

IN THE INCOME TAX APPELLATE TRIBUNAL  
AHMEDABAD "B" BENCH

**Before: Shri T.R. Senthil Kumar, Judicial Member And  
Shri Narendra Prasad Sinha, Accountant Member**

**ITA No: 2292/Ahd/2025  
Assessment Year: 2019-20**

Centurion Laboratories Pvt. Ltd. G-6, Industrial Estate, Gorwa, Baroda-390016 Gujarat, India  <b>PAN: AACCT7761J (Appellant)</b>	Vs	The ACIT, Circle-1(1)(1), Vadodara  <b>(Respondent)</b>
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**Assessee Represented: Shri Sakar Sharma, CA  
Revenue Represented: Shri Abhijit, Sr. D.R.**

Date of hearing : 21-01-2026  
Date of pronouncement : 11-02-2026

**आदेश/ORDER**

**PER: T.R. SENTHIL KUMAR, JUDICIAL MEMBER**

This appeal is filed by the Assessee as against appellate order dated 10-06-2025 passed by the Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi, (in short referred to as "CIT(A)"), arising out of the reassessment order passed under section 147 r.w.s. 144B of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') relating to the Assessment Year 2019-20.

2. The registry has noted that there is a delay of 88 days in filing the above appeal. The assessee explained way of Notarized Affidavit that email communication address of Shri Ambalal Patel was mentioned in Form No. 35. However, he resigned from the appellant company with effect from 01-04-2025 due to his old age (72 years) and his resignation was intimated to Registrar of Companies in prescribed Form No. DIR-12 on 29-04-2025 copy also enclosed for ready reference. But the Ld. CIT(A) passed the impugned order on 10-06-2025 which was not noticed by the appellant company. When the Tax Auditor gone through the Income Tax portal, he came to know about the appellate order passed by Ld. CIT(A), NFAC then after the same was downloaded and present appeal was filed on 27-11-2025 with a delay of 88 days. The delay was neither wilfull and nor wanton but due to the above genuine reason and therefore requested to condone the delay and relied upon Hon'ble Gujarat High Court judgement in the case of Vareli Textile Industries -Vs.- CIT 284 ITR 238. We are satisfied with the reasons stated in the affidavit, thus the delay of 88 days in filing the above appeal is hereby condoned.

3. Brief facts of the case is that the assessee is Private Limited Company engaged in the business of manufacturing and trading of pharmaceutical products. Assessee filed its Return of Income for the Asst. Year 2019-20 on 14-10-2019 declaring total income at Rs. Nil after set off Brought Forward Losses of earlier years. The assessment was reopened on the ground that the assessee company received benefit of accommodation entries of

Rs.4,09,76,267/- from M/s. Gensis Health Care [Proprietor of Rakeshkumar & Sons, HUF] on account of bogus purchases.

3.1. Order under section 148A(d) was passed on 30-03-2023 and reassessment notice u/s.148 dated 30-03-2023 was issued. Since no return was filed, a notice u/s.142(1) was issued on 08-11-2023 with questionnaires and the same was replied by the assessee and also filed Return of Income on 24-11-2023 in response to 148 notice. Thereafter notice u/s. 143(2) of the Act was issued on 11-12-2023 which is claimed by the assessee as not served. However, a show cause notice dated 19-02-2024 was issued to estimate the bogus purchase income at 13.85% as follows:

"During the course of the inquiry conducted by the Deputy Director (Inv), Panipat, Haryana in the case of M/s Gensis Health Care, Prop Rakeshkumar and Sons, HUF, having PAN- AAVHR4942P, it is found that your company has taken accommodation entry of Rs.4,09,76,267/- in the guise of purchase from M/s Gensis Health Care during the financial year 2018-19. Even though you have submitted various evidence in support of such claim of purchase from M/s Gensis Health Care, you have not been able to explain the fact since M/s Gensis Health Care is found to be a bogus entity providing accommodation entry, controlled and managed by Rakeshkumar & Sons, HUF, having PAN: AAVHR4942P and as such the particular bills of purchase are bogus and not verifiable. Therefore, **the amount of purchase that your company has claimed on the basis of the bills raised by M/s Gensis Health Care is not acceptable as the bills are unverifiable and the amount of claim of purchase made by you cannot be accepted as sacrosanct and correct claim of deduction.**

You have declared a gross profit rate of 13.85% in the audited report submitted by you for the assessment year under consideration. **You are, therefore, requested to kindly show cause as to why the claim of deduction of Rs.56,75,210/- on account of purchase, computed at the rate of 13.85% of Rs 4,09,76,267/-, by accepting bogus accommodation entry of purchase from M/s Gensis Health Care, shall not be disallowed as bogus purchase**

**on being added back to your total income and shall also not be brought to tax accordingly."**

3.2. The assessee made a detailed reply as follows:

"First of all we would like to draw your kind attention that our case is selected for scrutiny may be considering the escaped income more than Rs.50,00,000/- for the year under review. Your good-self had issued show cause notice for proposed variation for Rs.56,75,210/- on account of purchase, computed at the rate of 13.85% of Rs.4,09,76,267/-,

In this connection we would like to state and clarify that total transaction of Purchase made from M/s. Gensis Health Care comes to Rs.4,09,76,267/- as per **invoices issued by the party which includes IGST (@18% amounting to Rs.62,50,617/ which is not a part of purchase and not debited to purchase a/c in our audited books of account.** We have debited Rs.3,47,25,650/- to Purchase a/c and Rs.62,50,617/- in ITC IGST 18% considering GST Liability to be paid during the year under review as Input Tax Credit. (Copy of Bill wise statement of purchase with bifurcation of Purchase & GST attached along with copy of Ledger a/c of ITC IGST @ 18% from our audited books of accounts are attached herewith vide Annexure-1.

Considering the above facts, **according to us the total variation comes to Rs.48,09,503/ on account of purchase,** computed at the rate of 13.85% of Rs.3,47,25,650/-. **Accordingly escaped income is below Rs.50,00,000/- and as per the provisions of the Act the proceedings is required to be drop.** So requested to drop the said proceedings for the year under review under intimation to us in writing.

3.3. The assessee also submitted on merits of the case namely all evidences including copy of the Bank Statement, wherein payments made to M/s Gensis Health Care through RTGS/NEFT and the Purchase order, Invoices, E-way bills to show that genuine business transaction with date, time and lorry number details. The Assessing Officer considered the reply of the assessee and however

made addition of Rs.48,09,503/- being 13.8% as the GP on the bogus purchases of Rs.4,09,76,267/- and demanded tax thereon.

4. Aggrieved against the reassessment order, assessee filed an appeal before Ld. CIT(A) who dismissed the appeal both on jurisdiction as well as on merits of the case by observing as follows:

"5.6.1. I have carefully considered the grounds of appeal, submissions made by the appellant and assessment order. The appellant has challenged the disallowance of Rs. 48,09,503/- on account of alleged bogus purchases from M/s Genesis Health Care. As recorded by the Assessing Officer (AO), the said entity was found to be a bogus concern engaged in providing accommodation entries and was linked to a network controlled by Rakeshkumar & Sons HUF. The investigation revealed that no genuine business activity was carried out by the supplier, and the so-called purchases were paper transactions devoid of actual delivery of goods. The AO disallowed the gross profit component embedded in such purchases after noting the lack of any confirmations, delivery evidence, or independent verification.

5.6.2. During appellate proceedings, the appellant reiterated the same generic submissions made before the AO, such as maintenance of stock records, audited accounts, and GST compliance, without addressing the specific allegation that the supplier was an accommodation entry provider. The appellant failed to produce confirmation from the supplier or establish its identity, existence, and capability to supply goods. While the supplier was GST registered, GST compliance or e-way bill generation by itself does not validate the genuineness of a transaction in the absence of supporting documentary proof of physical movement of goods. The fact that sales were made by the appellant or goods were manufactured does not establish that the raw materials were actually sourced from the tainted supplier. There is no direct correlation established between the specific purchases from M/s Genesis Health Care and any particular batch of production or sales. The appellant's reliance on the judgment of the Hon'ble Gujarat High Court in CIT v. M.K. Brothers is misplaced, as in that case the suppliers were untraceable but not found to be bogus or engaged in providing accommodation entries

5.6.3. In the present case, the disallowance is supported by specific findings based on investigation and not merely triggered by Risk Management Strategy alerts. When the seller is conclusively found to

be an accommodation entry provider and the transaction is not proved by credible and independent evidence, the claim of purchase cannot be accepted as genuine merely on the basis of entries in the books or procedural compliance under GST. The burden of proving the genuineness of the transaction lies on the assessee and in this case, the appellant has failed to discharge it. In the absence of any substantive rebuttal of additional evidence the disallowance made by the AO stands justified, and the ground of appeal is therefore dismissed.”

5. Aggrieved against the appellate order, the assessee is in appeal before us raising the following Grounds of Appeal:

1. The Ld. CIT (A)-NFAC erred on facts and in law in upholding re-assessment made u/s 147 even though conditions specified in sections 144B, 147, 148, 148A, 149, 151 and 151A were not getting satisfied in the case of appellant. Ld. CIT (A)-NFAC ought to have quashed the re-assessment order passed by NFAC by exercising powers available u/s 251 read with Explanation to section 251.
2. The Ld. CIT(A)-NFAC erred on facts and in law in not allowing ground regarding non service of notice u/s 143(2) within the permissible time on the appellant. Mere uploading of notice u/s 143(2) on Income-tax Portal does not amount to service of notice in terms of Section 282 and rule 127 of Income-tax Rules, 1962
3. The Ld. CIT(A)-NFAC erred on facts and in law in upholding GP addition @ 13.85% of purchases of Rs. 3,47,25,650/- i.e. Rs. 48,09,503/- without appreciating that said GP was already offered for taxation in the return of income and making such addition amounts to double taxation and that too without invoking provisions of section 145(3) of the Act.

6. Ld. Authorized Representative Shri Sakar Sharma appearing for the assessee strongly argued that the income escaped assessment in reopening of assessment in this case is less than Rs.50,00,000/. Whereas the Assessing Officer treated the accommodation entries amounting to Rs.4,09,76,267 from M/s. Gensis Health Care on

account of bogus purchases and worked out G.P. rate at 13.85% amounting to Rs.56,75,210/- on account of bogus purchase. But the actual amount of transaction is Rs.3,47,25,650/- after excluding IGST at 18% on which GP rate of 13.85% comes to Rs.48,09,503/- which is less than the monetary ceiling of Rs.50,00,000/-. Therefore the entire reassessment proceedings itself is bad in law.

6.1. On merits of the case, Ld. A.R. drawn our attention to the ledger account of M/s. Gensis Health Care, Delhi, purchases were made by the assessee from 22-02-2019 to 28-03-2019, payments were made through RTGS bank transactions and relevant invoices, e-way bills carry the date, time and Lorry Vehicle Number of each transaction. Thus the A.O. without making any verification made the addition based on the Investigation wing report. Whereas the assessee having declared the above transactions in its Return of Income and the present addition made by the A.O. will amounts to double taxation that too without rejection of books u/s.145(3) of the Act. Thus requested to quash the assessment and delete the addition made by the A.O.

7. Per contra, Ld. Sr. D.R. Shri Abhijit appearing for the Revenue supported the order passed by the Lower Authorities and produced copy of the Cancellation of Registration Certificate of M/s. Gensis Health Care from the GST portal stating that with effect from 01-06-2019. Thus Ld. D.R. claimed the transaction are bogus in nature, the additions made by the A.O. are liable to be sustained.

8. We have given our thoughtful considerations and perused the materials available on record including Paper Book filed by the assessee. The reassessment in the present case has been initiated on the basis of information received from the Investigation Wing alleging that the assessee had obtained accommodation entries in the form of bogus purchases amounting to Rs.4,09,76,267/- from M/s. Gensis Health Care. The Assessing Officer himself, however, has not treated the entire purchase amount as income escaping assessment, but has restricted the addition to the gross profit element embedded therein, by applying GP rate of 13.85%.

8.1. Perusal of the audited books of account and ledger statements placed on record, it is evident that the assessee has debited only a sum of Rs.3,47,25,650/- to the purchase account, while the balance amount of Rs.62,50,617/- represents IGST at 18%, which has been separately accounted for under the Input Tax Credit ledger and has not been claimed as an expenditure. Therefore, the actual value of purchases, for the purpose of computation of any alleged income escaping assessment stands at Rs.3,47,25,650/- and not Rs.4,09,76,267/-. Applying the GP rate of 13.85% as adopted by the Assessing Officer himself, the alleged escaped income works out to Rs.48,09,503/-, which is admittedly below the monetary threshold of Rs.50,00,000/- prescribed under section 149(1)(b) of the Act. In our considered view, the expression "income chargeable to tax which has escaped assessment" used in section 149 refers to the real income sought to be brought to tax and not the gross value of transactions. Since the alleged escaped income in the present case does not satisfy the statutory threshold, the very

assumption of jurisdiction under section 148 is invalid and the consequential reassessment proceedings are liable to be quashed.

9. Even on merits of the case the assessee was issued with summon u/s.131[1A] dated 02-02-2023 by the Investigation Wing from Panipat asking for the details of transaction with M/s. Gensis Health Care on account of bogus purchases. The assessee replied vide its letter dated 08-02-2023 enclosing the Purchase orders, Invoice copies, E-Way Bill and goods received note for the purchases made during the financial year 2018-19. [which are placed at page nos. 51 to 57 of the Paper Book]. Further ledger accounts of M/s. Gensis Health Care for the present year and subsequent year also placed on record which clearly states that every payment made through RTGS banking channel. The assessee also placed on record [page nos. 71 to 174 of the Paper Book] wherein Purchase orders with date, time and Lorry number are clearly matching with the Invoice copies and E-way bills.

9.1. Despite the availability of such primary evidences, the Assessing Officer has not conducted any independent enquiry to disprove the genuineness of the transactions and has proceeded to make the addition solely on the basis of the Investigation Wing report. It is further noted that the books of account of the assessee have not been rejected under section 145(3) of the Act. The gross profit embedded in the purchases already stands reflected in the returned income and therefore, making a separate addition of the same results in double taxation, which is impermissible in law. Accordingly, on both jurisdictional as well as on merits of the case,

the reassessment order and the consequential addition cannot be sustained.

10. In the result **the appeal filed by the assessee is allowed.**

Order pronounced in the open court on 11-02-2026

**Sd/-**  
**(NARENDRA PRASAD SINHA)**  
**ACCOUNTANT MEMBER** *True Copy*

**Sd/-**  
**(T.R. SENTHIL KUMAR)**  
**JUDICIAL MEMBER**

**Ahmedabad :**  
**Dated 11/02/2026**

**आदेश की प्रतिलिपि अग्रेषित / Copy of Order Forwarded to:-**

1. Assessee
2. Revenue
3. Concerned CIT
4. CIT (A)
5. DR, ITAT, Ahmedabad
6. Guard file.

By order/आदेश से,

उप/सहायक पंजीकार  
आयकर अपीलीय अधिकरण,  
अहमदाबाद