

**IN THE INCOME TAX APPELLATE TRIBUNAL
"B" BENCH, AHMEDABAD**

**BEFORE DR. B.R.R. KUMAR, VICE-PRESIDENT
SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER**

ITA No. 993/Ahd/2024
(Assessment Year: 2015-16)

Bipinkumar Rambhai Patel, B/25, Ranchod Colony, Maninagar, Ahmedabad-380008 [PAN :AQAPP 5046 M]	Vs.	Principal Commissioner of Income-tax-1, Ahmedabad-1
(Appellant)	..	(Respondent)
Appellant represented by :	Shri Mehul K. Patel, Advocate	
Respondent represented by:	Shri R.P. Rastogi, CIT-DR	
Date of Hearing	26.11.2025	
Date of Pronouncement	30.01.2026	

ORDER

PER DR. B.R.R. KUMAR, VICE-PRESIDENT:-

This appeal has been filed by the assessee against the order passed by the Ld. Principal Commissioner of Income-tax, Ahmedabad-1 (hereinafter referred to as "PCIT" for short), dated 16.03.2024, in exercise of his revisionary powers under Section 263 of the Income-tax Act, 1961 [hereinafter referred to as "the Act"], for the Assessment Year (AY) 2015-16.

2. The assessee has raised the following grounds of appeal:-

"1. The learned PCIT has erred in law and on facts in passing the order u/s.263 of the Act while considering the assessment order u/s.147 r.w.s 144 r.w.s 1448 of the Act passed by the FAO on 24/03/2022 for the year in question as erroneous and prejudicial to the revenue inasmuch as he had accepted the retuned income as assessed income while not making any additions as per the SCN issued and reasons recorded for reopening of the assessment.

2. The learned PCIT has erred in law and on facts for not considering/appreciating the submission of the appellant filed before him

in right perspective before passing of the impugned order u/s.263 of the Act.

3. The learned PCIT has erred in law and on facts in passing the revision order on the basis of revenue audit objections and without assessment of facts of the appellants' case independently. The said order is thus bad in law and requires to be quashed.

4. The learned PCIT has erred in law and on facts in failing to consider the fact that the appellant having furnished the details/evidences in support of the SCN issued by the FAO and after considering such details/evidences, the FAO had come to a definite conclusion and a particular view was taken, the mere fact that the learned PCIT was of a different view which is also based on revenue audit objections, it cannot be a basis for action for revision of the assessment order. The impugned order of revision u/s.263 of the Act is thus wholly unjustified and bad in law.

5. The learned PCIT has erred in law and on facts in failing to consider the fact that the FAO had exercised quasi-judicial power vested in him in accordance with the law and arrived at a particular conclusion on the facts as well as on law and merely such conclusion has not been elaborately discussed/mentioned in the assessment order, the said order could not be termed as erroneous and prejudicial to the interest of revenue as per the settled law. The section does not visualize case of substitution of the judgment of the PCIT for that of the FAO.

6. The learned PCIT has erred in giving the direction to set aside the assessment order passed by the FAO and to pass fresh assessment after verification of the facts of the case. Since the FAO has accepted the returned income as an assessed income and not made any addition after verification of facts of the case, the direction given by the learned PCIT to verify the same facts again is bad in law and consequentially order u/s 263 of the Act requires to be quashed. "

3. The brief facts of the case are that the assessee filed his return of income for the assessment year under consideration on 27.04.2016 declaring total income of Rs.2,20,500/-. Subsequently, based on information received from Central Circle-1(2), Ahmedabad, relating to a search conducted u/s 132 in the case of Shri Jignesh Shah and Shri Sanjay Shah, the assessment was reopened u/s 147 of the Act.

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4. The reasons recorded for reopening alleged that the assessee was a beneficiary of accommodation entries in the form of unsecured loans aggregating to Rs.95,09,351/- from entities controlled and managed by Shri Jignesh Shah and Shri Sanjay Shah.

5. Notice u/s 148 was issued after obtaining approval u/s 151 of the Act. The reassessment proceedings were completed by the Assessing Officer u/s 147 r.w.s. 144 and 144B of the Act vide order dated 24.03.2022, wherein the returned income of Rs.2,20,500/- was accepted and no addition was made.

6. The Ld. PCIT, on examination of records, formed an opinion that the reassessment order was erroneous and prejudicial to the interests of the Revenue, primarily on the ground that the Assessing Officer failed to make any addition in respect of alleged accommodation entries of Rs. 95,09,351/- mentioned in the reasons for reopening. The Ld. PCIT also observed that the Assessing Officer did not verify whether the said amount was routed through the bank account admitted by Shri Sanjay Shah in his disclosure and also observed that the Assessing Officer did not examine whether Shri Sanjay Shah had offered the corresponding income to tax. Since the submissions filed by the assessee was not satisfactory, the Ld. PCIT rejected the same and set aside the reassessment order with a direction to pass a fresh assessment after verification of the aforesaid issues.

7. Before us, the Ld. AR reiterated the grounds of appeal and submitted that the reassessment proceedings were initiated solely on the basis of alleged accommodation entries and that the Assessing Officer, after calling for details and examining the replies, rightly accepted the returned income. The Ld. AR further submitted that ownership of transactions by Shri Sanjay Shah was supported by affidavits and disclosures made during search and before the Settlement Commission, which were duly placed on record before the Assessing Officer.

8. The Ld. DR relied upon the impugned order and contended that failure to make addition in line with the reasons recorded itself establishes lack of enquiry and justifies invocation of section 263 of the Act.

9. We have carefully considered the rival submissions and perused the material available on record. The Ld. PCIT invoked revisionary jurisdiction u/s 263 primarily on the ground that, despite reopening on the basis of accommodation entries of Rs.95,09,351/-, the Assessing Officer made no addition and the Assessing Officer failed to verify whether the transactions were routed through the specific bank account admitted by Shri Sanjay Shah, as also failed to verify the quantum of income offered by the entry operator. According to the Ld. PCIT, failure to make such verification rendered the reassessment order erroneous and prejudicial to the interests of the Revenue.

9.1 We find that the reasons recorded for reopening of the assessment are as under:-

“.....

2. As per the information received from Central Circle-1(2), Ahmedabad, a search u/s 132 of the Act was undertaken on 11.09.2018 in the case of Jignesh Shah and Sanjay Shah of Ahmedabad (JSSS hereinafter) as a result various incriminating documents/papers and digital data were seized. On minutely examination of the said seized information, it was established that Jignesh Shah and Sanjay Shah, through various entities not carrying out any genuine business activity run, controlled and managed by them, are engaged in providing accommodation entries to the desired beneficiaries in various forms viz. unsecured loans, share premium, bogus gains, contrived losses etc. The main persons of these paper entities in whose names the said concerns are registered, admitted by way of filing affidavits that the entities/ concerns are not carrying out genuine business activities and are engaged into providing accommodation entries through Jignesh S Shah. During the verification of the said seized information, the details of counter parties/beneficiaries were identified which included the name of the present assessee. The duo Jignesh Shah and Sanjay Shah also admitted being involved in providing accommodation entries including bogus LTCG and contrived losses.

3. On analysis of the information so received, it is noticed that the assessee is one of the beneficiaries who has obtained accommodation entry of Rs

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95,09,351/- in the form of fictitious loan from the entities run, controlled and managed by Jignesh Shah and Sanjay Shah. Since, the entities, run, controlled and managed by Jignesh Shah and Sanjay Shah, from whom the assessee has claimed to have obtained unsecured loan have been found indulged in facilitating accommodation entries, therefore the loan amounting to Rs.95,09,351/-obtained by the assessee is nothing but assessee's own money which have been routed in its books to evade tax liability thereon.

4. The above information has been analyzed personally by the undersigned. On due analysis of the data, prima facie, I have reason to believe that the assessee has derived substantial income from undisclosed sources which he had not offered for taxation.

5. To sum up, in view of my above findings on the basis of analysis of information received, this is a case where the amount of Rs.95,09,351/- has escaped assessment within meaning of section 147 of the IT Act

6. In view of the above findings, I have reason to believe that this is a case where income chargeable to tax has escaped assessment by an amount of more than Rs. 1 lakh and it is fit case for re-opening the assessment for A.Y. 2015-16

7. In this case, assessee has filed return of Income for the year under consideration, accordingly, in this case, the provisions of clause (b) of explanation 2 to section 147 are applicable and the assessment year under consideration is deemed to be a case where income chargeable to tax has escaped assessment.

8. In this case, for A.Y. 2015-16, more than four years have lapsed from the end of assessment year under consideration. Therefore, it is requested that the satisfaction of Pr.CIT-1, Ahmedabad on the above reasons recorded to issue notice u/s. 148 of the Act may kindly be accorded, if deemed fit.”

9.2 From the records, it is evident that the reassessment was reopened specifically on the issue of alleged accommodation entries. During reassessment proceedings, the Assessing Officer issued notices, called for explanations, and examined the evidences furnished by the assessee. **The assessee placed on record affidavits and disclosures wherein Shri Sanjay Shah owned up the transactions, and the same were part of the assessment records.** Merely because the Assessing Officer did not make an addition or did not discuss the issue elaborately in the assessment order, it cannot be presumed that there was no enquiry. Lack of detailed discussion does not render the assessment order

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erroneous, when the records demonstrate that the Assessing Officer applied his mind and took a conscious decision. The record shows that Shri Sanjay Shah has admitted as under:-

".....whose list is enclosed herewith as per Annexure-2 page No. 2. The funds introduced in the bank account of the said persons for such activity and the resultant profit/loss on trading in shares and securities in the name of such persons is to be treated as belonging to me. The figure of funds introduced and profit/loss earned/incurred is also subject to verification of the material/records found and seized during the course of search/survey proceedings as well as other records."

It is a fact on record that the name of the assessee is reflected in Annexure-2 page No. 2 seized and the amounts were offered before the Settlement Commission. Hence, we hold that the order of the Assessing Officer cannot be treated as erroneous or prejudicial to the interest of the Revenue.

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

The order is pronounced in the open Court on 30.01.2026

Sd/-

**(SIDDHARTHA NAUTIYAL)
JUDICIAL MEMBER**

Ahmedabad; Dated 30.01.2026

**btk*

Sd/-

**(DR. B.R.R. KUMAR)
VICE-PRESIDENT**

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1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, अहमदाबाद / DR, ITAT, Ahmedabad
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