

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCHES 'A': NEW DELHI.**

**BEFORE SATBEER SINGH GODARA, JUDICIAL MEMBER
and
SHRI S. RIFAUR RAHMAN, ACCOUNTANT MEMBER**

**ITA No.4257/DEL/2025
(Assessment Year :2018-19)**

ACIT ,
New Delhi

vs.

Arjun Enterprises Pvt. Ltd.
711, Filix Commercial Complex,
Opp Asian Paints L.BS Marg
Bhandup W Mumbai 400078
Maharashtra

(PAN: AAHCA 1448 A)

ASSESSEE BY : None

REVENUE BY : Sh. Jitender Singh, CIT DR

Date of Hearing : 18.11.2025

Date of Order : 06.02.2026

ORDER

PER S. RIFAUR RAHMAN, ACCOUNTANT MEMBER :

1. This appeal is filed by the Revenue against the order of Id. Commissioner of Income-tax (Appeals), Delhi-23 (hereinafter referred to 'Id. CIT (A)') dated 12.03.2025 for Assessment Year 2018-19.
2. None appeared on behalf of the assessee, we proceeded to hear the case with the assistance of Ld. DR

3. At the time of filing of appeal, the Registry has pointed out a defect that appeal is time barred by 3 days.
4. We have heard both the counsels on the issue of condonation of delay. In our considered opinion, there was a reasonable cause for the delay in filing the appeal. Therefore, we condone the delay in filing the appeal before the Tribunal.
5. Brief facts of the case are, assessee filed its return of income declaring an income of Rs.1,25,37,270/- on 30.10.2018 which was processed on 17.05.2019 by the CPC. Subsequently, the case was selected for complete scrutiny through CASS to verify 'assessee has made substantial purchases from suppliers who are either non-filers or have filed non-business ITR or reflected a substantially lower turnover in ITR as compared to turnover shown in GSTR return'. Accordingly, notices u/s 143(2) & 142(1) of the Act were issued and served on the assessee, along with questionnaire were issued through ITBA portal. In response AR of the assessee attended and submitted the relevant information.
6. The Assessing Officer observed that assessee is in the business of importers, exporters, traders, buyers, sellers, resellers, wholesalers in various activities. After pursuing the statements submitted by the assessee, he observed that assessee has shown sundry creditors of Rs.14,71,04,086/- during the year under consideration, the relevant details are reproduced by the Assessing

Officer in the assessment order at page 2 and 3 of the assessment order, for the sake of brevity it is reproduced below:-

Particulars	PAN	Gross purchase	Closing balance
AV IMPEX 27/G, INDUSTRIAL ESTATE, NEW LINK ROAD ANDHERI WEST MUMBAI 400053	AFIPV6856N	4,25,37,702.00	2,49,13,102.00
KRY GLOBAL DWC NA LLC P.O. BOX-390667 DUBAI UNITED ARAB EMIRATES		2,95,81,815.00	1,00,21,646.00
SHRI VAISHNO DEVI OVERSEAS Village Firozpur Bangar, Distt Kharkhoda Sonapat Haryana	BPZPA3084F	89,66,020.00	51,87,020.00
VASHNAVI METAL INDUSTRIES HOUSE NO- 59 ,1st Floor	AAOHP7908N	90,47,049.00	20,83,458.00

Pocket-8 Sector24 Rohini , New Delhi			
BHARTI UDYOG 118, Phase-II, Badli Industrial Area, Delhi- 110042	AAFPB3349E	2,54,78,670.00	6,83,955.00
Kbs Industries Pvt Ltd 418,HSIIDC,Phase- 1,Industrial Area Barhi Sonipat- 131001,Haryana	AAFCK0081K	3,14,92,830.20	4,29,60,566.00
Total		14,71,04,086.20	

7. To verify the genuineness of the transactions, notice u/s 133(6) of the Act was issued to the creditors requiring them to provide the nature of business carried out by them, details of items sold to assessee, copy of account in the name of the assessee and payment received during the year. In response to the same, only three parties namely AV IMPEX, KBS INDUSTRIES PVT

LTD & Bharti Udyog had furnished the requisite details amounting to Rs. 9,95,09,202. He further observed that others have not responded. In the absence of confirmation from creditors, the genuineness of the creditors amounting to Rs. 4,75,94,884/- cannot be ascertained as the assessee has failed to submit the confirmation from the creditors. With the above observation he proceeded to make the addition u/s 68 of the Act. Further he observed that assessee has incurred financial cost in the form of interest of Rs.3,65,16,322/- for meeting the cash flow of the company. In this regard assessee was asked to substantiate the above expenses. In response assessee only submitted the ledger on account of bank charges amounting to Rs.11,16,188/- , bank interest amounting to Rs.1,57,15,259/-, buyers credit charges amounting to Rs.33,13,420/-, cc limit closing charges and charges etc. He observed that there is difference of Rs.59,62,500/- from the details furnished by the assessee which was not supported by any documentary evidences. Accordingly he disallowed the same.

8. Further he disallowed, unpaid liabilities of Rs.6,03,046/-. Further he observed that assessee has made payments on which TDS was not deducted. Therefore he proceeded to disallow to the extent of 30% of Rs.45,64,105/- i.e., of Rs.13,69,231/- u/s 40(a)(ia) of the Act.
9. Further he observed that assessee has claimed expenses payable of Rs.25,56,126/- and statutory dues payable of Rs.2,80,092/- but assessee has

failed to furnish documentary evidence regarding expenses payable and statutory dues payable. Accordingly, he proceeded to disallow the same to the extent of Rs.28,36,218/-.

10. Aggrieved with the above order, assessee preferred an appeal before Ld. CIT(A), Delhi 23, and filed the detailed submissions which are reproduced at page 4 to 13 of the appellate order. After considering the detailed submissions of the assessee, Ld. CIT(A) observed that regarding the unsubstantiated purchases relating to KRY Global DWC LLC, he observed that these purchases are being import which are duly verified by the Customs Authority and accordingly, he considered the same as genuine purchases. Accordingly, Ld. CIT(A) deleted the addition to the extent of Rs.2,95,81,815/-. With regard to other purchases relating to addition of Rs.1,80,13,069/-, he observed that assessee has not substantiated the genuineness of the purchase from Shri Vaishno Devi Overseas and Vashnavi Metal Industries, therefore he proceeded to restrict the addition to the extent of 10% of the alleged purchases. Accordingly, he partly allowed the grounds raised by the assessee.

11. With regard to interest expenses disallowed by the Assessing Officer, after considering the detailed submission of the assessee, he deleted the same by observing as under:-

“7. Ground No.4 From the above submission & documents submitted by the appellant in course of appellant proceedings, it is clear that the Limit

Closing Charges were incurred in the normal course of business, specifically arising from the early closure of the Cash Credit facility availed from the bank. The charges imposed are not of a penal nature but are part of the terms of the facility agreement. Therefore, these charges are legitimate business expenses. Also it is settled u/s 37(1) of the I.T. Act that any expenditure incurred wholly and exclusively for the purpose of business, and not falling under the prohibitions of the section, is eligible for deduction.

7.1 In light of the above, the appellant's claim for Limit Closing Charges amounting to Rs. 59,62,500/- as an allowable business expense under Section 37(1) of the I.T. Act, 1961 is found correct”

12. With regard to non-deduction of TDS on interest on total TDS remittance, Ld. CIT(A) observed that interest on TDS being a payment made to the Central Government is exempt from the TDS provisions u/s. 196 of the Act. Therefore, he directed the Assessing Officer to delete the additions made under Section 40(a)(ia) of the Act is not warranted in this case.
13. With regard to other disallowances under Section 40(a)(ia) of the Act, he observed that payments of interest on buyer's credit to Karur Vysya Bank is exempt from TDS u/s. 194A(3)(iii) of the Act and further observed that with regard to other expenses on account of remuneration and commission were subject to TDS, he observed that assessee has provided documents/evidence that TDS was duly deducted and deposited in the Government account.
14. With regard to unexplained liability, he observed that assessee has submitted relevant documents including the balance sheet, ledger accounts, bank statements and Income tax returns of concerned individuals. These

documents substantiates that the expenses payable and statutory dues were genuine and related to the business operations of the assessee. Accordingly, he directed the assessee to delete the same.

15. With regard to unpaid liabilities of Rs.6,03,046/-, after considering the balance sheet, ledger accounts and other supporting documents relating to the subsequent financial years, he held that there are genuine liabilities which was paid in the subsequent year. Accordingly, he deleted the same.

16. Aggrieved with the above order, revenue is in appeal before us raising following grounds of appeal:-

1. On the facts and in the circumstances of the case, the Ld. CIT(A) erred in admitting additional evidence under Rule 46A of the Income Tax Rules, 1962, without recording any finding regarding non-availability of documents during assessment proceedings, in violation of Rule 46A(2).

2. On the facts and in the circumstances of the case, and in law, the Ld. CIT(A) erred in deleting the addition of Rs. 2,95,81,815/- made under section 68 of the Income Tax Act, 1961 in respect of purchases from KRY Global DWC LLC, without appreciating the fact that the assessee failed to furnish complete confirmation or independent third-party verification of the foreign supplier at the time of assessment.

1.1 On the facts and in the circumstances of the case, the Ld. CIT(A) erred in restricting the addition of Rs. 1,80,13,069/- made under section 68 to 10% of the value (i.e. Rs. 18,01,310/-), without any statutory basis, and solely relying upon judicial precedents related to estimation of profit, which are not applicable in cases of unexplained cash credits.

3. On the facts and in the circumstances of the case, the Ld. CIT(A) erred in deleting the disallowance of limit closing charges amounting to Rs. 59,62,500/- without substantiating the commercial necessity or

verifying whether the said expenditure was actually incurred during the relevant financial year.

4. On the facts and in the circumstances of the case, the Ld. CIT(A) erred in deleting the disallowance of Rs. 13,69,231/- made under section 40(a)(ia) for non-deduction of TDS on interest on delayed TDS remittance, without appreciating that such interest is compensatory in nature and squarely attracts the provisions of TDS.

5. On the facts and in the circumstances of the case, the Ld. CIT(A) erred in deleting the addition of Rs. 28,36,218/- made on account of unexplained current liabilities without proper verification or reconciliation from original books of account or contemporaneous evidence.

6. On the facts and in the circumstances of the case, the Ld. CIT(A) erred in deleting the addition of Rs. 6,03,046/- made towards unexplained liabilities, without verification of their genuineness or proof of payment within the limitation period.

7. The appellant craves to add or amend any/all the grounds of appeal before or during the hearing of the appeal.

17. At the time of hearing, Ld. DR brought to our notice relevant facts on record and submitted that majority of the additions proposed by the Assessing Officer is relating to bogus purchase for which assessee has not substantiated before the Assessing Officer, however, Ld. CIT(A) has allowed the same by estimating the income at the rate of 10% of alleged purchases. He opposed the adoption of estimation of GP. With regard to other grounds of appeal, he heavily relied on the detailed findings of the Assessing Officer and he supported the same.

18. After considering the detailed submissions of the Ld. DR, we observed that Assessing Officer has made the addition of Rs.4,75,94,844/- as unexplained credit u/s 68 of the Act, we observed that Assessing Officer has noticed from the financial records submitted by the assessee that assessee has shown sundry creditors to the extent of Rs.14,71,04,086/- and in order to verify the genuineness of purchase he issued notice u/s 133(6) of the Act. He noticed that three parties being not responded to the notice and accordingly, he proceeded to disallow the same as unexplained sundry creditors.

19. In appeal before Ld. CIT(A), assessee has submitted the detailed submissions relating to import of material from KRY Global to the extent of Rs.2,95,81,815/-. Since the purchases were recorded in the books out of imports made by the assessee from this party, hence the material comes through customs it seems to be a genuine transaction, therefore we do not see any reason to disturb the findings of the Ld. CIT(A).

20. With regard to other purchases from Shri Vaishno Devi Overseas and Washnavi Metal Industries, we observed that these purchases were not substantiated by the assessee, accordingly, ld. CIT(A) proceeded to propose an addition of 10% Gross Profit on the disputed purchases.

21. After considering the findings of the Ld. CIT(A), in our considered view, Assessing Officer has accepted sales recorded by the assessee, and questioned only the purchases, therefore, the proposed addition of 10% is

reasonable, accordingly we are inclined to dismissed the Ground No.2 and 2.1 of the grounds raised by the revenue.

22. With regard to other grounds raised by the revenue, we observed that Ld. CIT(A) has deleted the addition of Rs.59,62,500/-, on the basis that the expenses incurred by the assessee on limit closing charges of cash credit facility availed by the assessee from the bank. This limit closure charges are not falling in penal nature but are part of the terms of the facility of the agreement. Therefore Ld. CIT(A) is right in deleting the above said expenditure disallowed by the Assessing Officer.

23. With regard to deletion of addition under Section 40(a)(ia) of the Act, we observed that assessee has remitted the interest to the Bank, therefore this is exempt as per the provisions of Section 194A(iii) of the Act.

24. With regard to other expenses, which are relating to remuneration and commission paid by the assessee for which assessee has brought on record relevant documents before the Ld. CIT(A), after appreciating the above documents, Ld. CIT(A) has rightly deleted the same. Accordingly, ground No.4 raised by the revenue is dismissed.

25. With regard to unexplained liabilities of Rs.28,36,218/- and Rs.6,03,046/-, we observed that assessee has brought on record supporting evidences to substantiate the unexplained liability and other liabilities. After appreciating the above liabilities, Ld. CIT(A) observed that these liabilities were genuine

and same was repaid by the assessee in the subsequent financial years. Therefore, after considering the detailed findings of the Ld. CIT(A), we do not see any reason to disturb the same. In the result, ground No.5 & 6 raised by the revenue are dismissed.

26. In the result appeal filed by the revenue is **dismissed**.

Order pronounced in the open court on this day of 6th February, 2026.

Sd/-

**(SATBEER SINGH GODARA)
JUDICIAL MEMBER**

Sd/-

**(S.RIFAUR RAHMAN)
ACCOUNTANT MEMBER**

Dated: 06.02.2026

*Mittali Sr. PS

Copy forwarded to:

1. Appellant
2. Assessee
3. CIT
4. CIT(Appeals).
5. DR: ITAT

**ASSISTANT REGISTRAR
ITAT, NEW DELHI**