आयकर अपीलीय अधिकरण, हैदराबाद पीठ
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'B' Bench, Hyderabad

BEFORE SHRI VIJAY PAL RAO, VICE PRESIDENT
AND
SHRI MANJUNATHA G. ACCOUNTANT MEMBER

आ.अपी.सं /**ITA No.1225/Hyd./2024**
Assessment Year 2010-2011

Meena Jewels and Pearls, Hyderabad. Telangana. PAN AAMFM8114F	vs.	The ACIT, Circle-5(1), Hyderabad.
(Appellant)		(Respondent)

निर्धारिती द्वारा /Assessee by:	CA P Murali Mohan Rao
राजस्व द्वारा /Revenue by:	Dr. Sachin Kumar, Sr. AR

सुनवाई की तारीख/Date of hearing:	21.01.2026
घोषणा की तारीख/Pronouncement:	25.02.2026

आदेश/ORDER

PER VIJAY PAL RAO, V.P. :

This appeal by the assessee is directed against the Order dated 24.09.2024 of the learned CIT(A)-National Faceless Appeal Centre [in short "NFAC], Delhi, for the assessment year 2010-2011.

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

1. *"The order of the Ld. CIT(A) is erroneous both on facts and in law.*
2. *The Ld. CIT (A) erred in dismissing the appeal without appreciating the facts of the case.*
3. *The Ld. CIT (A) erred in confirming the addition made merely on the ground that the appellant has not provided any additional evidence to counter the reasons pointed out by the AO.*
4. *The Ld. CIT(A) ought to have appreciated that the reopening of assessment by the AO is on change of opinion only.*
5. *The Ld. CIT(A) ought to have appreciated that mere reason to suspect by the A.O cannot be equated to reason to believe that income has escaped assessment.*
6. *The Ld. CIT (A) erred in confirming the addition of Rs.58,15,000/- made towards bogus purchases which is based on presumptions & surmises and is not based on any corroborative evidence.*
7. *The Ld. CIT (A) ought to have appreciated the fact that the addition was made by the A.O merely based on the survey conducted in the case of Rajendra Jain Group and that the AO has not conducted any independent enquiries.*
8. *The CIT (A) ought to have appreciated the fact that the appellant company has already submitted original purchase invoices, stock registers and bank statements before the AO for verification in support of the impugned purchases.*
9. *The Ld. CIT (A) ought to have appreciated the fact that all the payments made towards purchases, are through banking channels and that the purchases are genuine."*

3. Ground nos.1, 2 and 3 are general in nature and does not require any specific adjudication.

4. Ground nos.4 and 9 raise two issues viz., (i) the validity of the reopening of the assessment and merits of the addition made by Assessing Officer on account of bogus purchases.

5. The learned Authorised Representative of the Assessee has submitted that this is the second round of reopening of the assessment as earlier the assessment was completed u/sec.143(3) r.w.s.147 of the Income Tax Act **[**in short "the Act"**]**, 1961 on 04.04.2012. The learned Authorised Representative of the Assessee has further submitted that the Assessing Officer has reopened the assessment second time by issuing notice u/sec.148 dated 28.03.2017 which is beyond 04 years from the end of the relevant assessment year under consideration, therefore, the reopening of the assessment is not valid when there is no failure on part of the assessee to disclose fully and truly all the material facts necessary for the assessment. Thus, the learned Authorised Representative of the Assessee has submitted that the reopening of the assessment is not valid as hit by the proviso to sec.147 of the Act. He has referred to the return of income

filed by the assessee for the year under consideration disclosing all the relevant facts relating to the purchases, sales of the assessee. He has submitted that the assessee filed Form-3CB and Form-3CD along with the return of income and therefore, the books of accounts of the assessee were duly audited and the Assessing Officer while passing the re-assessment order u/sec.143(3) r.w.s.147 of the Act on 04.04.2012 has duly verified and examined the return of income as well as the other record. The learned Authorised Representative of the Assessee then referred copy of the purchase details from Kriya Impex Pvt. Ltd., **[**in short "KIPL"**]** during the year under consideration along with the invoices issued by the KIPL. He has also given the statement of sales in the books of KIPL which are along with the sales, invoices and submitted that all these relevant records were available before the Assessing Officer at the time of passing the first re-assessment order. The learned Authorised Representative of the Assessee has also referred to the bank statement and submitted that all the payments were made by the assessee for the purchases made3 from KIPL duly reflected in the bank

account with the State Bank of India **[**in short “SBI”**]**. He has also referred to the VAT return filed by the assessee and submitted that the Commercial Tax Department/Sales Tax Department has accepted the sales made by the assessee of the purchases made from KIPL. Thus, the learned Authorised Representative of the Assessee has submitted that once the Assessing Officer has accepted the turnover of the assessee, then, the corresponding purchases made by the assessee cannot be doubted and reason for reopening of the assessment beyond 04 years from the end of the assessment year under consideration. In support of his contention, he has relied upon the following decisions:

i. CIT vs. Kelvinator of India Ltd., [2010] 320 ITR 561 (SC)
ii. DCIT vs. Bajaj Allianz Life Insurance Company Ltd., [2021] 125 taxmann.com 71 (SC)
iii. PCIT vs. Farmson Pharmaceuticals Gujarat (P.) Ltd., [2025] 473 ITR 639 (Gujarat-HC)

5.1. He has also referred to the decisions of this Tribunal dated 25.05.2018 for the assessment year 2013-2014 in ITA.No.2016/Hyd./2017 in assessee’s own case whereby the Tribunal has observed that the Assessing Officer has made the addition without verifying the genuineness of

the sales and solely depending upon the statement of Sri Rajendra Jain instead of verifying the genuineness of the sales. Thus, the learned Authorised Representative of the Assessee has submitted that the reopening based on the suspicion is not sustainable in law and it is also a change of opinion when the Assessing Officer has already completed the re-assessment in the case of the assessee.

6. On the other hand, the learned DR has submitted that the assessee did not submit the complete details and account statement regarding purchases made from KIPL as there was no opening and closing balance in the details filed by the assessee. Further in the books of KIPL the sales to the assessee is shown at Rs.73,15,000/- whereas the assessee is claiming purchases of Rs.58,15,000/-. The discrepancy has not been explained by the assessee. Thus, it shows that the assessee did not submit the correct particulars of purchases made by the assessee and therefore, there is a failure on the part of the assessee to disclose fully and truly all the relevant facts necessary for the assessment. He has further submitted that as per the information received from the O/o. DCIT,

Central, Surat, the total sale transactions by KIPL to the assessee during the financial year relevant to the assessment year under consideration is at Rs.1,68,15,000/- and the real value of the said transaction is Rs.1,10,00,000/- only. Accordingly, the difference of Rs.58,15,000/- is only an accommodation entry obtained by the assessee which is in the nature of bogus purchases. Thus, the learned DR has submitted that the Assessing Officer has rightly reopened the assessment to assess the income escaped assessment on account of bogus purchases made by the assessee from KIPL. In support of his contention, he has relied upon the Judgment of Hon'ble Supreme Court in the case of **Raymond Woollen Mills Ltd., [1999] 236 ITR 34 (SC)** and submitted that at the time of issuing the notice u/sec.148 the Assessing Officer has to see whether there was *prima facie* some material on the basis of which the department could reopen the case and sufficiency or correctness to the material was not a thing to be considered at this stage. The learned DR has also relied upon the following decisions:

i. Yogendrakumar Gupta v. ITO [2014] 51 taxmann.com 383 (SC);

ii. Amit Polyprints (P.) Ltd. [2018] 94 taxmann.com 393 (Gujarat-HC);

iii. Home Finders Housing Ltd. [2018] 94 taxmann.com 84 (SC);

iv. Abhishek Jain Vs. ITO [2018] 94 taxmann.com 355 (Delhi);

v. Venky Steels (P.) Ltd. Vs CIT-II [2025] 173 taxmann.com 658 (SC);

vi. Ankit Agrochem (P.) Ltd. [2018] 89 taxmann.com 45 (Rajasthan-HC);

vii. Sonia Goel vs. ITO, Ward-21(1), New Delhi ITA No.703/2017, Dated. 28.08.2017 of Delhi High Court.

7. We have considered the rival submissions as well as the relevant material on record. There is no dispute that earlier the case of the assessee was reopened and re-assessment u/sec.143(3) r.w.s.147 of the Act was completed vide order dated 04.04.2012 whereby the Assessing Officer had assessed the total income of the assessee at

Rs.13,25,780/- as against the returned income of Rs.12,82,280/-. Thereafter, the Assessing Officer again reopened the assessment by issuing notice u/sec.148 of the Act on 28.03.2017 which is beyond 04 years from the end of the assessment year under consideration. The Assessing Officer has given the reasons in Para nos.5 and 6 of the assessment order for reopening of the assessment which reads as under:

> *"5. Information was received from O/o DCIT, Central Circle 4, Surat stating that a Search and Seizure operation was conducted u/s 132 of the Income Tax Act, 1961 on 03.10.2013 by the DGIT(Inv.) Mumbai, in the case of Shri Rajendra Jain, Shri Sanjay Choudhary and Shri Dharmichand Jain who are some of the entry providers operating in Mumbai, indulging in providing accommodation entries in the nature of bogus sales and unsecured loans. During the course of the Post Search scruting assessment Proceedings in these group cases, the list of the beneficiaries who have benefited from the entries obtained from these groups have been identified. As per the information available on record, the assessee firm is one of the beneficiaries for the accommodation entries in the nature of bogus Purchases during the financial year 2009-10 relevant to the Assessment Year 2010-11 to the tune of Rs.58,15,000/- from Shri Rajendra Jain group. Several incriminating documentary evidences were seized in the proceedings, which conclusively proved that the associated companies/persons of the above group through a web of concerns*

run and operated by them, are engaged in providing accommodation entries in the nature of bogus unsecured loans and bogus sales. On verification of the details, it is found that during the Financial Year 2009-10 relevant to the Asst. year 2010-11, the assessee benefitted from the following accommodation entries in the nature of bogus purchases, the details of which are as under.

S.No.	PAN	Name of the Company	Beneficiary Name and Address	Total Value of Transaction	Real Value of Transaction
1.	AADCK1926B	Kriya Impex Pvt. Ltd.,	Meena Jewels & Pearls, Shop No.63, Babukhan estate, Basheer Bagh, Hyderabad – 500001	1,68,15,000/-	1,10,00,000/-

6. Further, perusal of the information revealed that the company Kriya Impex Private Limited bearing PAN AADCK1926B is operated and managed by Shri. Rajendra Jain Group during the Financial Year relevant to the assessment Year 2010-11. Statements recorded under oath from the key persons of Shri Rajendra Jain Group also confirm that the above concern was controlled and managed by them, which is not doing any real trading in diamonds but indulged in paper Transactions only."

7.1. Thus, based on the information received from the DDIT, Surat and particularly the statement of Sri Rajendra Jain the Assessing Officer has reopened the assessment to assess, re-assess the income on account of accommodation entries/bogus purchases made by the assessee from KIPL.

Thus, it is clear that the Assessing Officer has proceeded on the basis of the said information which shows that the total value of the transaction of purchases made by the assessee from KIPL is Rs.1,68,15,000/- whereas the real value of the transaction as per the said information is Rs.1,10,00,000/- and therefore, the differential amount of Rs.58,15,000/- was proposed to be assessed to tax by the Assessing Officer. In the said information *prima facie* it appears that the value of purchases made by the assessee was inflated and not a case of bogus purchases. The record available with the Assessing Officer did not reveal the specific transaction of purchases as accommodation entries and bogus purchases made by the assessee from KIPL but it shows that the total purchases made by the assessee is inflated by Rs.58,15,000/-. There is no dispute that all the details of purchases made by the assessee during the year were available before the Assessing Officer at the time of first re-assessment order passed u/sec.143(3) r.w.s.147 of the Act dated 04.04.2012 and the Assessing Officer has not doubted the correctness of the purchases particularly, the purchases made from KIPL.

Therefore, there is no failure on the part of the assessee to furnish the relevant facts and record necessary for the assessment or to disclose fully and truly all the relevant facts necessary for the assessment. Therefore, as per the proviso to sec.147 as existed at the relevant point of time no action shall be taken u/sec.147 of the Act after expiry of 04 years from the end of the relevant assessment year unless any income chargeable to tax has escaped assessment by the reason of failure on the part of the assessee to disclose fully and truly all the material facts necessary for the assessment. It is not a case of the Assessing Officer that the assessee did not disclose the purchases made from KIPL but the Assessing Officer has reopened the assessment on the ground that there is an inflated claim of purchases and that too based on the information received from the DDIT, Surat and the statement of Sri Rajendra Jain. Thus, except the information received from the DDIT, Surat, the Assessing Officer was not having any material to show that the purchases as disclosed by the assessee along with the supporting evidence as well as all the connected transactions of payment made by the assessee

through banking channel are bogus. Therefore, it is a case of reopening of the assessment only on the suspicion of some inflated purchases and not an absolute case of bogus purchases/accommodation entries. The addition made by the Assessing Officer for the assessment year 2013-2014 on the basis of the same report of the DDIT, Surat has been considered by this Tribunal vide order dated 25.05.2018 in ITA.No.2016/Hyd./2017 in Para no.5 as under:

> *"5. Having regard to the rival contentions and the material on record, we find that the assessee has made the payments to the parties through banking channels and therefore, the party was rightly identified. Further, the assessee has made the sales of these items and offered the income therefrom to tax. Once the Department accepts the sale, it cannot disallow the corresponding purchases. When all the documents were on the file of the AO, he ought to have verified the genuineness of the sale instead of depending solely on the statement of the Rajendra Jain Group. In view of the same, we deem it fit and proper to remit the issue to the file of the AO for verification of the documents filed by the assessee and if it is found that the payment has been made by the assessee through banking channels and the purchases and sales have also been recorded in the books and the net profit has been offered to tax, then there cannot be any disallowance of the purchases."*

7.2. Thus, the Tribunal noted that the addition made by the Assessing Officer without conducting an independent enquiry and based solely on the statement of Sri Rajendra Jain group is not sustainable and justified. Though in the said case it was a regular assessment u/sec.143(3) and not the case of reopening therefore, the Tribunal found it proper to remand the matter for making a proper enquiry and verification of the documents filed by the assessee. We further note that the Chandigarh Bench of this Tribunal in the case of M/s. Talwar Jewellers, Chandigarh vs. ACIT, Central Circle-II, Chandigarh in ITA.Nos.1178 and 1179/CHD./2019 vide Order dated 11.01.2023 as relied upon by the learned Authorised Representative of the Assessee has considered the issue of addition made by the Assessing Officer on account of purchases made from the KIPL and based on the statement of Sri Rajendra Jain in Para nos.7 to 11 as under:

> *"7. We have heard the rival contentions and perused the material available on record. During the course of reassessment proceedings, the assessee has submitted before the AO that purchases from M/s Kriya Impex Pvt Ltd have been duly recorded in the books of accounts and forming part of its closing inventory and in support, necessary documentation in terms of copy of bill*

dated 6/04/2009 containing the name and address of Kriya Impex Pvt Ltd at Surat and its GST and PAN has been submitted indicating description of goods as cut and polished diamonds weighing 22.80 CTS valued at Rs 10.14,600/- and on perusal of bill, it is noted that the delivery of diamonds has been made by Mr Rajat Chadha on behalf of M/s Kriya Impex Pvt Ltd at Chandigarh. Further, the assessee has submitted copy of the Purchase Register for the period 1-04.2009 to 30-04.2009 wherein these purchases were duly recorded in the books of account vide voucher number 10031 dated 16.04.2009 and copy of the Stock Register for the period 15.04.2009 to 16.04.2009 showing physical receipts of diamonds and recording thereof as part of inventory in the books of accounts. Further, copy of the bank statement for the period 1.07.2009 to 31.07.2009 has been submitted evidencing the payment towards these purchases to M/s Kriya Impex through cheques bearing No. 098742 and 098743 dated 14.07.2009 and 28.07.2009 for Rs.5,14,600/- and Rs. 5 lacs respectively. We therefore find that the assessee has duly explained and substantiated the nature and source of purchase of these diamonds as duly recorded in the books of accounts and shown as part of its closing stock as on the close of the financial year and has thus duly discharged the initial onus cast on it.

8. Now, coming to the reasoning adopted by the Assessing officer, as also reiterated by the Id DR during the course of hearing, we find that the Assessing officer has accepted the fact that these documentation have been submitted by the assessee in support of the purchases and forming part of assessee's stock and payments being made fowards such purchases through banking channel, and as duly recorded in the books of accounts of the assessee as well as the fact that these transactions have been recorded in the books of M/s Kriya Impex Pvt Ltd but at the same time, has failed

to consider the same questioning their genuineness heavily relying upon the statement of Shri Rajender Jain and basis his statement has held that since the assessee was one of the beneficiaries of the accommodation entries provided by him through M/s Kriya Impex Pvt Ltd. the purchases from M/s Kriya Impex Pvt. Ltd were bogus in nature. In this regard, we find that the assessee has submitted before the Assessing officer, as evident from the written submissions dated 17.08.2015 reproduced in the reassessment order, that the search was conducted on Shri Rajendra Jain on 3/10/2013 whereas the impugned transaction is dated 6/04/2009. It was submitted that the statement of Shri Rajendra Jain has been recorded at the back of the assessee. is a vague statement without any supporting evidence and the assessee be allowed an opportunity to cross-examine Shri Rajendra Jain whose statement is being relied upon. The Assessing officer has however stated that Shri Rajendra Jain was the director of M/s Kriya Impex Pvt Ltd in whose books the name of the assessee has been found, the statement of Shri Rajendra Jain has been recorded on oath u/s 132(4) where he confessed that he is an entry provider and such statement has an evidentiary value and no opportunity to cross-examine Shri Rajendra Jain was thus provided to the assessee.

9. There is no dispute on the legal proposition that statement recorded on oath u/s 132(4) do carry an evidentiary value against the person whose statement has been recorded. Where however, such a statement is used against any other party, it is equally a settled legal proposition that before such a statement and contents thereof are relied upon, the assessee be allowed an opportunity to cross-examine such person especially where a request has been made in this regard and we find that no such opportunity of cross examination has been provided to the assessee. Even the Id CIT(A) has summarily upheld the findings of the AQ and has not

addressed the said contention raised before him. Such an action on part of the AO and Id CIT(A) cannot be sustained in eyes of law. In this regard, useful reference can be drawn to the decision of Hon'ble Supreme Court in case of Andaman Timber Industries (supra) and following the same, the decision of the Coordinate Delhi Benches in case of Bhatia Diamonds Pvt ltd (supra) wherein the relevant findings read as under:

> *"5.1. Keeping in view of the aforesaid discussions. I am of the considered view that assessee has considerable cogency that addition was made on the basis of statement of Sh. Rajendra Jain, but the assessee was not granted the opportunity to cross examine Sh. Rajendra Jain which ground was also raised before the Ld. CITIA). who did not adjudicate the same, which is against the settled law. I note that exactly on the similar facts and circumstances the ITAT, SMC. Delhi Bench vide its order dated 06.11.2018 passed in ITA No. 3510/Del/2018 (AY 2014-15) in the case of Smt. Jyoti Gupta vs. ITO wherein, the SMC Bench has considered the statement of Vikrant Kayan and has held that since the impugned addition was made on the statement of Sh. Vikrant Kayan without providing any opportunity to the assessee to cross examine the same, which is in violation of principle of natural justice and against the law laid down by the Hon'ble Supreme Court of India in the case of Andaman Timber vs. CIT decided in Civil Appeal No. 4228 of 2006. For the sake of convenience. I am reproducing the relevant portion of the ITAT, SMC, Delhi Bench vide its order dated 06.11.2018 passed in ITA No. 3510/Del/2018 (AY 2014-15) in the case of Smt. Jyoti Gupta vs. ITO as under-*

"13. Merely on the strength of statement of third party i.e.. Shri Vikrant Kayan cannot justify the impugned additions. Moreso, when specific request was made by the assessee for allowing cross examination was denied by the Assessing Officer. The first appellate authority also did not consider it fit to allow cross-examination. This is in gross violation of the principles of natural justice and against the ratio laid down by the Hon'ble Supreme Court in the case of Andaman Timber Vs. CIT Civil Appeal No.4228 OF 2006 wherein it has been held as under:

"According to us, not allowing the assessee to cross-examine the witnesses by the Adjudicating Authority though the statements of those witnesses were made the basis of the impugned order is a serious flaw which makes the order nullity inasmuch as it amounted to violation of principles of natural justice because of which the assessee was adversely affected, it is to be borne in mind that the order of the Commissioner was based upon the statements given by the aforesaid two witnesses. Even when the assessee disputed the correctness of the statements and wanted to cross-examine, the Adjudicating Authority did not grant this opportunity to the assessee. It would be pertinent to note that in the impugned order passed by the Adjudicating Authority he has specifically mentioned that such an opportunity was sought by the assessee. However, no such opportunity was granted and the aforesaid plea is not even dealt with by the Adjudicating Authority. As far as the Tribunal is concerned, we find that

rejection of this plea is totally untenable. The Tribunal has simply stated that cross-examination of the said dealers could not have brought out any material which would not be in possession of the appellant themselves to explain as to why their ex-factory prices remain static. It was not for the Tribunal to have guess work as to for what purposes the appellant wanted to cross-examine those dealers and what extraction the appellant wanted from them. As mentioned above, the appellant had contested the truthfulness of the statements of these two witnesses and wanted to discredit their testimony for which purpose it wanted to avail the opportunity of cross-examination. That apart, the Adjudicating Authority simply relied upon the price list as maintained at the depot to determine the price for the purpose of levy of excise duty. Whether the goods were, in fact, sold to the said dealers/ witnesses at the price which is mentioned in the price list itself could be the subject matter of cross-examination. Therefore, it was not for the Adjudicating Authority to presuppose as to what could be the subject matter of the cross-examination and make the remarks as mentioned above. We may also point out that on an earlier occasion when the matter came before this Court in Civil Appeal No. 2216 of 2000. order dated 17.03.2005 was passed remitting the case back to the Tribunal with the directions to decide the appeal on merits giving its reasons for accepting or rejecting the submissions. In view the above, we are of the opinion that if the testimony of these two witnesses is discredited, there was no material with

> *the Department on the basis of which it could justify its action, as the statement of the aforesaid two witnesses was the only basis of issuing the Show Cause. We, thus, set aside the impugned order as passed by the Tribunal and allow this appeal."*
>
> *14. Considering the facts of the case in totality, I do not find any merit in the impugned additions. The findings of the CIT(A) are accordingly set aside. The Assessing Officer is directed to allow the claim of exemption u/s 10138) of the Act."*
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> *6. Keeping in view of the facts and circumstances of the present case and respectfully following the order of the Tribunal, SMC Bench, Delhi in the case of Smt. Jyoti Gupta vs. ITO (Supra) and in view of the law settled by the Hon'ble Supreme Court of India in the case of Andaman Timber vs. CIT (Supra), on identical facts and circumstances, the addition in dispute is deleted and the appeal of the assessee is allowed."*

10. In light of the aforesaid discussions, we are of the considered view that where the assessee has discharged the initial onus cast upon it and has submitted the necessary documentation in support of the purchases so made and such purchases are duly recorded in the books of accounts and forming part of the inventory and such books of accounts and closing inventory being duly accepted and no adverse finding recorded by the AO, mere reliance on statement of Mr Rajender Jain without allowing an opportunity of cross examination to the assessee, the purchases so made cannot be held as bogus. Further, we are intrigued by the fact that where the said purchases are equally forming part of inventory and closing stock as not disputed by the AO and in absence of any

> *finding that the purchases are made at an inflated value vis-à-vis comparable third party and/or the closing inventory has been shown at a lower value, how the same will lead to understatement of profit as so held by the AO which is not clear from the reassessment order.*
>
> *11. In light of aforesaid discussion and in the entirety of facts and circumstances, the addition of Rs 10,14,600/- so made by the AO and upheld by the Id CIT(A) is hereby directed to be deleted. Ground of appeal no. 4 of assessee's appeal is thus allowed."*

8. Thus, an identical issue of addition made by the Assessing Officer based on the statement of Sri Rajendra Jain in respect of the purchases made from KIPL was found to be not sustainable by the Chandigarh Benches of the Tribunal which also supports the case of the assessee on merits. Further, the Delhi Benches of the Tribunal in the case of Bhatia Diamonds Pvt. Ltd., New Delhi vs. ITO, Ward-4(4), New Delhi in ITA.No.2821/Del./2018 vide Order dated 05.04.2019 has again considered an identical issue based on the same set of facts and information and deleted the addition. The Coordinate Bench of this Tribunal in the case of M/s. H.S. Varma Gems and Jewells, Secunderabad vs. ITO, Ward-10(4), Hyderabad in ITA.Nos.1316 & 1317/Hyd./

2019 vide Order dated 22.01.2020 has against considered this issue of purchases made by the assessee from KIPL and held that the addition made by the Assessing Officer based on statement of Sri Rajendra Jain group is highly arbitrary. As regards the Judgments relied upon by the learned DR are concerned, there is no quarrel on the point that at the time of issuance of notice u/sec.148 of the Act, the Assessing Officer is not required to establish sufficiency and correctness of the material based on which the *prima facie* view is taken that income assessable to tax has escaped assessment. However, all these decisions are not on the point of reopening of the assessment after 04 years when the original assessment is completed u/sec.143(3) of the Act. Therefore, those decisions would not help the case of the Revenue in the facts of the present case. Accordingly, in the facts and circumstances of the case, when the assessee produced all the relevant facts and supporting evidence including the invoice, audit reports, payment made through banking channel and the confirmation/sales recorded by the supplier at the time of passing the first re-assessment order

u/sec.143(3) r.w.s 147 then, the reopening of the assessment after 04 years is not valid when there is no failure on the part of the assessee to disclose fully and truly all the relevant material facts necessary for assessment. It is pertinent to note that the claim of the assessee as purchases made from KIPL is based on the documentary evidence including the payment made through banking channel, then, even if the said claim is found to be suspicious, the reopening of the assessment would be hit by the proviso to sec.147 of the Act as existed at the relevant point of time. Hence, when the addition made by the Assessing Officer is otherwise not sustainable on merits, then, the reopening of the assessment as well as the addition on merit is not sustainable. Hence, we decide both the issues of validity of reopening of the assessment and addition made by the Assessing Officer in favour of the assessee and against the Revenue. In conclusion, we set aside the notice issued by the Assessing Officer u/sec.148 of the Act dated 28.03.2017 as well as delete the additions made on account of bogus purchases in question.

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

Order pronounced in the open Court on 25.02.2026.

Sd/-	Sd/-
[MANJUNATHA G.]	[VIJAY PAL RAO]
ACCOUNTANT MEMBER	VICE PRESIDENT

Hyderabad, Dated 25th February, 2026.

VBP

Copy to :

1.	Meena Jewels and Pearls, Hyderabad. C/o. P. Murali & Co. Chartered Accountants, 6-3-655/1/3, Somajiguda, Hyderabad - 500 082.Telangana.
2.	The ACIT, Circle-5(1), Hyderabad.
3.	The Pr. CIT, Hyderabad.
4.	The DR, ITAT, “B” Bench, Hyderabad.
5.	Guard file.

BY ORDER