

IN THE INCOME-TAX APPELLATE TRIBUNAL "B" BENCH,
MUMBAI

BEFORE SHRI NARENDER KUMAR CHOUDHRY, JUDICIAL MEMBER
&
SHRI PRABHASH SHANKAR, ACCOUNTANT MEMBER

ITA No.4961/MUM/2025
(A.Y. 2020-21)

N.N. Sippy Productions Private Limited A4, Shalimar CHS, Santacruz, Mumbai - 400054, Maharashtra	v/s. बनाम	Income Tax Officer – 13(1)(1) 225, Aaykar Bhavan, M.K. Road, Mumbai – 400 054, Maharashtra
स्थायी लेखा सं./जीआइआर सं./PAN/GIR No: AAGCN6412N		
Appellant/अपीलार्थी	..	Respondent/प्रतिवादी

Appellant by :	Shri Mehul Talera, AR
Respondent by :	Shri Layaqat Ali Aafaqui, (Sr. DR)

Date of Hearing	09.12.2025
Date of Pronouncement	03.02.2026

आदेश / ORDER

PER PRABHASH SHANKAR [A.M.] :-

The present appeal arising from the appellate order dated 21.07.2025 is filed by the assessee against the order passed by the Learned Commissioner of Income-tax (Appeals)/National Faceless Appeal Centre, Delhi [hereinafter referred to as "CIT(A)"] pertaining to assessment order passed u/s. 147 r.w.s 144B of the Income-tax Act, 1961 [hereinafter referred to as "Act"] dated 24.03.2025 for the Assessment Year [A.Y.] 2020-21.



2. The grounds of appeal are as under:

1. *The order passed by CIT(A)-NFAC u/s 250 of the Act dated 21-07-2025 for A.Y. 2020-21 upholding addition of Rs.5.50 crores inter alia treating business transactions as unexplained deposits u/s 68 of the Act is wholly illegal, unlawful and bad in law.*
 - 1.1. *The Ld CIT(A) has grievously erred in law and/or on facts in invoking provisions of S.148 of the Act since the essential conditions for invocation S.148 of the Act were not satisfied.*
 - 1.2. *The Ld CIT(A) has grievously erred in law and/or on facts in solely relying upon the information received from investigation wing so that action of AO is merely upon borrowed satisfaction and not on his independent satisfaction.*
 - 1.3. *The Ld CIT(A) has grievously erred in law and/or on facts by upholding action of AO in not corroborating & not establishing nexus on the allegation of investigation wing qua the transaction of appellant, by putting sole reliance upon the information received from investigation wing.*
 - 1.4. *The Ld CIT(A) has grievously erred in law and/or on facts by upholding the action of AO in not providing copy of statements recorded, material collected at the back of assessee & relied upon for the purpose of making addition so that there is violation of principles of natural justice.*
 - 1.5. *The Ld CIT(A) has grievously erred in law and/or on facts by upholding action of AO in not providing opportunity of cross examination of the witnesses so that there is violation of principles of natural justice.*
 - 1.6. *The Ld CIT(A) has grievously erred in law and/or on facts by rejecting the request to produce additional evidence u/r 46A of the Rules.*
2. *The Ld. CIT(A) has grievously erred in law and/or on facts by invocation of S.68 of the Act since conditions precedent were not satisfied.*
 - 2.1. *The Ld. CIT(A) has grievously erred in law and/or on facts in treating the said transaction as unexplained deposits u/s 68 of the Act.*
 - 2.2. *The Ld CIT(A) has grievously erred in law and/or on facts in rejecting the claim of appellant being routine business / trade advances received in the ordinary course of business which would be part of trading receipts.*
 - 2.3. *The Ld CIT(A) has grievously erred in law and/or on facts in not appreciating and dealing with any of the contentions put forth and*



solely relying upon the report of investigation wing in isolation. Ld.CIT(A) had wrongly upheld the findings of AO without corroborating the impugned transaction with the report of investigation wing.

2.4. The Ld CIT(A) has grievously erred in law and/or on facts in rejecting the submission and explanation furnished during the course of appellate proceedings without any reasons and merely relying information received from investigation wing.

2.5. The Ld CIT(A) ought to have considered the said transaction in right perspective by considering it as business transaction and not loan transaction. It is, therefore, prayed that addition of Rs.5.50 crores towards unexplained deposits u/s 68 upheld by Ld CIT(A) deserves to be deleted.

3. Facts in brief are that the assessee is a closely held private company engaged in the business of motion picture productions, distribution of rights etc. The return of income for the relevant year was filed declaring Nil income. According to the assessment order, the AO received information on INSIGHT PORTAL from Central Circle- 2(4), Mumbai that pursuant to survey action u/s 133A of the Act carried out by the Investigation Wing at the premises of Zee group of companies on 04.01.2021, an entity known as M/s LTL Creations Pvt Ltd.(LTL) which was found to be bogus and sham entity and was a provider of accommodation entry and the assessee was one of the beneficiaries of such accommodation entry. Accordingly, the assessment was reopened u/s 147 of the Act. The assessee had shown credit of Rs 5.50 cr. in the name of LTL alleged to be the accommodation entry provider. The AO on enquiry found that the said company was not traceable at the given



address and no business activity was conducted from the said premises. Shri Ravindra Ramesh Pashte, the director of LTL creations Pvt Ltd, in a statement recorded on 17.02.2020 before DGGI had stated that he only signed blank cheques and papers sent to him and was unaware about the day to day running of the company. The registered address of the company as per TAN database was covered during the Survey proceedings and it was found that it was the residence of Shri Bhautesh Shashtri, who was one of Directors of LTL and had resigned on 07.10.2018. He was merely acting as a dummy director for the companies, he also stated in that bank related communication of LTL was received at the said address and no activities related to the company were carried out from the said address. Further, financials of company were analysed and it was noticed from the ITR of A.Y. 2019-20 that the company had no fixed assets. It was also observed that the company had no rental expense either. Summons dated 12.03.2021 issued u/s 131 of the Act was returned undelivered. Notices issued u/s 133(6) were also not responded.

3.1 According to the AO, LTL was an entity providing bogus entries. Though it reported substantial sales as per GSTR-1 in AY 2019-20, it did not file return. In FY its sales were Rs 84.50 cr. but did not file any return. Thus, it was concluded that the said company was not



carrying on any business activity but was engaged in providing bogus entries. The AO noted that the assessee signed an agreement with LTL on 18.09.2020 in respect of the impugned transaction. It was claimed by the assessee that it received the sum of Rs 5.50 cr. as advance against sale of rights of certain films and corresponding income would be declared after 01.01.2026. The AO was of the view that the assessee failed to prove the identity and creditworthiness of the said company. It failed to furnish ledger account, confirmation letter, bank statement of LTL and thus, failed to prove the genuineness of the transaction. Accordingly, the transaction of Rs 5.50 cr. was treated as sham/bogus transaction and added u/s 68 of the Act.

4. Before the CIT(A), it was explained that the impugned sum was a trade advance received by the assessee in terms of agreement dated 15.03.2020 with LTL being, Deed of Exploitation and Distribution Rights of assigned films for a consideration of Rs 5.50 cr. which was to be received in advance from their prospective /future rights accruing w.e.f. 01.01.2027. Ultimately agreeing with the AO, he upheld the addition.

5. Before us, the ld.AR has vehemently contested the action of the authorities below. He also made written as well as oral submission. It



was contended that the assessee is into the business of production of films and licensing of rights pertaining to the films. Essentially, impugned transaction is trading advance received in the ordinary course of business towards proposed sale/assignment of rights. It is argued that such advance could not be treated as unexplained cash credit u/s 68 of the Act. It was further submitted that the said transaction was subject to stamp duty paid and registered commercial agreement titled as 'Assignment Agreement' executed on 18.09.2020 w.e.f. 15.03.2020. As evident from the agreement, the rights in the impugned property will vest in with effect from 01-01-2027, the revenue is accordingly deferred and would be recognized in that financial year. The agreement, apart from specific rights, title & entitlements of both parties, carries 'termination clause' which specifically provides that it can be terminated by any of the party and as a consequence, other party is entitled to claim/pay consideration. Thus, till the time, actual date of assignment of rights kicks in or gets triggered, appellant was holding the said advances as 'holding in trust'. Therefore, it is claimed that combined reading of date of rights of effective assignment of rights and termination clause, the revenue would be recognised during the financial year 2026-27. Till that time, the consideration is simply trading advance received in the ordinary course of business and would retain the character of liability so



that it would be shown under the head liability in the balance sheet. Further, it is pleaded that as on today, the impugned rights were already assigned to other party i.e. DCI Media Pvt Ltd for exploitation from 2018 till 2026 and its proportionate revenues were being credited to P&L account since commencement of contract, as evident from the concerned agreement. Therefore, till expiry of existing agreement (in present case with DCI Media which is subsisting till 2026), revenues from impugned transaction with LTL could not be credited because exploitation of rights did not take place.

5.1 It was further stated that said transaction of trading advance received during the ordinary course of business is already forming part of GST turnover so that due GST liability is already discharged and already reflected in GST returns. There is certainty that in due course of time, the said transaction would be offered for sales for income tax purposes as well. This gets further strengthened by the fact that appellant had calculated its proposed advance tax liability for the financial year 2026-27 and according to instalments of advance tax liability, amounts equivalent are invested into fixed deposits with bank maturing just prior to the date of respective instalments. The placement of FDs are much before the culmination of assessment proceedings and passing of assessment order. Therefore, this is thoughtful transaction with



appropriate financial planning to discharge tax liability. It is also stated that usually, appellant is into business of distribution of rights and generates revenue through distribution since last 40-50 years. It follows consistent system of accounting of deferring revenue by pro-rata revenue recognition over the period of contract. It should be appreciated that same set of movies have been previously assigned to other parties and accordingly revenues were appropriated from such trading advance and revenues were recognised over the period of respective contract. The same stand is as per accounting standard and department had been consistently accepting the same accounting treatment, revenue recognition, tax treatment across years. In this regard, *Reliance is placed* on the decision in case of CIT v K. E. Gnanavelraja (361 ITR 446) (Mad) upheld that advance money received towards distribution of films which was offered as income in subsequent years cannot be subject to S.68 and is in the ordinary course of business. Further, this modus operandi is well known and widely accepted by Revenue at large.

5.2 It was submitted that entire dispute is arising out of offshoot of survey proceedings conducted at the premises of one Zee group of companies on 04.01.2021. The assessee entered into agreement for assignment of rights with LTL, which further entered into agreement with Soham Rockstar Entertainment, and which further entered into



agreement with Zee Entertainment Enterprises Limited. Copies of all these link agreements are on record. It is contended that the AO strongly and solely relied upon the report of investigation wing which in turn relied upon statement recorded prior to the date of search, so that they lose their evidentiary value and cannot be relied upon for the purpose of any addition under the law. Neither copies of said statements nor copies of investigation report was provided. Also opportunity to cross examine the witness, the persons whose statement was relied upon was not provided. Investigation report is generalised report and there is no allegation qua appellant, qua the impugned transaction and qua any involvement of appellant in anything taken place at the premises of Zee group of companies. The AO has failed to bridge the essential gap / connect between LTL Creations Pvt Ltd and merely basis of assumption, invoked section 68 of the Act. Further, the taxpayer can be made to explain the source of the credits in the books of accounts but not the 'source of the source', i.e., the source of the creditor. The assessee had discharged its initial onus by providing its bank statement, ledger account, assignment agreement, GST returns, financials and etc. however, none of them was considered and dealt with by AO who failed to prove that the impugned transaction was not in the ordinary course of business so that invocation of S.68 is unsustainable. Further, there is no



allegation towards involvement of cash in the said transaction by both the lower authorities.

6. Per contra, the ld.DR has relied on the orders of the lower authorities claiming that the said party did not respond to notices issued by the AO to examine the genuineness of the transaction. However, no further headway could be made as it was not found available at the given address. The AO has also pointed out that the sad concern did not file its return of income despite disclosing substantial turnover as per GST records. Therefore, the actual nature of the credit entry could not be established by the assessee leading to its addition u/s 68 of the Act.

7. We have carefully considered all the relevant facts of the case, heard rival submission and also perused the records. It is noticed that the assessee in a bid to rebut the findings and conclusion of the AO tried filing certain additional evidences before the ld.CIT(A) during appellate proceedings. However, the appellate authority did not accept the request of the assessee by merely stating that nothing new was being adduced by the assessee. Such an attitude of a judicial authority cannot be appreciated as the assessee was very much within its rights to furnish new evidences to support its arguments and to rebut the conclusions of the AO. This is more glaring in the light of the fact that the ld.CIT(A) has



merely upheld the addition without appreciating the actual nature of business run by the assessee being engaged in film production and distribution since long. No effort was made by him to examine the terms of agreement with the said concern. Apparently, the addition has been made without confronting the assessee with the contents of the Investigation report or allowing the assessee to cross examine the two key persons of LTL, since the entire addition has been made based on their statements and on the ground that there was no compliance/non attendance to the notices issued u/s 131 and 133(6) of the Act. The contention of the assessee regarding the actual nature of the credit stated to be Trade advance was not examined at all by both the lower authorities who straight way jump to an adverse conclusion treating the impugned sum liable to be treated as unexplained cash credit. Before us, the ld.AR has submitted copies of agreement and related evidences claiming that the impugned sum was trade advance.

6.1 Having considered all relevant facts of the case, we deem it appropriate to send the entire issue back to the file of the ld.CIT(A) to pass order de novo after allowing adequate opportunity of hearing to the assessee who would be at liberty to adduce relevant evidences to support its grounds against the addition made. Therefore, the impugned appellate order is set aside and restored to the ld.CIT(A) in the interest



of principles of natural justice and fairplay, thus allowing the grounds of appeal for statistical purposes.

7. In the result, **the appeal is allowed for statistical purposes.**

Order pronounced in the open court on **03/02/2026.**

Sd/-

NARENDER KUMAR CHOUDHRY
(न्यायिक सदस्य / JUDICIAL MEMBER)

Sd/-

PRABHASH SHANKAR
(लेखाकार सदस्य/ACCOUNTANT MEMBER)

Place: मुंबई/Mumbai
दिनांक /Date 03.02.2026
Lubhna Shaikh / Steno

आदेश की प्रतिलिपि अग्रेषित/Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. आयकर आयुक्त / CIT
4. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण DR, ITAT,
Mumbai
5. गार्ड फाईल / Guard file.

सत्यापित प्रति //True Copy//
आदेशानुसार/ BY ORDER,

उप/सहायक पंजीकार (Dy./Asstt. Registrar)
आयकर अपीलीय अधिकरण/ ITAT, Bench,
Mumbai.

