

**INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH "A": NEW DELHI
BEFORE SHRI M. BALAGANESH, ACCOUNTANT MEMBER
AND
SHRI VIMAL KUMAR, JUDICIAL MEMBER**

ITA No. 226/Del/2025
(Assessment Year: 2019-20)

Sunwoda Electronic India Pvt. Ltd, D-228, Sector 63, Opp Dainik Jagran, Noida H. O. Gautam Budha Nagar, UP	Vs.	ACIT/DCIT, Circle-5(2)(1), Noida, UP
(Appellant)		(Respondent)
PAN: AAXCS8681F		

Assessee by :	Shri Ved Jain, Adv Shri Ayush Garg, Adv
Revenue by:	Shri Ajay Kumar Arora, Sr. DR
Date of Hearing	08/12/2025
Date of pronouncement	30/01/2026

ORDER

PER M. BALAGANESH, A. M.:

1. The appeal in ITA No. 226/Del/2025 for AY 2019-20, arises out of the order of the National Faceless Appeal Centre (NFAC), Delhi [hereinafter referred to as 'Id. CIT(A)', in short] dated 10.12.2024 against the order of assessment passed u/s 147 of the Income-tax Act, 1961 (hereinafter referred to as 'the Act') dated 27.03.2024 by the Assessing Officer, Assessment Unit, Income Tax Department (hereinafter referred to as 'Id. AO').
2. The Id AR at the outset argued Ground No. 11 challenging the non-applicability of provisions of Section 69C of the Act to the facts and circumstances of the instant case. Hence we deem it fit to address the same first.

3. We have heard the rival submissions and perused the material available on record. The assessee is a private limited company engaged in the business of manufacturing of lithium-ion batteries used in mobile phones at factory premises in Noida. The original return of income for AY 2019-20 was filed on 28.11.2019 admitting loss of Rs. 14,75,62,311/-. During the year under consideration, the assessee had engaged M/s. Huake Engineering Pvt. Ltd, M/s. Zhongmao (India) Eng Private Limited to undertake the work of construction, fits outs and renovation of the factory premises in Noida and M/s. Chimsen Technology Pvt. Ltd. for the installation of IT server for production of lithium-ion batteries. The Id AO on the basis of information provided by DDIT(Inv), 1(3), New Delhi alleged that assessee had taken accommodation entries in the form of bogus expenses from the following entities:-

Name of the entity	Amount (in INR)
Huake Engineering India Pvt. Ltd	Amount (in INR) 30,58,980
Zhongmao (India) Eng. Pvt. Ltd	1,44.91,525
Chimsen Technology Pvt. Ltd Total	1,41,72,874
Total	3,17,23,379

4. The assessee filed a reply dated 10.03.2023 and 27.03.2023 submitting detailed explanations along with all the documents to prove the genuineness of the transaction with the concerned parties in response to the show cause notice issued u/s 148A(b) of the Act dated 02.03.2023. The Id AO ignoring the submissions and documents furnished by the assessee passed an order u/s 148A(d) of the Act on 31.03.2023 and issued notice u/s 148 of the Act on 31.03.2023.

5. During the course of reassessment proceedings, the Id AO issued show cause notice dated 05.03.2024 show causing the assessee as to why the accommodation entries taken in the form of bogus expenses be

not added as unexplained credit u/s 68 of the Act. In response to the same, the assessee filed a detailed submission dated 12.03.2024 before the Id AO. The Id AO completed the reassessment disregarding the evidences submitted by the assessee by passing an order u/s 147 of the Act on 27.03.2024 after making an addition of Rs. 3,17,23,379/- u/s 69C of the Act.

6. It is pertinent to note that assessee had furnished the details of transactions it had with the aforementioned 3 parties by stating that it had purchased certain items which had been capitalized / shown as capital advances paid , as the case may be, by the assessee in its books as under:-

Name of Party	Amount as per Notice	Amount as per books of accounts						
		Capitalised without GST	GST	Total amount payable C=A+B	TDS	Net amount paid	Capitalised in FA	Capital Advance
		A	B		D	EC-D	F	G
Hauke Engineering India Pvt. Ltd.	30,58,980	30,58,980	5,50,616	36,09,596	61.180	35,48,487		36.09.596
Zhonghua (India) Eng Pvt. Ltd.	1,41,91,525	1,44,91,525	26,08,475	1,71,00,000	2,89,831	1.68.10.169	1,71,00,000	
Chimsen Technology Pvt. Ltd.	1,41,72,874	1,41,72,874	25,51,117	1,67,23,991	1,17,058	1,66,06,934		1,67,23,991
Total	3,14,23,379	3,17,23,379	57,10,208	3,74,33,587	4,68,069	3,69,65,590	1,71,00,000	2,03,33,587

7. On perusal of the assessment order, we find notice u/s 133(6) of the Act issued by the Id AO to the aforesaid 3 parties through email were not complied. Later when physical verification reference was made to Verification Unit to serve the notice in person, these parties duly responded to the notice u/s 133(6) of the Act directly before the Id AO by furnishing the requisite details. This fact is duly confirmed by the Id AO in page 6 of the assessment order. The Id AO on perusal of the details concluded that these parties had either not filed their income tax returns or they are merely paper entities used for creating documentation by various other entities. Accordingly, the Id AO had

concluded the transaction assessee had with these 3 parties as bogus. The Id CIT(A) deleted the addition made in the sum of Rs. 30,58,980/- related to Huake Engineering Pvt. Ltd and confirmed the addition in respect of other two parties.

8. At the outset, we find that all the transactions the assessee had with the aforesaid parties had already been duly accounted in the books of account of the assessee. The payments made thereon were sourced out of accounted source of the assessee company. Now the short point that arises for our consideration is as to whether the provisions of Section 69C of the Act could at all be made applicable by the lower authorities in the facts and circumstances of the instant case to the aforesaid transactions with the aforesaid parties. It is pertinent to note that the lower authorities in the instant case had not doubted the source of incurrance of expenditure of the assessee. Even otherwise, we find that the sources of funds for making the payment to the aforesaid 3 parties are fully explained and traceable. We find that the issue in dispute qua the applicability of provisions of Section 69C of the Act was subject matter of adjudication by the Coordinate Bench of this Tribunal in the case of Garg Acrylics Ltd Vs. DCIT in ITA No. 2562/Del/2023 for AY 2011-12 dated 30.09.2024 under identical circumstances, wherein, the Coordinate Bench has held as under:-

"6. The Id. CIT(A) made an enhancement to the income of the assessee by making an addition of 100% of value of purchases from these two concerns at Rs 1,62,13,633/- as against Rs 32,42,726/- made by the Id. AO. This addition was confirmed by the Id. CIT(A) by stating that the addition has been made u/s 69C of the Act.

7. First of all, we find that the entire purchases made from these two concerns had been duly recorded in the books of accounts of the assessee company and payments made to them were through regular banking channels out of disclosed bank accounts of the assessee. The sources for making such payments are duly drawn from the books of

accounts of the assessee and available bank balances. Once the purchase transactions are disclosed by the assessee and payments made thereon are out of disclosed sources , nothing there could be treated as unexplained to warrant an addition u/s 69C of the Act. It is not the case of the revenue that the assessee had made bogus purchases and hence the same would be liable for disallowance u/s 37 of the Act as not incurred for the purpose of business of the assessee company. Hence the addition made u/s 69C of the Act deserves to be deleted.

8. Since the entire addition made u/s 69C of the Act cannot be sustained in the eyes of law, the other arguments advanced by the Id. AR on the validity of reopening and also on merits need not be gone into and they are left open. "

9. Respectfully following the aforesaid decision, we hold that the provisions of Section 69C of the Act per se could not be made applicable for making the addition in respect of transactions of the aforesaid parties. Hence, we allow Ground No. 11 raised by the assessee on this limited count itself.

10. Since, the entire addition is deleted vide decision in Ground No. 11 of above, the adjudication of other grounds raised by the assessee become academic in nature and they are left open.

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

Order pronounced in the open court on 30/01/2026.

-Sd/-
(VIMAL KUMAR)
JUDICIAL MEMBER

-Sd/-
(M. BALAGANESH)
ACCOUNTANT MEMBER

Dated: 30/01/2026
A K Keot

Copy forwarded to

1. Applicant

2. Respondent
3. CIT
4. CIT (A)
5. DR:ITAT

ASSISTANT REGISTRAR
ITAT, New Delhi