

**IN THE INCOME TAX APPELLATE TRIBUNAL,
AGRA BENCH, AGRA**

**BEFORE : SHRI S. RIFAUR RAHMAN, ACCOUNTANT MEMBER
AND
SHRI SUNIL KUMAR SINGH, JUDICIAL MEMBER**

**ITA No. 373/Agr/2025
Assessment Year: 2014-15**

Sagar Dwellings P. Ltd., Near Sun Temple, Gwalior.	Vs.	ACIT – 1(1), Gwalior.
PAN :AAOCS7228M		
(Appellant)		(Respondent)

Assessee by	Sh. Anurag Sinha, Advocate
Department by	Sh. Shailendra Srivastava, Sr. DR

Date of hearing	16.12.2025
Date of pronouncement	16.02.2026

ORDER

PER : SUNIL KUMAR SINGH, JUDICIAL MEMBER:

This appeal has been preferred by assessee against the impugned order dated 23.06.2025 passed in Appeal No. NFAC/2013-14/10105557 by the Ld. Commissioner of Income-tax (Appeals), NFAC, Delhi u/s. 250 of the Income-tax Act, 1961 (hereinafter referred to as “the Act”) for the assessment year 2014-15, wherein the Id. CIT(Appeals) has dismissed assessee’s first appeal, sustaining the addition made by the Assessing Officer..

2(i). Brief facts state that the assessee is in the business of building construction. It filed its return of income for the assessment year 2014-15

on 26.09.2014, showing a loss of Rs.1,07,09,823/-. Subsequently, the Assessing Officer received information that detailed investigations were carried out by the department in respect of bank account No. 0545102000005296 maintained with IDBI Bank, Gwalior, in the name of M/s. Jai Baba Gurudev Traders, purportedly a proprietary concern of one Shri Vinod Kumar Prajapati. As per Assessing Officer, the investigation revealed that during the financial year pertaining to the relevant assessment year, total deposits of Rs.9,39,57,986/-, including cash deposits of Rs.7,02,000/-, were made in the said bank account. The Assessing Officer further noted that amounts were deposited mostly through RTGS and immediately withdrawn in cash. The average balance in this bank account was Rs.1,01,024/- only.

(ii). The field enquiries conducted by the Department revealed that no concern named M/s. Jai Baba Gurudev Traders ever existed at the given address, which was A-4/74, Singh Market, Parking Number-1, Transport Nagar, Near Krishna Lodge, Gwalior. Summons was issued to the proprietor, Shri Vinod Kumar Prajapati, who attended the office on 15.10.2019. Shri Vinod Kumar Prajapati, purported proprietor, stated that he is working as store in-charge with G.P. International, Gwalior on a salary of Rs.8,000/- per month. He further stated that he never heard about any concern named M/s. Jai Baba Gurudev Traders. The bank

account was opened by one Shri Dilip Singh, for whom he had worked earlier for some time, however, he could not provide the address or any contract details of said Dilip Singh. He further stated that Shri Dilip Singh obtained his signature on the entire cheque book and he had nothing to do with the entries appearing in his bank account.

(iii). Based on the above facts, the Assessing Officer observed that the said bank account was being used as a tool for providing accommodation entries to various persons. Most of the entries were found as credits, which have been shown by the beneficiaries as purchases made from M/s. Jai Baba Gurudev Traders.. One such credit entry of Rs.1,03,89,106/- was found in the bank account of M/s. Jai Baba Gurudev Traders in the name of the assessee, M/s. Sagar Dwellings Pvt. Ltd. during F.Y. 2013-14 relevant to A.Y. 2014-15. Summon was issued to the principal officer of the assessee. In response, the assessee submitted ledger account of purchases made from M/s. Jai Baba Gurudev Traders, however, no bill or transport receipt could be produced. Assessee further submitted before Assessing Officer that confirmation of purchases from M/s. Jai Baba Gurudev Traders cannot be provided since the authorized person is not available.

(iv). Assessing Officer reopened the case u/s. 147 of the Act and issued notice u/s. 148 of the Act on 31.03.2021. In response, the

assessee requested that the original return dated 30.09.2014 be treated as filed in response to the notice u/s. 148 of the Act. Statutory notice u/s. 143(2) and notice u/s. 142(1) of the Act were issued and served upon the assessee. The assessee raised objections against the reasons for reopening, which were disposed of on 18.02.2022. Further, assessee submitted his reply dated 04.02.2022. During the reassessment proceedings, the assessee contended that it had purchased steel and building material of Rs.1,46,66,985/- from M/s. Jai Baba Gurudev Traders and made payment through bank account. The freight was not to be paid by assessee but was to be borne by the seller as it was a local purchase.

(v). Assessee further submitted before the Assessing Officer that no such addition was made during the assessment proceedings concluded u/s. 143(3) of the Act. The Assessing Officer, not being satisfied with the explanation and evidences, held the said purchases to be bogus and added Rs.1,03,89,106/- to the total income of the assessee, vide reassessment order dated 21.03.2022 passed u/s. 147 r.w.s. 144B of the Act.

3. Aggrieved, assessee preferred first appeal before the Ld. CIT(Appeals), who dismissed assessee's appeal and confirmed the impugned addition.

4. Present second appeal has been filed on the following grounds :

“1. BECAUSE, upon due consideration of facts and in the overall circumstances of the case 'appellant denies its liability to be assessed in terms of notice dated 31.03.2021 said to be issued under section 148 of the 'Act'.

2. BECAUSE, the purported 'Reasons' are no 'Reasons' in the eyes of Law. The so called 'Reasons' do not show any intelligible nexus warranting recourse to Notice under section 148 of the Act.

3. BECAUSE, the reasons were recorded in the case of some Shri Sohanlal Jain and such reasons shows gross non-application of mind which renders the Assessment to be held void-ab-initio.

4. BECAUSE, the sanction as was mandatorily required to be accorded under section 151 of the Act before issuing Notice under section 148 of the Act was without application of mind in a mechanical manner, leading the Notice issued under section 148 of the Act to be held without jurisdiction and consequent assessment order passed in pursuance of such an invalid Notice to be held as void-ab-initio.

WITHOUT PREJUDICE TO THE ABOVE

5. BECAUSE, the CIT(A) has erred in confirming the addition of Rs. 1,03,89,106/-under section 143(3) r.w.s 147 rws 144B of income tax Act, 1961. without appreciating that the 'appellant had duly proved the genuineness of Purchase by bringing on records sufficient documentary evidences which all have been arbitrarily ignored on the consideration of suspicion and surmises.

6. BECAUSE, the authorities below have erred in making and confirming the addition without confronting any tangible material, contrary evidence and without allowing cross examination, the addition of Rs. 1,03,89,106/- under section 143(3) r.w.s 147 rws 144B of income tax Act, for purchase of Goods is wrong, illegal and unwarranted and consequently the order of Ld. CIT(A) as sustained is not tenable on facts and law.

7. BECAUSE, there is no evidence on the records of the case which establish that assessee has not purchased the Goods, the addition made at Rs. 1,03,89,106/-is only on surmises and conjectures and sustained by Ld. CIT(A) deserve to be deleted.

8. BECAUSE, AO failed to allow set off of payment made for purchase of Goods at Rs. 1,03,89,106/- under section 143(3) r.w.s 147 rws 144B of income tax Act, and sustained by Ld. CIT (Appeals) is not tenable on facts and law.

9. BECAUSE, while making the assessment the 'AO' and while sustaining addition Ld. 'CIT(A)' made various observations/conclusions which are contrary to facts available on records.

10. BECAUSE, the Ld. CIT(A) has erred in dismissing the appeal without considering the facts and judgments placed on record and applied judgment distinguishable on facts.

.....”

5. Perused the records and heard learned representative for appellant assessee and learned Sr. DR for respondent revenue.

6. On the basis of aforesaid grounds raised in this appeal, the main points for determination are as to (i) whether the reasons recorded by the Assessing Officer were not sufficient to trigger the reopening u/s. 147 of the Act and the sanction u/s. 151 was given in mechanical manner ?

(ii). Whether Ld. CIT(Appeals) has erred in confirming the disputed addition of Rs.1,03,89,106/- made by the Ld. Assessing Officer, ignoring the evidence produced by the assessee with respect to the identity, creditworthiness and genuineness of the said transaction ?

7. The Ld. AR for the assessee has submitted that the said addition has been made on the basis of third party investigation material and third party statements recorded without affording opportunity of cross examination to assessee and referred PCIT v. Shapoor Ji & Co. Ltd.

[2022] 141 taxmann.com 509 (SC) and Andaman Timber Industries v. CCE (2015) 62 taxmann.com 3 in support of his submissions. Ld. AR, further submitted that purchase invoices, bank statements showing payment made against purchases and ledger account produced by the assessee have been overlooked by revenue authorities. The transaction was duly recorded in the regular books of accounts and Assessing Officer has not rejected the books of account u/s. 145(3) of the Act. Ld. AR has further submitted that iron & steel are delivered at site and the transportation was not undertaken by the assessee. The impugned order, confirming the said addition is against the settled principle of law. Prayed to allow appeal.

8. Learned Sr. DR for the respondent/revenue has submitted that the supplier was found to be non-existent, and the so-called proprietor had categorically denied carrying out any business activity. The bank account of the purported supplier showed a classic pattern of accommodation entry operations with huge RTGS credits followed by immediate cash withdrawals. The assessee failed to discharge the onus of proving the identity, creditworthiness and genuineness of the transaction. Mere self generated book entries and documents cannot establish genuineness of purchases. Learned DR has supported the impugned order and prayed to dismiss assessee's appeal.

9. As regards the first issue is concerned, the records reveal that the learned Assessing Officer has formed his belief of escapement of income which led him to reopen the case of assessee u/s. 147 after recording the following reasons :

“The assessee had filed its return of income for assessment year 2014-15 on 26/09/2014, showing loss of Rs. 1,07,09,823/-. Detailed investigations were carried out by the department in respect of bank account number 0545102000005296 with IDBI Bank, Thorat Place, Naya Bazar, Gwalior, which was in the name of M/s Jai Baba Gurudev Traders. Shri Vinod Kumar Prajapati is the proprietor of M/s Jai Baba Gurudev Traders, as per the documents received from the bank. The total deposits made in this bank account during various years is as under:

FY	Total Deposits	Cash Deposits
2012-13	Rs.4,25,77,953/-	NIL
2013-14	Rs.9,39,57,986/-	Rs.7,02,000/-

The pattern of entries in this bank account was amounts were deposited through RTGS and immediately withdrawn in cash. The average balance in this bank account was Rs. 1,01,024/- only. From the field enquiries conducted, it came to notice that there was no concern named as M/s Jai Baba Gurudev Traders on the given address, which was A-4/74, Singh Market, Parking number 1, Transport Nagar, Near Krishna Lodge, Gwalior. It was also revealed that no entity in the name of Jai Baba Gurudev Traders ever existed on the said address. Summon was issued to Shri Vinod Kumar Prajapati, who attended the office on 15/10/2019. It was stated that he is working as Store In-charge with M/s GP International, Industrial Area, Tansen Nagar, Gwalior on a monthly salary of Rs.8,000/-. It was stated by him that he had never heard about any concern named M/s Jai Baba Gurudev Traders. When shown the KYC documents received from the bank, it was stated by him that the account had been opened by one Shri Dilip Singh for whom he had worked for some time. However, he could not provide the address or any contact details of Shri Dilip Singh. It was stated by him that the said Dilip Singh obtained his signature on the entire cheque book and he had nothing to do with the entries appearing in his bank account.

From the above facts, it became evident that the bank account number 0545102000005296 with IDBI Bank, Thorat Place, Naya

Bazar, Gwalior was being used as a tool for providing accommodation entries to various persons. Most of the entries have been found as credits, which have been shown by the beneficiaries as purchases made from M/s Jai Baba Gurudev Traders. The major beneficiaries were examined on oath where some of them stated that the bills of M/s Jai Baba Gurudev Traders were being prepared by Shri Zahid Khan and Shri Dinesh Chand Jain, who were running the said firm. Summons were also issued to Shri Zahid Khand and Shri Dinesh Chand Jai, but they denied about having any knowledge about Shri Vinod Kumar Prajapati or M/s Jai Baba Gurudev Traders. One of the beneficiaries, namely M/s Gupta Engineers & Contractors (PAN: AACFG1163A) could produce the bill dated 16/09/2013 issued by M/s Jai Gurudev Traders for sale of TMT weighing 30815 Kg. As per the bill, the goods were delivered to the said firm by vehicle No. MP07 HB5430. However, on verification, it was found that the registration date of the vehicle is 09/11/2016. Another beneficiary namely Shri Jagdish Prasad Sharma (PAN: AVDPS0355G) produce the copy of bill dated 03/08/2013. As per the bill, the goods were supplied through vehicle number MP09HB6002. From the official website of the MP transport department, it was found that the vehicle is a Maruti car. No beneficiary could produce the transport bills in respect of the purchases made from M/s Jai Baba Gurudev Traders. Thus, it was established beyond doubt that the sales shown by M/s Jai Baba Gurudev Traders were bogus and to provide accommodation entries to various persons.

Credit entry of Rs. 1,03,89,106/- has been found in the bank account of M/s Jai Baba Gurudev Traders in the name of M/s Sagar Dwellings Pvt. Ltd. during FY 2013-14, relevant to AY 2014-15. Summon was issued to the principal officer of the assessee company. In reply, ledger account of purchases made from M/s Jai Baba Gurudev Traders was produced. However, no bill or transport receipt could be produced. In view of these facts, the purchases of Rs.1,03,89,106/-, shown as made from M/s Jai Baba Gurudev Traders during FY 2013-14 are apparently bogus and required to be disallowed.

In view of all these facts, I have reason to believe that amount of Rs.1,03,89,106/- has escaped assessment in this case for AY 2014-15. Therefore, action u/s 147 is being taken after obtaining approval from the Pr. Commissioner of Income Tax, as per provisions contained under section 151 of the Income Tax Act, 1961.”

10. A bare perusal of the afore quoted reasons for reopening, it is abundantly clear that on inquiry by the department, the genuineness of the supplier M/s. Jai Baba Gurudev Traders could not be ascertained. Even the vehicles used for transportation of goods were found to be fictitious. Admittedly, assessee also failed to produce confirmation on said purchases from Jai Baba Gurudev Traders. The reasons recorded by the Assessing Officer are supported with cogent factual matrix and were sufficient to trigger the reopening u/s. 147 of the Act. The action u/s. 147 also appears of being taken after obtaining approval from the PCIT as provided u/s. 151 of the Act. Assessee has failed to demonstrate that the sanction u/s. 151 was granted by Ld. CIT without the application of mind and in mechanical manner. The first issue is accordingly determined in negative against the assessee.

11. The second point for determination is related to the error in confirmation of the said addition. It is an undisputed fact that the alleged supplier, M/s Jai Baba Gurdev, Gwalior, was found to be non-existent during on-spot enquiries conducted by the Department. The current bank account through which the alleged transactions were routed was not maintained/operated by the supplier himself but by one Sh. Vinod Kumar Prajapati, showing him as proprietor of the said supplier firm, M/s. Jai Baba Gurudev Traders, whose statement was recorded on oath. The

said person categorically stated that he worked as a store in-charge at G.P. International, Gwalior, earning Rs. 8,000 per month as salary; that he is unaware of any business activity carried on in the name of M/s Jai Baba Gurdev Traders; that the impugned bank account was opened by one Shri Dilip Singh but could not provide any whereabouts of Shri Dilip Singh, for whom he had stated to have worked for some time. According to his statement, the entire blank cheque book of this account was got signed from him. He denied of making any business transactions through this bank account. This shows that the bank account was operated by an unrelated person acting as camouflaged one.

12. The bank statement of the said account reveals a classic pattern of accommodation entries, wherein amounts deposited by the assessee were withdrawn almost immediately in cash, without any corresponding commercial activity. Such a pattern clearly demonstrates that the account was used merely as a conduit to provide colour of genuineness to sham transactions. Further, on spot enquiry at the declared address of the supplier, it was found that no such concern ever existed at the given premises. Not only this, the reasons recorded clearly mention that most of the entries have been found as credits, which have been shown by the beneficiaries as purchases made from M/s. Jai Baba Gurudev Traders. This situation also exists in the instant case. Some of the beneficiaries,

who were examined by the department, unfolded that bills of M/s. Jai Baba Gurudev Traders were being prepared by Shri Zahid Khan and Sh. Dinesh Chand Jain, who were running the said firm, but they also denied having any knowledge about the supplier, M/s. Jai Baba Gurudev Traders. These findings have not been controverted by the assessee with any cogent evidence. All these facts unequivocally go to show that the impugned supplier was fictitious.

13. The assessee seeks to rely solely on the fact that payments were made through banking channels, supported by self-generated documents such as ledger accounts and bank statements. It is well settled that payment through banking channels by itself does not establish the genuineness of a transaction, particularly when surrounding circumstances strongly indicate that the transaction is bogus. Significantly, the assessee has failed to produce any transportation evidence such as lorry receipts, delivery challans, weighment slips etc. He also failed to adduce any evidence of receipt of goods, such as inward registers or stock movement records. Regarding confirmation, he categorically admitted in his written synopsis itself that no confirmation can be filed from the supplier of the goods in respect of impugned purchases. The contention of the learned AR that the delivery of goods was at site on FOR basis seems to be vague for want of any supporting

evidence in this regard. He has utterly failed to produce any independent evidence to establish the identity, creditworthiness and genuineness of the supplier or even the receipt of material purchased. The entire documentation produced by the assessee is self-serving and does not inspire confidence in the absence of corroborative evidence. Once it is found that the alleged supplier is a non-existent entity and the assessee has failed to furnish any explanation or evidence regarding its existence. The inevitable inference is that the cash memos/invoices purportedly issued by such entity, as furnished by assessee, are fictitious. The onus to establish the existence, identity, and creditworthiness of the supplier lies upon the assessee, which has not been discharged in the present case. In the instant case, the statements of the persons mentioned in the reasons recorded by Assessing Officer have been used merely to trigger the reopening only. The additions in the present case are due to the failure of the assessee to prove the said purchases by establishing the identity, creditworthiness and genuineness of the supplier, Jai Baba Gurudev Traders. Hence, the facts of Shapoor Ji & Co. Ltd. (supra) and Andman Timber Industries (supra) are distinguishable.

14. In view of the totality of facts and surrounding circumstances, we hold that the alleged purchases from M/s Jai Baba Gurudev Traders,

Gwalior are bogus and represent accommodation entries. The Assessing Officer was fully justified in rejecting the claim of purchases and making the corresponding addition. The action of the revenue authorities is based on the test of human probabilities in assessing the genuineness of the disputed purchases. Ld. CIT(Appeals) has not erred in confirming the said addition. The second point is accordingly determined in negative against the assessee. The appeal filed by assessee is liable to be dismissed.

15. In the result, assessee's appeal is dismissed.

Order pronounced in the open court on 16.02.2026

**Sd/-
(S. RIFAUR RAHMAN)
ACCOUNTANT MEMBER**

**Sd/-
(SUNIL KUMAR SINGH)
JUDICIAL MEMBER**

Dated: 16.02.2026

*aks/-

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(A)
5. DR

Asst. Registrar, ITAT, Agra