

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

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

**ITA No.2737/DEL/2017
(Assessment Year : 2013-14)**

Atul Bansal,
Farm No. 22, The Green Rajokri
New Delhi – 110 038.

vs.

ACIT, Central Circle 16
Delhi.

(PAN: AGCPB1274F)

**ITA No.2803/DEL/2017
(Assessment Year : 2013-14)**

ACIT, Central Circle 16,
Delhi

vs,

Atul Bansal
Farm No. 22, The Green Rajokri
New Delhi – 110 038.

(PAN: AGCPB1274F)

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. These cross appeals are filed by the assessee and Revenue against the order of ld. Commissioner of Income-tax (Appeals)-XXVI, New Delhi (hereinafter referred to 'ld. CIT (A)') dated 16.02.2017 for Assessment Year 2013-14.

2. Since the issues are common and the appeals are connected, hence the same are heard together and being disposed off by this common order.
3. None appeared on behalf of the assessee, we proceeded to hear the case with the assistance of Ld. DR.
4. First we take up the appeal of revenue in **ITA No.2803/Del/2017 for AY 2013-14**
5. Brief facts of the case are, assessee filed his return of income on 01.03.2014 declaring income of Rs.55,11,320/-. The return of income was processed u/s 143(1) of the Income Tax Act, 1961 (in short "Act"). The case was selected for scrutiny through CASS(Computer Aided Scrutiny Selection) for the reason of selection is "Large Deduction claimed u/s 54B, 54C, 54D, 54G, 54GA and Large interest expenses relatable to exempt investment u/s 14A."
6. Accordingly notices u/s 143(2) and 142(1) were issued and served on the assessee. In response Ld. AR of the assessee submitted the relevant information as caller for. After considering the submissions made by the AR of the assessee, the Assessing Officer observed that the assessee has provided loans and advances to the following entities in which assessee has substantial interest. The details are as under:

S. No.	Name of the Company	Amount of Reserves and Surplus	Companies in which the assessee has substantial interest and to which the loans have been given	Amount of loan
1	Par Excellence Leasing and Financial Services P. Ltd.	28,00,77,128/-	M/s ABW Infrastructure Ltd.	22496784
2			M/s VPS Promoters Pvt. Ltd.	622484
3	M/s VPS Realtors Pvt. Ltd.	13,83,98,603/-	ABW Infrastructure Pvt. Ltd.	103640000
4			Jassum Properties Pvt. Ltd.	8000000
5			VPS Buildwell Pvt. Ltd.	2595000
6			Aditya Developers	35229000
7			VPS Promoters Pvt. Ltd.	2595000
8			Looking Age Construction Pvt. Ltd.	8897050
9	M/s ABW Infrastructure Ltd.	63,91,34,880	AB Buildwell (I) P. Ltd.	43880000
10			AB Realtors P. Ltd.	1970000
11			Aditya Towers Pvt. Ltd.	1700000
12			Beeta Promoters Pvt. Ltd.	25000
13			Cornhill Infratech Pvt. Ltd.	111700000
14			Gessup Properties Pvt. Ltd.	44080000
15			Instronics Trading Pvt. Ltd.	41946211
16			Jassum Buildwell Pvt. Ltd.	81050000
17			Jassum Constructions Pvt. Ltd.	8920000
18			Jassum Expo pvt. Ltd.	6253455
19			Jassum Properties Pvt. Ltd.	500000
20			Jassum Realtors pvt. Ltd.	925000
21			Maxwell Promoters	55866240

22			Pvt. Ltd.	
			Par Excellence Leasing & Financial Services Pvt. Ltd.	22254087
23			VPS Buildwell Pvt. Ltd.	2050000
24			VPS Realtors Pvt. Ltd.	103640000
			Total	710835311

7. By referring to the above chart, the Assessing Officer directed the assessee to explain why the provisions of Section 2(22)(e) of the Act should not be invoked. The Assessing Officer proceeded to make impugned amount of Rs.71,08,35,311/- as deemed dividend u/s 2(22)(e) of the Act with the observation that assessee had not filed relevant supporting documentary evidence to explain the above issue.

8. Further, he observed from the record submitted by the assessee that assessee has claimed exemption u/s 54 of the Act. He asked the assessee to furnish the details of copy of registered deeds regarding the sale and purchase of the house property during the year along with proof of expenses incurred on the improvement of the property. Further, assessee was asked to furnish relevant document to justify exemption claimed u/s 54 of the Act. Since the assessee failed to furnish above said evidences in support of the claim, the Assessing Officer rejected the exemption claimed by the assessee and added to the total income of the assessee.
9. Aggrieved with the above order, assessee preferred an appeal before Ld. CIT(A)-XXVI, New Delhi. During the first appellate proceedings, assessee has filed the detailed submissions relating to transactions with the relevant concerns, also submitted actual percentage of shareholding in all those entities, also relevant advances paid to those entities and made a detailed submissions by the above said amounts remitted to the relative concerns and prayed that the loans are not fall under the provisions of deemed dividend u/s 2(22)(e) of the Act.
10. Further, assessee has submitted a chart indicating the position of reserves and surpluses at the year end and advances given to those entities before the Ld. CIT(A) and the same was reproduced in the impugned order. Further

assessee also submitted additional evidences in support of the above submissions.

11. After considering the detailed submissions the Ld. CIT(A) has dealt with the issue party wise and decided the issue in favour of the assessee by observing as under:-

8. I have considered the facts of the case, the basis of addition made by the AO, the submissions of the appellant during assessment as well as appellate proceedings and the factual comments on the submissions of the appellant by the AO as highlighted in the remand report. The legal position with regard to the application of provision of section 2(22)(e) is as under:

(e) any payment by a company, not being a company in which the public are substantially interested, of any sum (whether as representing a part of the assets of the company or otherwise) [made after the 31st day of May, 1987, by way of advance or loan to a shareholder, being a person who is the beneficial owner of shares (not being shares entitled to a fixed rate of dividend whether with or without a right to participate in profits) holding not less than ten per cent of the voting power or to any concern in which such shareholder is a member or a partner and in which he has a substantial interest (hereafter in this clause referred to as the said concern) or any payment by any such company on behalf, or for the individual benefit, of any such shareholder, to the extent to which the company in either cases possesses accumulated profits;

But "dividend" does not include-

(1) a distribution made in accordance with sub-clause (c) or sub-clause (d) in respect of any share issued for full cash consideration, where the holder of the share is not entitled in the event of liquidation to participate in the surplus assets;

[(ia) a distribution made in accordance with sub-clause (c) or sub-clause (d) in so far as such distribution is attributable to the capitalised profits of the company representing bonus shares allotted to its equity shareholders after the 31st day of March, 1964, [and before the 1st day of April, 1965]:]

(ii) any advance or loan made to a shareholder [or the said concern] by a company in the ordinary course of its business, where the lending of money is a substantial part of the business of the company;

(iii) any dividend paid by a company which is set off by the company against the whole or any part of any sum previously paid by it and treated as a dividend within the meaning of sub-clause (e), to the extent to which it is so set off.

[(iv) any payment made by a company on purchase of its own shares from a shareholder in accordance with the provisions of section 77A of the Companies Act, 1956);

(v) any distribution of shares pursuant to a demerger by the resulting company to the shareholders of the demerged company (whether or not there is a reduction of capital in the demerged company).]

Explanation 1- The expression "accumulated profits", wherever it occurs in this clause, shall not include capital gains arising before the 1 day of April, 1946, or after the 31 day of March, 1948, and before the 1st day of April, 1956.

Explanation 2- The expression "accumulated profits" in sub-clauses (a), (b), (d) and (e), shall include all profits of the company up to the date of distribution or payment referred to in those sub-clauses, and in sub-clause (c) shall include all profits of the company up to the date of liquidation, [but shall not, where the liquidation is consequent on the compulsory acquisition of its undertaking by the Government or a corporation owned or controlled by the Government under any law for the time being in force, include any profits of the company prior to three successive previous years immediately preceding the previous year in which such acquisition took place],

[Explanation 3. For the purposes of this clause,--

(a) "concern" means a Hindu undivided family, or a firm or an association of persons or a body of individuals or a company;

(b) a person shall be deemed to have a substantial interest in a concern, other than a company, if he is, at any time during the previous year, beneficially entitled to not less than twenty per cent of the income of such concern;]

9. The perusal of the legal provisions enumerated as above would show that there are certain basic requirements to be fulfilled before the particular loan or advance could be treated as deemed dividend under section 2(22)(e). The first relevant issue to be examined is whether the assessee has more than 10 per cent share holding in the entity which has

advanced the amount. Secondly the assessee should have more than 20 per cent of the share holding in the entity to whom the amount has been advanced. Thirdly the entity which advances the amount should not be in the business of money lending. Fourth there should be reserves and surpluses in the balance sheet of the lending company representing accumulated profits. The facts of the present case have not been examined critically by the AO at the time of passing of the assessment order and the addition seems to have been made in haste in a summary manner ignoring the basics of section 2(22)(e). The submissions of the appellant verified by the AO with regard to the share holding of the appellant in the lending concerns as well as in the borrowing concerns show that contentions in this regard are factually correct as brought out in appellants written submissions detailed above. The difference between the figure of share holding wherever applicable when compared with the ROC figures is clearly on account of the time gap between the closing of the financial year and the time available under Companies Act, 1956 to file the statement before the ROC during which the share holding can undergo change. However this fact is not relevant in determining the share holding for the purpose of section 2(22)(e). In this background the issue with respect to each category is examined as under:

Advance given by M/s ABW Infrastructure Ltd. (Rs. 52,67,59,993/-)

The amount advanced by the M/s ABW Infrastructure Ltd. as observed by the AO to various entities of ABW group have been treated as deemed dividend in the hands of the assessee appellant to the tune of Rs. 52,67,59,993/- It is therefore imperative that the assessee should have more than 10 per cent share holding in M/s ABW Infrastructure Ltd. which is not a fact as claimed by the appellant in its written submission and reported by the AO in his remand report. The assessee in fact had 4.59 per cent of the shares of ABW Infrastructure Ltd.

Secondly, the assessee appellant is holding less than 20% in the following entities totalling total advances of Rs. 40,11,94,993/-.

Sr. No.	Name of Company	Percentage of shareholding	Advances
1	AB Buildwell (I) Pvt. Ltd.	0.18	4,38,80,000
2	Aditya Towers Pvt. Ltd.	16.67	17,00,000
3	Beeta Promoters Pvt. Ltd.	14.81	25,000
4	Gessup Properties Pvt. Ltd.	0.57	4,40,80,000
5	Instronics Trading Pvt. Ltd.	12.43	4,19,46,211
6	Jassum Buildwell Pvt. Ltd.	0.16	8,10,50,000
7	Jassum Expo Pvt. Ltd.	0.41	62,53,455
8	Jassum Properties Pvt. Ltd.	0.74	5,00,000

9	Maxwell Promoters Pvt. Ltd.	0	5,58,66,240
10	Par Excellence Leasing & Financial Services Pvt. Ltd.	18.92	2,22,54,087
11	VPS Realtors Pvt. Ltd.	0.17	10,36,40,000
Total			40,11,94,993

The assessee is holding more than 20 per cent of the share holding in 5 entities as below totalling an advance of Rs. 12,55,65,000/- but this does not make the said advances as deemed dividend as the assessee did not hold more than 10 per cent of the share holding in the lending concern namely ABW Infrastructure ltd.

Sr. No.	Name of Company	Percentage of shareholding	Advances
1	AB Realtors Pvt. Ltd.	99	19,70,000
2	Cornhill Infratech Pvt. Ltd.	50	11,17,00,000
3	Jassum Constructions Pvt. Ltd.	49.50	89,20,000
4	Jassum Realtors Pvt. Ltd.	49.50	9,25,000
5	VPS Buildwell Pvt. Ltd.	99	20,50,000
Total			12,55,65,000

10. It is therefore seen that with regard to advance of Rs. 19,14,90,298/- to M/s ABW Infrastructure Ltd. from companies where the assessee holds more than 10 per cent share holding is also not subject to the provision of section 2(22)(e) as there was no accumulated profits in the said entities. The said details have been brought out in assessee's written submissions as under:

Sr. No.	Name of Company	Share Premium	Free Reserve	Total Reserve & Surplus (Copy of audited financial statement placed in Paper Book)	Advances (Copy of ledger account placed in Paper Book)
1	Aditya Towers Pvt. Ltd.	--	(1,93,800)	(1,93,800) (211 read with 218)	17,00,000 (535)
2	Par Excellence Leasing & Financial Services Pvt. Ltd. (NBFC Company)	28,97,08,201	(96,31,073)	28,00,77,128 (406 read with 420)	2,22,54,087 (574-589)
3	AB Realtors Pvt. Ltd.	--	(14,151)	(14,151) (196 read with 199)	19,70,000 (534)
4	Cornhill Infratech Pvt. Ltd.	--	(1,33,573)	(1,33,573) (245 read with 248)	11,17,00,000 (537)
5	Jassum Realtors Pvt. Ltd.	--	(43,14,253)	(43,14,253) (379 read with 384)	9,25,000 (572)
6	VPS Buildwell Pvt. Ltd.	--	(1,91,248)	(1,91,248)	20,50,000

				(429 read with 432)	(590)
Total					14,05,99,087

The facts of the case further show that with regard to the reserves in the case of Instronics Trading Pvt. Ltd. wherein an advance of Rs. 4,19,46,211/- has been given, the said entity is a non banking financial company engaged in the business of loan and advances and is therefore out of the purview of the provision of section 2(22)(e) (ii). Further the

addition with regard to the advances made by Jassum Constructions Pvt. Ltd. and Beeta Promoters Pvt. Ltd. to the tune of Rs 18,16,128/- and Rs. 25,000/- could be in the nature of deemed dividend as both the entities are not NBFC's and all other conditions stipulated in section 2(22)(e) are satisfied. The appellant has further claimed with regard to these advances that the transaction between the two entities were in the form of commercial transaction but nothing to substantiate the said claim had filed except a copy of account year wise which merely details the amount of loan taken from year to year. This evidence does not support the case of the appellant on the issue and therefore this amount has been rightly treated as deemed dividend by the AO. The addition of Rs. 20,66,108/- is therefore confirmed.

11. Addition of Rs. 16,09,56,050/- Advance by VPS Realtors Pvt. Ltd.

The advances given by VPS Realtors Pvt. Ltd. to the tune of Rs. 13,83,98,603/- to 6 entities of the ABW group have been treated as deemed dividend by the AO without satisfying the basic requisite that the assessee should have more than 10 per cent in share holding of VPS Realtors Pvt. Ltd. and more than 20 per cent in the recipient entities. It is a verified fact that the assessee had .17 per cent share holding in M/s VPS Realtors Pvt. Ltd. and further there are no accumulated profits in M/s VPS Realtors Pvt. Ltd. for the year under consideration and only reserves and surplus amounting to Rs. 13,83,98,603/- represent the amount of share premium in the balance sheet. Therefore the AO has wrongly treated the above said amount of Rs. 16,09,56,050/- as deemed dividend. The addition made is therefore directed to be deleted.

12. Addition of Rs. 2,31,19,268/- Advance by M/s Par Excellence Leasing and Financial Services Ltd.

It is seen that M/s Par Excellence Leasing and Financial Services Ltd. had advances amounts to M/s ABW Infrastructure Ltd. to the tune of Rs. 2,24,96,784/- and to M/s VPS Promoters Pvt. Ltd. to the tune of Rs. 6,22,484/-. The facts of the case clearly show that the assessee does not have more than 20 per cent share holding in ABW Infrastructure Ltd. The share holding held by the assessee as already highlighted is only 4.59 per cent. Further M/s Par Excellence Leasing and Financial

Services Pvt. Ltd. is a registered Non Banking Financial Company an evidenced by certificate of registration. In view of these facts AO could not have made the addition under section 2(22)(e) with respect to the advance of Rs. 2,24,96,784/- by receipt by M/s ABW Infrastructure Ltd. from M/s Par Excellence Leasing and Financial Services Ltd. It is also very relevant to appreciate that there are not accumulated profits in M/s Par Excellence Leasing and Financial Services Ltd. as only reserves represent the share premium in the balance sheet to the tune of Rs. 28,97,08,201/-. In view of the above detailed facts and circumstances of the case, the addition made by the AO under section 2(22)(e) to the tune of Rs. 71,08,35,311/- is confirmed only to the tune of Rs. 20,66,108/-. The rest of the addition is directed to be deleted.

12. With regard to exemption claimed by the assessee u/s 54 of the Act, assessee has submitted detailed submissions along with working before the Ld. CIT(A) which is reproduced at page 30 to 34 of the appellate order.
13. After considering the detailed submissions of the assessee and Ld. CIT(A) observed that the assessee has submitted the relevant detail before the Assessing Officer, a reference to questionnaires through DAK with the acknowledgement. He observed that the observation of the Assessing Officer is not proper that no details on this issue was filed before him.
14. After considering the detailed submissions of the assessee he allowed the claim of the assessee by observing as under:

I have considered the facts of the case, the basis of addition made by the AO and the arguments of the appellant during assessment as well as appellate proceedings. It is seen that the appellant had filed the requisite details with reference to the issue raised by the AO in the questionnaire as the said information had been submitted in DAK duly acknowledged by stamp. Therefore the observations of the AO that no details on this issue had been filed are factually incorrect. It is relevant fact that the AO has made an addition of Rs. 2,00,64,377/- which represents the claim of

deduction under section 54 made by the assessee. The said deduction happens to be the resultant figure in the computation of income statement with respect to income from long term capital gain. It means that the AO had accepted the sale considerations as well as the cost of the asset as the said figures have been accepted as such. It is seen that the purchase price and the cost of improvement had been part of the financial statement and the same had been accepted in order passed under section 153A/143(3) for assessment year 2006-07 to assessment year 2012-13. The assessee has also submitted a copy of assessment order for assessment year 2006-07. The perusal of the paper book-3 filed by the assessee which contains the audit report in the form 3CD and the schedule of assets specifically contains the residential premises at 3/22 Shanti Niketan at Rs. 1,06,18,025/- as on 1.4.2006. The indexation worked out by the assessee on the given value of the asset in the form of residential house has led to the cost being Rs. 2,49,35,623/- The appellant had further filed evidence of investment made in the purchase of residential house in the form of agreement with M/s ABW Infrastructure Ltd. in their project namely ABW Aditya Niketan. An amount of Rs. 3 crore had been paid as under:

Date	Cheque No.	Amount	Bank
09.06.2012	VYSAH12161703162	1,00,00,000/-	Received Through RTGS
09.06.2012	VYSAH12161703054	1,00,00,000/-	Received Through RTGS
09.06.2012	VYSAH12161703292	1,00,00,000/-	Received Through RTGS
	Total	3,00,00,000/-	

In view of these facts, the AO had no reason to disallow the claim of deduction as made in the return of income. The addition made is therefore directed to be deleted.

15. Aggrieved with the above order, revenue filed the appeal before us raising following grounds of appeal:-

1. On the facts and circumstances of the case, the Ld. CIT(A) has substantially erred on facts and in law in restricting the addition u/s. 2(22)(e) of the I.T.Act, 1961 to the extent of Rs. 20,66,108/-, thereby allowing relief to the extent of Rs. 70,87,69,203/-.

2. On the facts and circumstances of the case, Ld. CIT(A) erred in allowing deduction u/s. 54 of the I.T.Act, 1961 for Rs. 2,00,64,377/- without appreciating the fact that no evidence could be filed by the assessee during the course of assessment.

3. On the facts and circumstances of the case, Ld. CIT(A) erred in accepting the claim of the assessee that requisite evidences filed during the course of assessment and thus accepted the evidence in form of allotment letter which is violative of Rule 46A.

4. That the appellant craves leave to add, alter or amend any/all of the grounds of appeal before or during the course of the hearing of the appeal.

16. At the time of hearing, Ld. DR of the revenue brought to our notice relevant facts on record and submitted that none of the details which were submitted before Ld. CIT(A) was submitted before the Assessing Officer. He brought to our notice relevant evidences relating to addition made u/s 2(22)(e) of the Act and exemption claimed u/s 54 of the Act. He stressed the point that none of the evidences were filed during the assessment proceedings. He further submitted that Ld. CIT(A) has accepted the claim of the assessee that requisite evidences were filed during the course of assessment and accepted the evidences in the form of allotment letter which is against the Rule 46 A of I.T. Rules and he heavily relied on the findings of the Assessing Officer.

17. Considered the submissions made by the Ld. DR and material placed on record, we observed that during assessment proceedings the Assessing Officer noticed that assessee has made several loans and advances to the companies in which assessee has substantial interest in the lender concerns

like Par Excellence Leasing and Financial Services Pvt. Ltd., M/s VPS Realtors Pvt. Ltd. and M/s ABW Infrastructure Ltd. The Assessing Officer observed that these companies have substantial reserves and surpluses in their balance sheets and the Assessing Officer further observed that the above said companies have given loan to the various group companies in which assessee has substantial interest and he listed the amount of loan given by the above said entities to the several group entities in which assessee has substantial interest and the relevant chart is reproduced at Page 7 of the first appellate order.

18. In nutshell, the Assessing Officer has made the addition of the alleged advances made by the three companies that are Par Excellence Leasing and Financial Services Pvt. Ltd., M/s VPS Realtors Pvt. Ltd. and M/s ABW Infrastructure Ltd. We shall deal with the individual entities and with regard to M/s ABW Infrastructure Ltd. which made the payments to other group concerns.
19. We observed that assessee had only 4.59% of shareholding in M/s ABW Infrastructure Ltd. which is less than 10% of threshold limit prescribed u/s 2(22)(e) of the Act. Therefore, assessee does not hold substantial interest in M/s ABW Infrastructure Ltd. With regard to holding more than 20% of shareholding in other companies concerns to whom M/s ABW Infrastructure Ltd. has made the loans and advances the relevant details are as under:-

Chart I

Sr. No.	Name of Company	Percentage of shareholding	Advances
1	AB Buildwell (I) Pvt. Ltd.	0.18	4,38,80,000
2	Aditya Towers Pvt. Ltd.	16.67	17,00,000
3	Beeta Promoters Pvt. Ltd.	14.81	25,000
4	Gessup Properties Pvt. Ltd.	0.57	4,40,80,000
5	Instronics Trading Pvt. Ltd.	12.43	4,19,46,211
6	Jassum Buildwell Pvt. Ltd.	0.16	8,10,50,000
7	Jassum Expo Pvt. Ltd.	0.41	62,53,455
8	Jassum Properties Pvt. Ltd.	0.74	5,00,000
9	Maxwell Promoters Pvt. Ltd.	0	5,58,66,240
10	Par Excellence Leasing & Financial Services Pvt. Ltd.	18.92	2,22,54,087
11	VPS Realtors Pvt. Ltd.	0.17	10,36,40,000
	Total		40,11,94,993

Chart II

Sr. No.	Name of Company	Percentage of shareholding	Advances
1	AB Realtors Pvt. Ltd.	99	19,70,000
2	Cornhill Infratech Pvt. Ltd.	50	11,17,00,000
3	Jassum Constructions Pvt. Ltd.	49.50	89,20,000
4	Jassum Realtors Pvt. Ltd.	49.50	9,25,000
5	VPS Buildwell Pvt. Ltd.	99	20,50,000
	Total		12,55,65,000

20. From the above charts, the companies listed in Chart I above wherein the assessee does not hold more than 20% in these companies to which the M/s ABW Infrastructure Ltd. had lent the extent of Rs.40,11,94,993/- to above said entities does not fall within the provisions of Section 2(22)(e) of the Act. With regard to the entities in chart II above since the assessee does not hold more than 10% of the shareholding in M/s ABW Infrastructure Ltd. the advances given by M/s ABW Infrastructure Ltd. to the above said entities will not fall under provisions of Section 2(22)(e) of the Act.

21. Coming to the advances given by M/s VPS Realtors Pvt. Ltd., we observed that the assessee hold only 0.17% shareholding in M/s VPS Realtors Pvt. Ltd. which is less than 10% of threshold limit as provided u/s 2(22)(e) of the Act to qualify as substantial interest.
22. Further, we observed that the M/s VPS Realtors Pvt. Ltd. held only negative free reserves of Rs.6,09,397/- and had held substantial amount as share premium on the total reserves and surpluses held at the date of the balance sheet of Rs.13,83,98,603/- whereas advances given by M/s VPS Realtors Pvt. Ltd. and other companies concerned are Rs. 16,09,56,050/-. The provisions of Section 2(22)(e) of the Act is applicable when the accumulated free reserves held by the entity alone can be considered and any share premium held at the date of balance sheet will be excluded, which is only a capital reserve which is not considered for declaring dividends. Considered the above facts on record, we observed that M/s VPS Realtors Pvt. Ltd. does not have accumulative profit to make the additions u/s 2(22)(e) of the Act.
23. With regard to advances given by Par Excellence Leasing and Financial Services Pvt. Ltd. to its other companies concerns, we observed that Par Excellence Leasing and Financial Services Pvt. Ltd is NBFC Company and the provisions of Section 2(22)(e) of the Act is not applicable to NBFC company, the assessee has placed Certificate of Registration in the paper book. Further, we observed that the entities to whom Par Excellence Leasing

and Financial Services Pvt. Ltd has given advances are M/s ABW Infrastructure Ltd., and M/s VPS Promoters Pvt. Ltd., the shareholding of the assessee in these entities are 4.59% and 99% respectively. With regard to M/s ABW Infrastructure Ltd., since assessee held only 4.59% of the shareholding it does not breach the 20% shareholding to determined the substantial interest in the other company category, the provisions of Section 2(22)(e) of the Act shall not applicable to the above said entities.

24. With regard to the M/s VPS Promoters Pvt. Ltd, we observed that Par Excellence Leasing and Financial Services Pvt. Ltd. has granted advance of Rs.6,22,484/- whereas M/s VPS Promoters Pvt. Ltd held only negative free reserves on the date of balance sheet, therefore, even in this aspect the provision of Section 2(22)(e) of the Act are not applicable. With the above observation, we noticed that since the assessee does not hold substantial interest in above three entities which had lent the loans and advances to other aiarwe concerns.
25. After observing the above facts on record, in our considered view Ld. CIT(A) has dealt with the issues by passing the speaking order. Therefore we do not see any reason to disturb the above findings. In the result, Ground No.1 raised by the revenue is dismissed.
26. With regard to Ground No.2, we observed that assessee has claimed deduction u/s 54 of the Act to the extent of Rs.2,00,64,377/-. We observed

that assessee has invested three crores as down payment to get the residential property from ABW ADITYA NIKETAN Gurgaon by taking provisional allotment for Villa Nos.42 and 43. However, it has claimed only Rs.2,00,64,377/- as deduction u/s 54. As per the facts available on record, we observed that assessee has made substantial payment from Bank on 09.06.2012, the relevant details are placed on record. From the record, we observed that assessee has filed relevant information through DAK duly obtaining the acknowledgement by stamp. With regard to the deduction claimed by the assessee u/s 54, we observed that assessee has made substantial amount to Rs.3lacs on 09.06.2012 and assessee has to remit only Rs.11,38,946/- at the time of actual possession. As per the provisions of Section 54 of the Act assessee has to purchase the property within two years of sale of original asset. In this case we observed that assessee has made substantial payment to purchase the new property and also recorded the above said payments in its books of accounts, also recorded the relevant details in financial statements. Therefore, as per the facts available on record, in our considered view assessee is eligible to claim deduction u/s 54 of the Act. Accordingly, ground No.2 raised by the revenue is dismissed.

27. With regard to Rule 46A , we observed that revenue has raised ground No.3 with the plea that Assessing Officer was not provided proper opportunity whereas we observed that assessee has submitted the relevant detail during

assessment proceedings itself. Therefore, whatever information resubmitted before Ld. CIT(A) will not fall under Rule 46A. Since the Ld. CIT(A) has appreciated the facts which is already available on record therefore, we do not see any reason to disturb the findings of Ld. CIT(A). Accordingly, Ground No.3 raised by the revenue is also dismissed.

28. With regard to assessee's appeal, we observed that Ld. CIT(A) has sustained the addition on the basis that assessee had not filed the details to substantiate that it is in the nature of commercial transaction. It is fact on record that the assessee held only 4.59% of shareholding in M/s ABW Infrastructure Ltd., the whole provision of Section 2(22)(e) are not applicable. The assessee need not substantiate with material. Therefore, sustaining the addition of the Rs.20,66,108/- is uncalled for.
29. In the result, grounds raised by the revenue are dismissed.
30. In the result, appeal filed by the revenue is **dismissed** and the appeal of the assessee is **allowed**.
31. **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