

IN THE INCOME TAX APPELLATE TRIBUNAL “G” BENCH, MUMBAI

**BEFORE SHRI SAKTIJIT DEY, VICE PRESIDENT AND
SHRI ARUN KHODPIA, ACCOUNTANT MEMBER**

ITA No. 3415/Mum/2025
(Assessment Year: 2014-15)

Asst. CIT-32(1) Room No. 252, Kautilya Bhavan, BKC Bandra E, Mumbai-400 051	Vs.	Suman Gandhi 2204/2205, Montereal Building, Shastri Nagar, Andheri (W), Mumbai-400 058
PAN/GIR No. AMZPS 3507 P		
(Revenue)	:	(Assessee)

CO No. 268/Mum/2025
(Arising out of ITA No. 3415/Mum/2025)
(Assessment Year: 2014-15)

Suman Gandhi 2204/2205, Montereal Building, Shastri Nagar, Andheri (W), Mumbai-400 058	Vs.	Asst. CIT-32(1) Room No. 252, Kautilya Bhavan, BKC Bandra E, Mumbai-400 051
PAN/GIR No. AMZPS 3507 P		
(Assessee)	:	(Revenue)

Assessee by	:	Shri K. Shivaram, Sr. Advocate & Shri Sashi Bekal
Revenue by	:	Shri Swapnil Choudhary – Sr. AR

Date of Hearing	:	28.01.2026
Date of Pronouncement	:	29.01.2026

ORDER

Per Saktijit Dey, Vice President:

Captioned appeal by the department and cross objection by the assessee, arise out of order dated 20.03.2025, passed by National Faceless Appeal Centre (‘NFAC’ for short), Delhi for the assessment year (A.Y. for short) 2014-15.

2. At the outset, we will deal with the appeal filed by the department. The solitary issue arising for consideration is in relation to deletion of addition of an amount of Rs.3,05,75,681/- as unexplained cash credit u/s. 68 of the Act on account of Client Code Modification.

3. Briefly the facts are, the assessee is a resident individual and derives income from salary, business, investment, dividend, etc. For the assessment year under dispute, the assessee filed her return of income declaring income of Rs.21,34,700/-. It transpires from the assessment order that subsequently the information was received by the Assessing Officer ('A.O.' for short) that Serious Fraud Investigation Office ('SFIO' for short) carried out investigations in National Stock Exchange Ltd. (NSE) and sent a report to the department, wherein it is alleged that some brokers have indulged in fraudulent activity to manipulate share transaction through Client Code Modification. It is alleged that the assessee's name was found included in the said report as per the details provided by NSE, as the assessee had bought shares amounting to Rs.3,05,75,681/- in the financial year 2013-14 and booked fictitious profit through commodity trading. Based on such report, the A.O. reopened the assessment u/s. 147 of the Act. In course of assessment proceeding, the A.O. issued a show cause notice to the assessee calling for necessary details and also requiring the assessee to explain why the amount of Rs.3,05,75,681/- representing buy amount of shares through Client Code Modification should not be treated as unexplained cash credit u/s. 68 of the Income Tax Act, 1961 ('the Act' for short). Though the assessee furnished the necessary details and categorically submitted that she had not booked any fictitious profit by manipulating Client Code Modification in commodity transaction, however, the A.O. was not convinced. Relying upon the report of the SFIO, the A.O. ultimately concluded

that the assessee has booked fictitious profit in commodity trading from buy amount of shares of Rs.3,05,75,681/-. Treating the same amount as 'unexplained cash credit' u/s. 68 of the Act, the A.O. added back to the income of the assessee.

4. The assessee contested the aforesaid addition by filing an appeal before the first appellate authority.

5. In course of proceedings before the first appellate authority, the assessee furnished the details of commodity transaction done by her in the relevant financial year. The assessee also referred to the letter of the broker, wherein the broker admitted that the Client Code Modification was not under the instructions of the assessee but on his own. The assessee also relied upon various judicial precedents to buttress her submission.

6. After considering the submissions of the assessee and appreciating the materials available on record, Id. First appellate authority ultimately concluded that the assessee had not indulged in any fraudulent activity and booked fictitious profit through Client Code Modification of commodity transactions. Accordingly, he deleted the addition made by the A.O.

7. We have considered rival submissions and perused the materials on record. As could be seen from the observations of the first appellate authority, the assessee's books of accounts of the impugned assessment year indicates that she had total purchases of Rs.9,34,96,345/- and sales of Rs.9,53,59,139/- and shown gross profit of Rs.18,72,794/- through transactions undertaken in NSEL. There is a categorical finding of fact by the first appellate authority that the transactions of purchase and sale at NSEL are pair trade,

meaning thereby, against each purchase transaction there is a corresponding sale transaction. Therefore, against each alleged Client Code Modification transaction there is equal quantity of either purchase or sale, hence, only resultant profit/loss arising for such transaction has to be considered. Another crucial factor which has to be borne in mind is, the broker M/s. Anand Rathi Commodities Ltd. through whom the assessee had undertaken the transactions had stated before the A.O. that though it had undertaken Client Code Modification, however, it was done without any instructions of the assessee and was done to save time as the trade was punched on a single client code and then shifted to the client on whose name the trade was done. Thus, the statement of broker, unequivocally demonstrates that Client Code Modification, if any, was neither in the knowledge of the assessee, nor she had instructed the broker to do so. Further, A.O. has not specified the details of transactions undertaken by the assessee where client code is modified. Thus, when the Client Code Modification, if any, was undertaken by the broker, without any involvement or knowledge of the assessee, the assessee cannot be punished for such conduct of the broker that too when there is no specific allegation that the assessee derived any positive gain through such transactions. In case of *Aashish Niranjana Shah vs. UOI* [2024] 167 taxmann.com 561 (Bom), the Hon'ble Jurisdictional High Court while dealing with the identical issue has held as under:

24. *It is a matter of public knowledge that client codes entered by a stock broker at the time of execution of the trades are permitted to be modified within a stipulated time after execution, if the stock broker finds that there has been any error in entering the correct client code. In the instant case, there is nothing to show whether such modification had been effected by the stock broker to deal with his errors in execution or whether the modification has been effected under instructions of the Petitioner. Besides, every transaction executed under the Petitioner's client code and thereby captured in his books of accounts have been subjected to scrutiny assessment. If someone else's client code had been entered by the stock broker and that had been changed to the Petitioner's client code, the transaction would get captured in the Petitioner's books and would be part of the material scrutinized. If it is the Petitioner's client code that had been originally entered by the stock broker, leading to it being modified after execution, it would have no bearing on the income of the Petitioner, since it would be the person whose client code was entered upon*

modification, whose taxation would be impacted. Therefore, without any basis to show that there had been a failure on the Petitioner's part in making a full and truthful disclosure of material facts, the very jurisdiction to initiate reassessment as provided for in Section 147 would not be attracted.

8. In case of *Pr. CIT vs. Pat Commodity Services Pvt. Ltd.* in ITA No. 1257 of 2016 vide order dated 15.01.2019, the Hon'ble Jurisdictional High Court has held as under:

3. The respondent assessee is a private limited company engaged in the business of providing commodity services to its clients. In the return of income filed by the assessee for the Assessment Year 2006-07, the Assessing Officer noticed that there were instances of client code modifications. The Assessing Officer believed that the same was done to indulge in circular trading to pass on profits or losses to the clients of the assessee company as per requirements. After hearing the assessee, the Assessing Officer made additions in the income of the assessee on such basis. The issue eventually reached to the Tribunal. The Tribunal did accept the Revenue's theory of misuse of clients code modification facility. However, the Tribunal accepted the assessee's explanation and discarded the Revenue's theory that profit of the assessee's company were passed on to the clients. It was also noticed that the Revenue has not contended that the client code modification facility is often misused by the assessee to pass on losses to the investors, who may have sizable profit arising out of commodity trading against which such losses can be set off. The Revenue normally points out number of such instances of client code modifications as well as nature of errors in filling of the client code. At any rate, what can be taxed in the hands of the present assessee is the income escaping assessment. Even if the Revenue's theory of the assessee having enabled the clients to claim contrived losses, the Revenue had to bring on record some evidence of the income earned by the assessee in the process, be it in the nature of commission or otherwise. In the present case, the Assessing Officer has added the entire amount of doubtful transactions by way of assessee's additional income, which is wholly impermissible. We do not know the fate of the individual investors in whose cases, the Revenue could have questioned the artificial losses. Be that as it may, we do not think entertaining these appeals would serve any useful purpose.

9. Keeping in view the ratio laid down in the judicial precedents referred to above, if we examine the facts on record, the Revenue has failed to establish that either the Client Code Modification has been done under the instructions of the assessee or the assessee has derived any benefit out of such transactions. The other decisions relied upon by the Id. Counsel for the assessee are also in similar lines. In any case of the matter, we are unable to understand how the A.O. could have invoked the provisions of section 68 of the Act to make the addition when the disputed amount was not found credited in the books of account of the assessee and was merely based on information available in an alleged report of SFIO. In view of the aforesaid, we do not find any infirmity in the decision of learned first appellate authority. Grounds are dismissed.

10. In view of the decisions in departmental appeal, the cross objection of the assessee has become academic, hence, does not require adjudication at this stage. However, the issues raised therein are kept open.

11. In the result, the appeal and the cross objection both are dismissed.

Order pronounced in the open court on 29.01.2026

Sd/-

(Arun Khodpia)
Accountant Member

Mumbai; Dated : 29.01.2026
Roshani, Sr. PS

Sd/-

(Saktijit Dey)
Vice President

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent
3. The CIT(A)
4. CIT - concerned
5. DR, ITAT, Mumbai
6. Guard File

BY ORDER,

(Dy./Asstt. Registrar)
ITAT, Mumbai