

**IN THE INCOME TAX APPELLATE TRIBUNAL
"SMC" BENCH, AHMEDABAD**

**BEFORE DR. B.R.R. KUMAR, VICE-PRESIDENT
Ms SUCHITRA KMBLE, JUDICIAL MEMBER**

I.T.A. No.2025/Ahd/2025
(Assessment Year: 2019-20)

Imran Yunusbhai Malwat, 3 Al Hi Lal Society, Nr. Varis Nagar Society, Mohmmadi Park, Juhapura Ahmedabad-380055. [PAN :APXPM5032]	Vs.	The Income Tax Officer, Ward-4(1)(1), Ahmedabad.
(Appellant)	..	(Respondent)

Appellant by :	Shri Soheb Luhari, AR
Respondent by:	Shri Veerbadram Vislavath, Sr. DR
Date of Hearing	13.01.2026
Date of Pronouncement	18.02.2026

ORDER

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

This appeal is filed by the Assessee against the appellate order dated 12.08.2025 passed by the Commissioner of Income Tax (Exemption), Ahmedabad, relating to the Assessment Year 2019-20.

2. The solitary issue raised by the assessee in the present appeal is:

Disallowance of deduction claimed under Section 80GGC (donation to Rashtriya Samajwadi Party) and Section 80C of the Income-tax Act, 1961.

3. The brief facts of the case are that a search and seizure operation under section 132 of the Income-tax Act, 1961 was conducted on 07.09.2022 in the case of the RUPPs Group of Ahmedabad. During the search, it was found that a total of 23 Registered Unrecognized Political Parties (RUPPs), 35 intermediary entities, and 3 major exit providers were involved in a network allegedly facilitating bogus political donations for tax evasion purposes. Rashtriya Samajwadi Party (Secular) was one of the parties covered in the search action. The search was conducted after credible information was gathered indicating a modus operandi whereby donations were received by political parties through cheque/RTGS/NEFT, and the amounts were subsequently returned to the donors in cash or through layered banking channels after deduction of commission ranging from 3.5% to 5%. Documentary and digital evidence, including loose papers, diaries, WhatsApp chats, and statements of key persons, were seized during the search. The Assessing Officer disallowed the deduction claimed by the assessee under section 80GGC amounting to Rs. 2,00,000/- on the ground that the donation made to Rashtriya Samajwadi Party (Secular) was bogus and constituted an accommodation entry. The Assessing Officer also disallowed deduction under section 80C amounting to Rs. 2,219/-.

4. Aggrieved by the order of the Assessing Officer, the assessee carried the matter in appeal before the Ld.CIT(A), who dismissed the appeal of the assessee by observing as follows:

“...I have carefully considered the submissions of the appellant, the facts of the case, the materials available on record. The appellant filed his return of income declaring total income of Rs. 10,34,160/- and he claimed deduction

u/s 80GGC donation to Rashtriya Samajwadi Party of Rs.2,00,000/-. During the search and seizure action u/s 132 of the IT Act, 1961 conducted in the case of RUPPs group of Ahmedabad on 07.09.2022, it came to light that 23 registered unrecognized political parties, out of these 23 parties one is Party, had accepted accommodation entries in the guise of political donations from several individuals/entities, including the appellant. The search was conducted after credible evidence of a scam going on the form of donations to Political Parties for claiming bogus deduction u/s 80GGC/80GGB of the Act which are then re-routed back to the donors in cash/RTGS/NEFT, or other banking channels. It is undisputed fact that the appellant paid donation through banking channel only. But during the course of search proceedings, it was well established that on receipt of payment through banking channel, the concerned persons returns the said amount in cash after deducting the commission as admitted by the husband of president the political party.

6.2 During the statement proceedings, Shri Bishwajeet Singh, husband of Smt. Sandhya Singh, President of Rashtriya Samajwadi Party) who is the categorically admitted in his statement recorded on oath u/s 132(4) dated 07.09.2022, that the party is involved in providing accommodation entry. He admitted that the donations coming to the bank accounts of the party are returned in cash to the original donors after deducting commission. He admitted that the modus-operandi followed from the receipt of donation received from the donors till the cash returned back to the donor/beneficiary. He further stated that a commission amount of 2% to 3% is deducted and rest is to the donor in cash. It is held by the Hon'ble ITAT Rajkot in the case of Shri Milind Pankajbhai Shroff; that when there is a fraud, then the details and documents submitted by the assessee, before the assessing officer, during the assessment proceedings, do not assist the assessee in any manner, that is, the assessee cannot take the plea that he has submitted enough documents and details before the assessing officer and assessing officer has taken the plausible view. For that reliance can be placed on the judgment of the Coordinate Bench of ITAT Pune, in the case of Abhishek Ashok Lohade in Coordinate Bench of ITAT Pune, are reproduced below:

"There is yet one more reason as to why we are inclined to confirm the addition made by Assessing Officer, in view of the well settled principle of law that fraud vitiates everything and even principle of natural justice has no application and such transaction is void ab initio. The Hon'ble Supreme Court in the case of Friends Trading Co. vs. Union of India in Civil Appeal No.5608 of 2011 vide order dated 23.09.2022 held in the context of avilment of alleged forged DEPB under the Customs Act wherein, it was found DEPB licenses were forged and it was held that the exemption benefit availed on such forged DEPB are void ab initio on the principle that fraud

vitiate everything and the period of limitation was held to have no application and the Department was held to be justified in invoking the extended period of limitation and the fact that whether the beneficiary had no knowledge of about the fraud/forged and fake DEPB licenses have no bearing the imposition of custom duty. The ratio of judgement is squarely applicable to the transaction under consideration before us.

6.3 In the present case, in light of the clear confession by the President of the political party and the inability of the appellant to prove that the donation was genuine and applied for political purposes, I find that the AO was justified in disallowing the deduction under Section 80GGC for the reasons discussed in the assessment order in detailed.

7. In the result, the appeal of the appellant is dismissed.

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

6. Further careful consideration of the grounds of appeal, it is noted that the identical issue was considered by Co-ordinate Bench of this Tribunal in ITA No. 1017/Ahd/2023 vide order dated 30-04-2025 on donation made to political parties u/s. 80GGC of the Act wherein it was held as follows:

“4. Aggrieved against the assessment order, assessee filed an appeal before Ld. CIT(A). After considering the Tribunal’s decision, confirmed the disallowance made by the Assessing Officer by observing as follows:

“While adjudicating the instant case by the undersigned, the eye-opening facts came in notice in the case of Pavan Anil Bakeri vs. Deputy Commissioner of Income-tax adjudicated by the Hon'ble ITAT, Ahmedabad Bench which changed the course of the case to a whole new direction In the above case the Hon'ble ITAT held that where assessee made donation to a political party and claimed deduction under section 80GGC, since Assessing Officer found that bank accounts of above political party had been used by accommodation entry provider where donation received by cheques were layered though various bank accounts and ultimately cash was returned back, donation claimed under section 80GGC was merely

accommodation entry and thus, disallowance of deduction under section 80GGC was proper. The sequence of events in the above case are "The assessee paid donation of Rs 52,00,000/- to Rashtriya Samajwadi Party (Secular) To verify the genuineness and utilization purpose of the donation, a notice u/s 133(6) was issued on 5-10-2018 to Rashtriya Samajwadi Party (RSP) There was no representation from RSP Therefore another opportunity was granted vide letter dated 16-10-2018 Again there was no response from RSP. Therefore a summon u/s 131(1) of the Act was issued to Shri S.N. Chaturvedi, National President, RSP to attend the office on 19-11-2018 to produce the requisite the donation details. No one attended the office of the said date of hearing.

21 RSP is a political party registered with Election Commission of India. The Assessing Officer called for the bank details of RSP with Oriental Bank of Commerce, New Naroda Branch. From the perusal of the bank statement, it was observed there was a credit entry of Rs. 52,00,000/- on 07-10-2015 which is donation given by the assessee and there was two debit entries amounting to Rs. 27,00,000/- and Rs 25,00,000/- respectively on the same day On further enquiry from the Oriental Bank of Commerce the amount of Rs. 27,00,000/- credited to Sterlite Inc and Rs 25,00,000/- credited to Shah And Co. on 7-10-2015.

2.2. On examination of the RSP bank statement, it was found that it is a general practice of crediting huge cash and subsequently transferring to another party on same day. Further analysis of the transaction particulars reveals that the cash was transferred to mainly four parties namely Guru Enterprise, Unique Trading, Mahavaisnavi and KK Indersriz. It was also observed that no cash withdrawal for expenses like rent, electricity, water, newspaper, fuel etc of RSP and is not reflecting in the bank account. There is an Inspector of Income-tax was deputed to visit the premises of RSP at UG-8. Harekrishna Complex, C.TM Char Rasta, Amraiwadi, Ahmedabad-380026 on 15-11-2018 The Inspector submitted his report that RSP office situated on 2nd Floor of 3 storey building which is a small shop and shutter of which was half closed on that day. Nearby peoples were inquired that RSP Office which is found to be closed in most of the times. Copy of the said RSP Office photographs is reproduced in the assessment order. Further perusal of the records of RSP it is observed that during the assessment year 2016-17, RSP has received only donation amounting to Rs. 14,73,309/- whereas as per the bank account statement of the RSP in Oriental Bank of Commerce, total amount credited is Rs. 38,15,03,885/- That apart from RSP is maintaining two other bank

account one at Bank of India and another of Central Bank of India. Further enquiry of Mis. Sterlite Inc and Shah And Co both the accounts were closed on 30-3-2016. An enquiry by the Bank both the proprietorship firms, where there is no stocks found and the office premises were being occupied by another person.

2.3 On further verification the donation amount of Rs. 52,00,000/- paid by the assessee to RSP was transferred to Waheguru Enterprise and Sapan Traders on 7-10-2015 of Rs. 25,00 000/- and Rs. 27,00,000/- respectively. This systematic pattern of transferring the funds credited by RSP clearly establishes the modus operandi of the account opening i.e. to route or transfer the funds of RSP back to the donator. Thus the assessee gave Rs. 52,00,000/- to RSP in the form of donation which was transferred to accounts of Shri Mukesh Mehta who claimed to be a businessman. Again the said amount was transferred to Sapan Traders and Waheguru Enterprise. Thus the donation claimed to be paid by the assessee is found to be bogus and the same is disallowed u/s. 80GGC of the Act and added back to the total income of the assessee and also initiated penalty proceedings u/s. 271(1)(c) of the Act for concealment of income."

On further appeal Ld. CIT (A) observed in the case "The Assessing Officer has clearly brought out facts that bank accounts of above political party have been used by the accommodation entry provider where the donation received by cheques were layered through various bank accounts and ultimately cash was returned back. I therefore, agree with the findings given by the AO that donation of Rs. 52,00,000/- claimed u/s. 80GGC is merely accommodation entry. The Honorable ITAT Ahmedabad in the case of Pavankumar M. Sanghvi v. ITO, Wd. 3(1)(2), Baroda [2017] 81 taxmann.com 308 on the issue of accommodation entry has observed as under-

"8. As I proceed to deal with genuineness aspect, it is important to bear in mind the fact that what is genuine and what is not genuine is a matter of perception based on facts of the case vis-a-vis the ground realities. The facts of the case cannot be considered in isolation with the ground realities. It will, therefore, be useful to understand as to how the shell entries, which the loan creditors are alleged to be, typically function, and then compare these characteristics with the facts of the case and in the light of well settled legal principles. A shell entity is generally an entity without any significant trading, manufacturing or service activity, or with high volume low margin transactions to give it colour of a normal business entity used as a vehicle for various financial

manoeuvres. A shell entity, by itself, it not an illegal entity but it is their act of abatement, of, and being part of financial manoeuvring to legitimize illicit monies and evade taxes, that takes it actions beyond what is legally permissible These entities have every semblance of a genuine business its legal ownership by persons in existence, statutory documentation as necessary for a legitimate business and a documentation trail as a legitimate transaction would normally follow. The only thing which sets its apart from a genuine business entity is lack of genuineness in its actual operations. The operations camed out by these entities, are only to facilitate financial manoeuvring for the benefit of its clients, or with that predominant underlying objective, to give the colour of genuineness to these entities. These shell entities, which are routinely used to launder unaccounted monies, are a fact of life, and as much a part of the underbelly of the financial world, as many other evils. Even a layman, much less a Member of this specialized Tribunal, cannot be oblivious of these ground realities."

In the aforesaid case, the Hon'ble ITAT bench held "As regarding ground no. 2, donation of Rs. 52,00,000/- made u/s. 80GGC, the ground is general in nature. The assessee has not produced any additional evidence in support of its claim. In fact the assessee had stated that it had cordial relationship with Mr. Kamlendu Tripathi Secretary of RSP and no other criteria was followed for making these donations. The Ld AO made a detailed enquiry of RSP and its Bank accounts and transfer of funds to one Shri Mukesh Mehta proprietor of two firms and he transferred it to Waheguru Enterprise and Sapan Traders, which is clearly a systematic financial maneuver to legitimate illicit moneys and evade taxes. It is appropriate to follow the Hon'ble Supreme Court judgment, wherein SLP filed by the assessee is dismissed confirming the Tribunal's decision to come to the conclusion that the entire loan transaction was not genuine, in the case of Pavankumar M. Sanghvi v. ITO [2018] 97 taxmann.com 398/258 Taxman 160 (SC) which held as follows:

Assessee received certain sum as loan from two companies - Assessing Officer having found that said lender companies were shell entities added loan amount to income of assessee under section 68-Bank statement of lender companies revealed high transactions during day and a consistently minimal balance at end of working day-Further day when assessee was given loan there were credil entries of almost

similar amounts, and balance after these transactions was a small amount Tribunal taking into account bank statements of lender companies and fact that assessee failed to produce these lenders for verification held that alleged loan transactions were not genuine -High Court by impugned order held that since Tribunal had given elaborate reasons to come to conclusion that entire loan transaction was not genuine, appeal filed before it was to be dismissed Whether Special Leave Petition against impugned order was to be dismissed.

5.2 In the absence of any evidence from the assessee, the grounds raised by the assessee are untenable and therefore the same is rejected. The findings given by the lower authorities does not require any interference and the addition is sustained.

It is pertinent to mention here that out of two political parties to whom the appellant paid total donation of Rs. 1,13,51,000/- the modus operandi of the one political party named the Rashtriya Samajwadi Party (Secular) has already been discussed in details in the preceding paragraphs of the instant order. It can be safely presumed that the modus operandi of other political party named Kisan party of India is also indulging only in providing accommodation entry as can be ascertained from various newspaper reports and enquiries which is being conducted by various institutions.

In view of the findings in the above case I am inclined to agree with the decision made by the AO during the assessment proceedings regarding the donation made was basically a bogus donation as the Political Party is indulging only in providing accommodation entry. Thus in view of the above discussion, the submission made by the appellant regarding the claim of deduction for donation of Rs. 1.13.51,000/- to be allowed is not acceptable as already discussed in detail in the preceding Paras of the instant order. Therefore, the ground of appeal stands dismissed."

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

1. The learned National Faceless Appeal Centre has erred in law and facts by confirming the disallowance of claim for deduction under section 80GGC of the Act of Rs.1,13,51,000/- made by the learned A.O. and therefore the learned A.O. be directed to allow the same while computing total income.

2. That the appellant craves liberty to add, amend and alter any ground of appeal before the final hearing.

6. Ld. Counsel appearing for the assessee filed same set of documents filed before the Assessing Officer and reiterated its submissions. Nothing new documents or evidences filed before us to deviate from the findings of the Lower Authorities. The Ld AO has clearly brought out facts that bank accounts of above political parties have been used by the accommodation entry provider, where the donation received by cheques were layered through various bank accounts and ultimately cash was returned back. The same is not disputed by the assessee with relevant materials. Further the Ld AO made a detailed enquiry of RSP and its Bank accounts and transfer of funds to one Shri Mukesh Mehta proprietor of two firms and he transferred it to Waheguru Enterprise and Sapan Traders, which is clearly a systematic financial maneuver to legitimate illicit moneys and evade taxes. In the absence of any fresh materials in support of the assessee's claim. The Grounds raised by the assessee is devoid of merits and liable to be dismissed."

7. Respectfully following the above decision of the Co-ordinate Bench, the grounds raised by the assessee are devoid of merits and the same are hereby dismissed.

8. With regard to the section 80C of Rs.2,219/- since the total deduction have crossed the admissible limit Rs.1,50,000/-, we affirmed the order of the Ld. CIT(A).

9. In the result, the appeal filed by the assessee is dismissed.

The order is pronounced in the open Court on 18.02.2026.

**Sd/-
(SUCHITRA KAMBLE)
JUDICIAL MEMBER**

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

Ahmedabad; Dated (True Copy)
18.02.2026

MV

आदेश की प्रतिलिपि अग्रेषित / 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, अहमदाबाद / DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

सहायक पंजीकार (Dy./Asstt. Registrar)
आयकर अपीलीय अधिकरण, अहमदाबाद / ITAT, Ahmedabad