below as also to the documents referred to before us from a duly certified paper book filed as per Rule 18 of the "Income Tax Appellate Tribunal Rules, 1963."

9. The issue to be adjudicated relates to the nature of the amount of Rs. 50 lakhs received by the assessee from one M/s DCPL, whether an accommodation entry or not. For adjudicating the same, it is relevant to consider the evidences relied upon by both sides for proving its case.

10. Going through the assessment order and the Ld. CIT appeal order, it is revealed that the primary basis with the revenue for treating the impugned transaction as an accommodation entry was the statement recorded of Shri Sunil Kumar Gupta. The relevant part of the statement of Shri Sunil Kumar on which reliance has been placed by the AO is reproduced at Page 12 and 13 of the Assessment Order as under:

"आप ALANKRIT GROUP के लिए कौन कौन सी कंपनियों के financial transactions करते हैं और उनका तरीका क्या होता है?"

A. - मैं श्री आलोक कुमार अग्रवाल जी Owner of ALANKRIT Group के directions पर निम्न कंपनियों के साथ financial transactions करता हूँ।

(i) Nutshell Vyapar Pvt. Ltd.

(ii) Liberal Properties Pvt. Ltd.

(iii) Canny Properties Pvt. Ltd.

(iv) Roptara Trading Pvt. Ltd.

(v) Favorite Advisors Pvt. Ltd.

- (vi) Oval Tie Up Pvt. Ltd.
- (vii) Sripuram Agencies Pvt. Ltd.
- (viii) Black Berry Real Trade Pvt. Ltd.
- (ix) Meadow Agencies Pvt. Ltd.
- (x) MahavirFincon Pvt. Ltd.
- (xi) Atoll Vyapar Pvt. Ltd.
- (xii) Rasraj Marketing Pvt. Ltd.
- (xiii) Diwakar Commercial Private Ltd.
- (xiv) New wave Commercial Pvt. Ltd.

Financial Transactions केलिए Kolkata based companies को भी श्री आलोक कुमार अग्रवाल अन्य व्यक्तियों को agent के रूप में purchase करवाते हैं। ये सभी agent श्री आलोक कुमार अग्रवाल के जानने वाले होते हैं। ऐसी 14 कंपनियों की लिस्ट में पहले ही दे चुका हूँ। आगे चलकर इन agents की ownership वाली कंपनियों से अन्य व्यक्तियों या अन्य कंपनियों को Loan दिए जाते हैं। जिन कंपनियों को agents वाली कंपनियों से Loan दिए जाते हैं वे कंपनियां बदले में श्री आलोक कुमार अग्रवाल को उतने Amount का cash arrange कर भेज देती हैं। फिर इस cash को Kolkata वाली party जिसने कंपनी श्री आलोक कुमार अग्रवाल के agent को बेची है को भेज दिया जाता है।

इस प्रकार श्री आलोक कुमार अग्रवाल जी के agent की कंपनी में Loan की entry खड़ी हो जाती है जिसका cash वह already दे चुका होता है। इसमें Kolkata based company द्वारा RTGS पहले ही purchase करने वाले agent को भेज दिया जाता है।"

11. Based on the above statement of Shri Sunil Gupta, the AO has inferred that all transactions carried out with Alankrit Group are bogus and only accommodation entry. That the modus operandi of M/s DCPL it has been proved that the transaction of Rs. 50 lakhs made during the year under consideration that have taken place between M/s DCPL and the assessee has actually taken place in the form of cash; the

genuineness of the transaction has not been proved and hence the loan of Rs. 50 lakhs taken by the assessee has been held to be a mere accommodation entry. The relevant findings of the AO in this regard are as under:

“It is established from statement of Sunil Kumar Gupta that all transaction carried out with Alankriti Group are bogus and only accomodation entries. Since the assessee admits that financial transactions have taken place between him and Diwakar Commercial Private Limited, it is immaterial whether the assessee's name appears in the statements or not because assessee itself admitted that transaction happened with Diwakar Commercial Private Limited. As per the modus operands of Diwakar Commercial Private Limited, it has been proved that the transactions of Rs. 50 lakh made during the year under consideration that have take place between Diwakar Commercial Private Limited and Star Cotspin Limited has actually taken place in the form of cash. Thus, genuineness of transaction is not proved and it is proved that it is not genuine transaction. The transactions done through banking channels are just meant to divert attention, hence, an amount of Rs. 50 Lakh is hereby added to the total taxable income of the assessee company under section 68 of the Income Tax Act, 1961 on account of unexplained credit and calculation of tax is to be calculated as per section 115BBE of the Act. In view of above discussion, I am satisfied that assessee has furnished inaccurate particular of his income and thus it is a fit case for initiating penalty proceeding u/s 271(1)(c) of the Actfor furnishing inaccurate particulars of income. Hence, penalty proceeding u/s 271(1)(C) of the Income-tax Act is initiated separately for furnishing inaccurate particulars of such income”.

12. The Ld. CIT(A) confirmed the findings of the AO holding at page 3 of the order as under:

“On merits, the assessee failed to discharge its onus under section 68 to prove the identity, creditworthiness of the lender (DCPL), and the

*genuineness of the transaction. The assessee neither submitted any agreement, confirmation, nor was able to produce M/s DCPL or its directors for verification. Despite repeated opportunities, the assessee failed to furnish any documentary evidence substantiating the commercial nature of the transaction. It is well settled that merely routing the funds through banking channels does not establish the genuineness of a transaction, especially when the lender is shown to be a paper company engaged in providing accommodation entries. The assessee failed to produce any credible evidence to prove the **identity, creditworthiness, and genuineness** of the transaction”.*

13. For the commission of Rs. 75,000 paid by the assessee, the AO has held that since the assessee has availed accommodation entry of Rs. 50 Lakhs and as per the statement of Shri Sunil Gupta a commission of 1% to 1.5% is paid for providing accommodation entry, therefore, the assessee had made a payment of Rs. 75,000, being 1.5% of Rs. 15 lakhs, on account of commission. He has heavily relied on the statement of Shri Sunil Gupta, reproduced at Page 14 of the Assessment Order as under:

“Reply furnished by the assessee is perused but not found satisfactory, as from the answer to question number 19 of Mr. Sunil Gupta’s statements, it has been proved that Alok Agarwal and Alankrit Group receive 1 to 1.5 percent commission for providing entry of paper financial transactions. Relevant part of the statement is reproduced as under:

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प्र. 19. Kalkata based company से श्री आलोक अग्रवाल जी के agent द्वारा company purchase करा एवं Agent company से cash लेकर Kalkata based company को भेज देने के क्रम में श्री आलोक कुमार गुप्ता एवं ALAKIT Group को संपा मिलता है।

30 - इसके एवज में 1 से 1.5 % तक का कमीशन जी आलोक कुमार अग्रवाल एवं ALANKIT Group को प्राप्त होता है।

14. His findings while making addition of the alleged commission expenditure are as under:

"As, assessee has made transactions of Rs. 50 lakh just for obtaining accommodation entry and paid commission @ 1.5% for obtained accommodation entry, hence an amount of Rs.75000/- (1.5 percent of Rs. 50 lakh i.e. Rs. 75000/-) made on account of commission is being considered as unexplained expenditure under Section 69C of the Income Tax Act and is hereby added to the total taxable income of the assessee company and tax to be calculated on it under section 115BBE of the Act. In view of above discussion, I am satisfied that assessee has furnished inaccurate particular of his income and thus it is a fit case for initiating penalty proceeding u/s 271(1)(c) of the Act for furnishing inaccurate particulars of income. Hence, penalty proceeding u/s 271(1)(C) of the Income-tax Act is initiated separately for furnishing inaccurate particulars of such income".

15. The Ld. CIT(A) has confirmed the findings of the AO holding at page 4 of his order as under:

“Further, the statements of Shri Sunil Gupta recorded during search categorically confirm that such entries were given in exchange for cash and a fixed commission of 1 to 1.5% was charged for such services. This directly correlates with the Rs.75,000 added under section 69A as unexplained commission expenditure (1.5% of Rs. lakh), which the assessee also failed to account for or explain. The request for cross examination of Shri Alok K. Agarwal was duly considered and rejected by the AO with proper reasoning. The assessee was given access to all relevant documents and statements relied upon in the assessment, satisfying the principles of natural justice.

The statement of Shri Sunil Kumar Gupta revealed that a commission of 1% to 1.5% is charged for accommodation entries. The AO added Rs.75,000 (1.5% of Rs. 50 lakh) as unexplained expenditure under Section 69A. The assessee failed to rebut this with evidence or explanation”.

16. The Ld. Counsel for the assessee has contended before us that the statements are mere general statements given by third parties and the assessee has not been named made by the person whose statement was recorded, to have availed any accommodation entry from the Alankrit Group. He, further pointed out that merely based on this general statement, the Revenue authorities have held that the assessee has also followed the modus operandi as stated by Shri Sunil Gupta in his statement for availing accommodation entry without leading a shred of evidence demonstrating the said fact. He contended that neither any inquiry nor any investigation was conducted by the Department revealing that the assessee had paid cash for availing the said accommodation

entry as per the modus operandi allegedly revealed by Shri Sunil Gupta in his statement recorded during search.

17. The Ld. DR was unable to controvert the factual contention of the Ld. Counsel for the assessee before us that Shri Sunil Gupta made a mere general statement of providing accommodation entries and did not mention the assessee specifically to have availed accommodation entry through M/s DCPL and also the fact that the Department brought no evidence on record to demonstrate the assessee to have followed the modus operandi stated by Shri Sunil Gupta for providing accommodation entry to various persons.

18. Having noted so, we find that Ld. CIT(A) has also recorded a finding that the assessee has failed to discharge its onus of proving the genuineness of the transaction of loan by furnishing necessary documentary evidences. His findings in this regard are contained as under:

*“On merits, the assessee failed to discharge its onus under section 68 to prove the identity, creditworthiness of the lender (DCPL), and the genuineness of the transaction. The assessee neither submitted any agreement, confirmation, nor was able to produce M/s DCPL or its directors for verification. Despite repeated opportunities, the assessee failed to furnish any documentary evidence substantiating the commercial nature of the transaction. It is well settled that merely routing the funds through banking channels does not establish the genuineness of a transaction, especially when the lender is shown to be a paper company engaged in providing accommodation entries. The assessee failed to produce any credible evidence to prove the **identity, creditworthiness, and genuineness** of the transaction”.*

19. The Ld. Counsel for the assessee per contra has contended that all necessary documentary evidences proving the genuineness of the transaction were furnished during assessment proceeding itself when the assessee had referred and mentioned to the AO the fact that the genuineness of the impugned transaction had been demonstrated by the assessee during regular assessment proceedings conducted u/s 143(3) of the Act by filing the confirmation of the impugned party i.e. M/s DCPL, the copy of bank statement of the assessee and also M/s DCPL and also the copy of ITR of M/s DCPL. In this regard, our contention was drawn to the reply filed by the assessee to the AO dated 21.11.2023 reproduced at Page 3 to 5 of the order mentioning the above facts as under:

“That all needful information, documents in form of confirmation of M/s DCPL, bank statement for transaction in our books, genuineness of transactions submitted on our earlier written email submission not denied upon then why same are asked again and again. Still for cooperation we are submitting these details again.

Kindly third party’s ITR, bank statements can be called by your office u/s 131/133(b) of Act and are already possessed by you impounded during search on 18.10.2019 based on which assessment of said party was completed. Further as already discussed above for cause of natural justice it is requested to kinly look into the facts in terms of provision of law and provide the opportunity of “CROSS VERIFICATION”.

20. He further pointed out that this fact was brought to the notice of the Ld. CIT(A).The copy of submissions filed before him was produced before us submitting to the above facts as under:

“The assessee provided comprehensive details to the Assessing Officer, including ledger account copies and bank statements, to substantiate the

transaction of Rs. 50,00,000/- with Diwakar Commercial Private Limited (DCPL). The transaction was conducted through RTGS (Real-Time Gross Settlement), a verifiable banking channel, which was explicitly pointed out by the assessee. Furthermore, the assessee highlighted that this very transaction had been subjected to verification during the original assessment proceedings under Section 143(3) for AY 2014-15, which was completed on December 17, 2016.”

21. Considering the above, it is amply clear that the Ld. CIT(A) has recorded an incorrect finding of fact that the assessee had not discharged its onus of proving the genuineness of the loan transaction of Rs. 50 Lakhs by filing necessary documentary evidences. On the contrary, the facts as recorded in the assessment order and even as per the submissions filed by the assessee to the Ld. CIT(A) reveal that the assessee had duly submitted confirmation of the impugned transaction as also copy of the bank statement of both the assessee and M/s DCPL as evidence.

22. Going further, the Ld. Counsel for the assessee has pointed out from the copy of the same bank statements of both the assessee and M/s DCPL which were there on record before the Revenue authorities that the impugned amount of loan had been returned during the year. The Ld. DR fairly accepted this fact.

23. Ld. Counsel for the assessee also drew our contention to various decisions of Hon'ble High Courts holding to the effect that where the amount was duly demonstrated to have been returned the receipt of the said amount could not have benefitted the assessee in any way to be treated as an accommodation entry and hence in genuine transaction.

24. The Hon'ble Rajasthan High Court in the case of M/s Subh Mines Pvt. Ltd.(supra) at Para 7 of its order noted the fact of the share application money received by the assessee, which was treated as an accommodation entry by the Revenue authorities to have been refunded by an account payee cheque and noting the absence of any cogent evidence establishing the share application money received to be the unaccounted money belonging to the assessee company, held that the said share application money could not be treated as an accommodation entry for the purpose of making additions of the same u/s 68 of the Act. The relevant finding of the Hon'ble High Court in this regard are contained at Para 7 of its order as under:

“A bare perusal of the assessment order reveals that the AO has made the addition on suspicion which is based on the statements of third party Shri Aseem Kumar Gupta, admittedly, recorded in the back of the assessee. It has come on record that the share application money of Rs.50,00,000/- was received from Moderate Credit Corporation Ltd., a listed company. It is not disputed before this court that the investment made was received by account payee cheque and the same was refunded by an account payee cheque when the company dropped its project. In the considered opinion of this court, in absence of any cogent evidence on record establishing that the money shown to have received as share application money, was as a matter of fact, unaccounted money belonging to the assessee company, the finding arrived at by the AO, which is based on suspicion, has rightly been held not sustainable in the eyes of law. Suffice it to say that the finding arrived at by the CIT (A), affirmed by the ITAT, which remains a finding of fact, cannot be said to be capricious or perverse”.

25. The Hon'ble Bombay High Court in the case of M/s Bairagra Builders Pvt. Ltd.(supra), noting the fact that the assessee having demonstrated the genuineness of the loan transaction and also having

demonstrated the fact of having repaid the same through banking channels and further noting no fact on record demonstrating the lender to have deposited any cash to his bank account confirmed the findings of the ITAT that there was no case for making any addition of the unsecured loans treating it as accommodation entry. The order of the Hon'ble High Court in this regard is reproduced here under:

"2. The core issue relevant for these proceedings is whether unsecured loans take at the rate 9 per cent p.a. should be treated as being unexplained and disallowed in the tax assessment.

3. It is apparent from a review of the record that at both stages of appeals preceding this appeal, there were concurrent findings of fact in favour of the assessee, namely, that the genuineness of the unsecured loan transactions cannot be questioned. In a nutshell, the impugned order notes that the assessee has submitted all the evidence to substantiate the loans in question, including confirmation from the creditors. That apart, the loans were taken and repaid through banking channels. The Tribunal has also ruled that bank statements too substantiate the same. So also, the lender has not deposited any cash into his bank accounts. Both the rounds of appeals prior to this appeal have held that the assessee has duly discharged the onus of proving the identity of the lenders, credit-worthiness and all supporting evidence as required under s. 68 of the IT Act, 1961 ("the Act"),

4. The record shows that the disallowance of the unsecured loans of Rs. 40 Lakhs was based on search and seizure action conducted on one. Mr. Praveen Kumar Jain during which he is said to have recorded a statement that he had provided accommodation entries to a few beneficiaries, one of which is the respondent. The said statement was retracted after the search and seizure was completed. The statement recorded during the search and seizure, ignoring the retraction and other documentary evidence brought to bear in the assessment, is the basis of the assessing officer treating the unsecured loans as fake.

5. *The two companies that lent the unsecured loans namely, Javda India Impex Ltd. and Lexus Infotech Ltd. were said to be companies controlled by the said Mr. Jain. The AO added the sum of Rs. 40 Lakhs as unproven cash credit and correspondingly disallowed the interest amount on the said loan.*

6. *The CIT(A), upon review of the documentary evidence on the record, which included supporting bank statements, the identities of the directors of the two companies, the tax returns filed by those companies and the confirmation of loans given by the respondent concluded that the disallowance of the loan as being fake ought to be reversed.*

7. *The Tribunal too agreed with the CIT(A). Distinguishing the case law cited by the Department, the Tribunal agreed with the CIT(A) and held that the respondent has discharged the onus of explaining the transactions. The Tribunal has also examined another decision of the Tribunal in respect of another assessee, which also had a valid loan from Javda India Impex Ltd. The Tribunal agreed with the findings in that case to hold that the addition to the income had been raised merely on conjecture and surmise.*

8. *Having heard the learned counsels for the parties and having reviewed the record, we do not find this to be a fit case for an appeal, that raises any substantial question of law-a prerequisite for this appeal to be entertained. This is not a case of accounting entries masquerading as purchase of goods or services. The evidence on record, has lead to the questions of fact being answered concurrently in two rounds of review, in favour of the respondent. Therefore, no substantial question of law arises in the matter, and therefore, the appeal is dismissed.”*

26. Hon'ble Gujarat High Court in the case of Ambe Tradecorp Pvt. Ltd. affirmed the findings of the Tribunal that once repayment of the loan has been established on documentary evidence the credit entries cannot be looked into in isolation ignoring the debit entries and affirmed the findings of the ITAT that the impugned transaction could not be treated

as an accommodation entry. The relevant findings of the Hon'ble High Court in this regard contained in Para 5-7 of the order as under:

"5. As discussed above, since the requisite material was furnished by assessee by showing the identity and since the assessee was not beneficiary when the loan was repaid in the subsequent year, even the ingredients of creditworthiness and genuineness of transaction were well satisfied.

6. The Tribunal rightly recorded in para 29 of the judgment,

"Once repayment of the loan has been established based isolation after ignoring the debit entries despite the debit entries were the documents cumtary evidence, the credit entries cannon he looked vere carried out in the later years wears Thus, in the given facts and circumstances, were hold that there is no infirmity in the order of the Ld. CIT-A.

7. For the reasons recorded above, no question of law muchless substantial questions arises in this appeal. It stands meritless and accordingly dismissed."

27. It is evident from the above that Hon'ble High Courts have considered the fact of repayment of amounts as establishing the genuineness of the transaction along with the necessary documentary evidences filed in this regard demonstrating the said fact. No benefit can be derived by the Revenue from the decision of the ITAT Jaipur Bench in the case of Bagariyalmpex(supra) since the aforementioned decision of the Hon'ble High Courts were not considered by it while rendering the said decision.

28. In the light of the above, it is abundantly clear that in the impugned case, the assessee had sufficiently discharged its onus of proving the genuineness of loan transaction of Rs. 50 lakhs received from M/s DCPL by filing necessary documentary evidences including the confirmation bank statements of the said party and also demonstrating the fact of having returned the amount of loan during the impugned year itself and

the Revenue had no basis at all for treating the same as an accommodation entry except a general statement of Shri Sunil Gupta to the effect that the Alankrit Group was involved in providing accommodation entry through various companies including M/s DCPL. There is no admission on oath by Shri Sunil Gupta that the amount of loan given by M/s DCPL to the assessee during the impugned year of Rs. 50 Lakhs was also an accommodation entry, there is no evidence on record brought by the Revenue to show that their impugned loan taken by the assessee fitted into the modus operandi adopted by the Alankrit Group for providing accommodation entry.

29. Therefore, we hold that no inference could be drawn by the Revenue authorities on the basis of the statement of Shri Sunil Gupta that all loans given by M/s DCPL during the impugned year, for that matter loan given by M/s DCPL to the assessee during the impugned year was an accommodation entry. We hold that the statements of Shri Sunil Gupta relied upon by the Revenue cannot by any stretch lead to this inference.

30. Therefore, in light of the above, we agree with the Ld. Counsel for the assessee that in the impugned case, there was no basis at all with the Revenue authorities for treating the loan taken by the assessee from M/s DCPL of Rs. 50 Lakhs to be an accommodation entry. We agree with the Ld. Counsel for the assessee that the findings of the authorities below to this effect are merely based on assumptions/presumptions/suspicion, with no material and cogent evidence supporting their case. On the contrary, we hold the assessee to have sufficiently discharged its onus of proving the genuineness of the transaction. We accordingly set aside the order of the Ld. CIT appeal

confirming the addition of Rs. 50 Lakhs in the hands of the assessee treating it as an accommodation entry. The AO is directed to delete the said addition.

31. Since we have held that the loan of Rs. 50 lakhs received by the assessee from M/s DCPL was not an accommodation entry, the addition made in the hands of the assessee on account of alleged commission paid for availing the accommodation entry, is also not sustainable and the same is also directed to be deleted.

32. In effect, the grounds raised by the assessee on merits are allowed.

33. The appeal of the assessee is accordingly allowed.

Order to be pronounced on 13/01/2026 under Rule 34(4) of the Income Tax (Appellate Tribunal) Rules, 1963.

Sd/-
(Narinder Kumar)
Judicial Member

Sd/-
(Annapurna Gupta)
Accountant Member

Jaipur

Dated:- 13 /01/2026

*Nimisha Arora, Sr. PS

Copy of the order forwarded to:

1. The Appellant- Damodar Prasad Aggarwal, Jaipur
2. The Respondent- ITO Ward-3(5), Jaipur
3. The Id CIT
4. The Id CIT(A)
5. DR, ITAT, Jaipur
6. Guard File (ITA No. 1293/JPR/2025)

By Order,

Asst. Registrar

1. Date of dictation (dictation pad is attached with file) : .01.2026
2. Date on which the typed draft is placed before the Dictating Member. : .01.2026
3. Date on which the approved draft comes to the Sr.P.S./P.S : :
4. Date on which the fair order is placed before the Dictating Member for pronouncement. : :
5. Date on which fair order placed before Other Member : :
6. Date on which the fair order comes back to the Sr.P.S./P.S. : :
7. Date on which the file goes to the Bench Clerk. : :
8. Date on which the file goes to the Head Clerk. : :
9. The date on which the file goes to the Assistant Registrar for signature on the order. : :
10. Date of Dispatch of the Order : :