

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

**BEFORE DR. B.R.R. KUMAR, VICE-PRESIDENT
MS. SUCHITRA KAMBLE, JUDICIAL MEMBER**

I.T.A. No. 824/SRT/2025
(Assessment Year: 2018-19)

Meghna Organic, 101, Dence Area Resi, Vapi Pardi, Valsad-396195 [PAN : ABDFM 7450 L]	Vs.	Income Tax Officer, Ward 5, Vapi
(Appellant)	..	(Respondent)
Appellant represented by :	Shri P.M. Jagasheth, CA	
Respondent represented by:	Shri Ajay Uke, Sr DR	
Date of Hearing	22.01.2026	
Date of Pronouncement	17.02.2026	

ORDER

PER DR. B.R.R. KUMAR, VICE-PRESIDENT:-

Delay condoned.

This appeal has been filed by the assessee against the order dated 29.07.2024 passed by the Ld. Commissioner of Income-tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi (hereinafter referred to as the "Ld. CIT(A)" for short), under Section 250 of the Income-tax Act, 1961 (hereinafter referred to as the "Act" for short) for Assessment Year 2018-19.

2. The assessee has raised following grounds of appeal :-

"1. On the facts and in the circumstances of the case as well as the law on the subject, the learned Commissioner of the Income Tax (Appeals) has erred in confirming the action of the Assessing officer in The Notice Issued Under Section 148 by JAO is Invalid as It ought to have been issued under the Faceless Regime as per Section 151A of the Income Tax Act, 1961.

2. On the facts and in the circumstances of the case as well as the law on the subject, the learned Assessing Officer has erred in re-opening the assessment

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u/s. 147 of the Income Tax Act, 1961 and issuing notice u/s. 148 of the Income Tax Act, 1961.

3. On the facts and in the circumstances of the case as well as the law on the subject, the learned Commissioner of the Income Tax (Appeals) has erred in confirming the action of the Assessing officer in disallowance of cost of improvement of Rs.20,00,000/-

4. On the facts and in the circumstances of the case as well as the law on the subject, the learned Commissioner of the Income Tax (Appeals) has erred in confirming the action of the Assessing Officer in initiating penalty u/s. 271F of the income tax act, 1961.

5. On the facts and in the circumstances of the case as well as the law on the subject, the learned Commissioner of the Income Tax (Appeals) has erred in confirming the action of the Assessing Officer in initiating penalty u/s. 272A(1)(d) of the income tax act, 1961.

6. On the facts and in the circumstances of the case as well as the law on the subject, the learned Commissioner of the Income Tax (Appeals) has erred in confirming the action of the Assessing Officer in initiating penalty u/s. 270A(8) of the income tax act, 1961.”

3. The briefly stated facts of the case are that the assessee is a partnership firm engaged in the business of manufacturing pigments and chemicals. During the year under consideration, no business activity was carried out by the assessee and consequently no return of income was filed. The assessment was reopened on the basis of specific information flagged on the INSIGHT Portal under the category of non-filer high risk. On verification of the said information, it was noticed that the assessee had sold an immovable property situated at Umbergaon, which was registered with the Sub-Registrar, Umbergaon, on 18.01.2018 for a consideration of Rs.90,00,000/-. The Assessing Officer further noticed that the assessee had purchased another immovable property situated at Plot No.101, Prem House, GIDC, Vapi, on 27.04.2017 for a consideration of Rs.60,00,000/-. It was also noticed that the assessee had not filed its return of income for Assessment Year 2018-19 and therefore capital gains arising from sale of the

immovable property and the source of investment for purchase of the property remained unverified. On the basis of the above facts, the Assessing Officer recorded reasons to believe that income chargeable to tax had escaped assessment within the meaning of section 147 of the Act and accordingly issued notice under section 148 of the Act on 25.03.2022. Subsequently, the assessment was reopened u/s 147 of the Act. During the reassessment proceedings, the Assessing Officer made additions on account of difference in stamp duty valuation under section 56(2)(x) of the Act amounting to Rs.30,00,000/- and short-term capital gains of Rs.20,00,090/-; and thus determining total income of the assessee at Rs.55,84,000/- vide order dated 27.03.2023.

4. Aggrieved by the order of the Assessing Officer, the assessee filed an appeal before the Ld. CIT(A), who deleted the addition of Rs.30,00,000/- relating to stamp duty valuation, however confirmed the addition of Rs.20,00,000/- on account of disallowance of cost of improvement while computing short-term capital gains.

5. Aggrieved by the order of the Ld. CIT(A), the assessee is in appeal before the Tribunal.

6. Before us, the Ld. AR submitted that the assessee had incurred improvement expenditure in respect of the immovable property prior to its sale and that a sum of Rs.20,00,000/- was paid to M/s. Platinum Fabrics Pvt. Ltd. through banking channels. It was submitted that the payment is duly reflected in the assessee's bank statement as well as in the ledger account maintained in the regular books of account and that the genuineness of the payment has not been doubted by the Revenue. It was further contended that the disallowance was made solely on the ground that bills or invoices were not produced, despite the fact that the payment itself is fully verifiable from the record.

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7. The Ld. DR relied upon the orders of the authorities below.

8. We have considered the rival submissions and perused the material available on record. It is not in dispute that the assessee was the owner of the immovable property and that the sale transaction giving rise to short-term capital gains has been accepted by the Revenue. The assessee has placed on record bank statements and ledger accounts evidencing payment of Rs.20,00,000/- through banking channels in connection with the said property. The disallowance of cost of improvement has been made solely on the ground that supporting bills or invoices were not furnished. In our considered view, once the assessee has demonstrated that the payment has actually been made through banking channels and the same is duly recorded in the books of account, the claim cannot be rejected merely for want of bills or vouchers, in the absence of any material to suggest that the expenditure is fictitious or unrelated to the capital asset. The Revenue has not brought any contrary evidence on record to rebut the claim of the assessee or to establish that the expenditure was not incurred in connection with the improvement of the property. In view of the above facts and circumstances, we hold that the assessee is entitled to deduction of Rs.20,00,000/- as cost of improvement while computing short-term capital gains. Accordingly, the disallowance sustained by the learned CIT(A) is deleted.

9. In the result, the appeal of the assessee is allowed.

The order is pronounced in the open Court on 17.02.2026

Sd/-

**(SUCHITRA KAMBLE)
JUDICIAL MEMBER**

Ahmedabad; Dated 17/02/2026

btk

Sd/-

**(DR. B.R.R. KUMAR)
VICE-PRESIDENT**

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आदेश की प्रतिलिपि □ ग्रेषित/Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त (अपील)/ The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण ,/DR,ITAT, Surat,
6. गार्ड फाईल /Guard file.

आदेशानुसार/ **BY ORDER,**

TRUE COPY

सहायक पंजीकार (**Asstt. Registrar**)
आयकर अपीलीय अधिकरण
ITAT, Surat