

**IN THE INCOME TAX APPELLATE TRIBUNAL “B” BENCH, KOLKATA**

**SHRI RAJESH KUMAR, ACCOUNTANT MEMBER**

**PRADIP KUMAR CHOUBEY, JUDICIAL MEMBER**

**I.T.A. No. 1685/Kol/2024  
(Assessment Year 2011-2012)**

**Income Tax Officer,  
Ward-3(1), Kolkata,  
P-7, Chowringhee Square,  
4<sup>th</sup> Floor, Aayakar Bhawan,  
Kolkata – 700069**

..... **Appellant**

**vs.**

**A J Cast Alloys Private Limited,  
Balitikuri, Shibtolla,  
Howrah - 711113  
[PAN: AACCC10813Q]**

..... **Respondent**

**Appearances by:**

Assessee represented by : Amit Agarwal, Advocate

Department represented by : Pradip Kumar Biswas, Addl. CIT, Sr. DR

Date of concluding the hearing : 16.02.2026

Date of pronouncing the order : 06.03.2026

**ORDER**

**Per Rajesh Kumar, AM**

The present appeal filed by the revenue arises from order dated 01.03.2024 passed u/s 250 of the Income Tax Act, 1961 (hereafter “the Act”) by the Ld. Commissioner of Income Tax (Appeals) National Faceless Appeal Centre (NFAC), Delhi [hereafter “the Ld. CIT(A)].

2. At the outset, we observe from the appeal folder that the appeal of the revenue is barred by limitation by 161 days for which the condonation petition was filed. After perusing the contents of the application, we find that the delay is attributable to bonafide and genuine reasons. Therefore, we are inclined to condone the delay and admit the appeal for adjudication.

3. The issue raised by the Revenue is against the order of Ld.CIT(A) partly deleting the addition to the tune of Rs. 84,83,860/- as made by the AO of Rs. 89,30,379/- on account of bogus purchases. The assessee has also filed petition under Rule 27 of the Income Tax Appellate Tribunal Rules, 1963 challenging the reopening of assessment u/s 147 of the Act on the ground raised in Rule 27 which is extracted below:

*“1. That on the facts and in the circumstances of the case, the Leamed Assessing Officer has erred in law and on facts in reopening the assessment on the basis of reasons recorded in a vague, scanty, and non-specific manner, without mentioning the exact nature and complete details of the alleged transactions which were alleged to be bogus/accommodation entries, which allegedly resulted in escapement of income and thus the reopening is, therefore, bad in law, invalid, and liable to be quashed, being squarely covered by the decision in CIT v. Insecticides (India) Ltd. [(2013) 357 ITR 330 (Delhi)].*

4. Since, the assessee has raised the issue under Rule 27 on the ground not decided by the First Appellate Authority, therefore, we shall first adjudicate the issue raised under Rule 27 of the Income Tax Appellate Tribunal Rules, 1963.

5. The facts in the brief are that the assessee filed return of income on 29.09.2011 declaring total income of Rs. 12,63,430/- which was processed u/s 143(1) of the Act. Thereafter, the case of the assessee was reopened by the AO after receiving information from Investigation Wing following a search and seizure action u/s 132(1) of the Act on Sanjiw Kumar Singh a well known entry operator which revealed that the assessee is beneficiary accommodation entries in the form of bogus purchases. Accordingly, reasons were recorded that income has escaped assessment to the tune of Rs. 89,30,379/- on account of bogus purchases made from five parties as extracted by the AO at page No. 2 of the assessment order after recording reasons to believe. Notice u/s 148 of the Act was issued on 27.03.2018. The AO issued notices u/s 133(6), to all the suppliers however, some notices were returned unserved as not 'known/insufficient' address. Thereafter, the assessee was issued show cause notice and after rejecting

the evidences filed by the assessee, the amount was added to the income of the assessee u/s 69C of the Act as unexplained expenditure.

6. The Ld. CIT(A) partly affirm partly allowed the order of AO by sustaining the addition to the extent of 5% of the bogus sales.

7. After hearing the rival contention and perusing the material on record, we find that the assessee has challenged the reopening of assessment on the basis of reasons recorded which are vague, scanty and ambiguous and therefore, reopening is bad in law. For the sake of ready reference, reasons recorded are extracted below:

*“M/s A J CAST ALLOYS PRIVATE LIMITED (PAN; AACCA5368A ) filed its return of M/s AJ CAST ALLOYS PRIVATE LIMITED. (PAN AACCA5368A) income for A.Y. 2011-12 on 29/09/2011 with return income of Rs. 12,63,430/-. The case was not selected for scrutiny under CASS and the case was not assessed Ws 143(3) of the Act.*

*During a search & seizure operation u/s 132(1) of the Act, carried out in the office premises of Shri Sanjiw Kumar Singh, well-known entry operator, and his other related entities, on 31/03/2016, Shri Sanjiw Kumar Singh had accepted that he is an entry operator and he provided various bogus accommodation entries to various beneficiaries for commission through his shell companies/partnership firm and proprietorship concerns. Shri Sanjiw Kumar Singh also accepted that all the directors of these entities/companies are dummy directors appointed by him.*

*On perusal of the seized documents, it is seen that the assessee M/s AJ CAST ALLOYS PRIVATE LIMITED. (PAN- AACCA5368A), was provided accommodation entries by Shri Sanjiw Kumar Singh in the form of bogus billing, loans and advances by the entities controlled and managed by Shri Sanjiw Kumar Singh. During the F.Y.2010-11 relevant to the A.Y.2011-12, the assessee M/s A J CAST ALLOYS PRIVATE LIMITED. (PAN-AACCA5368A), has brought back its own unaccounted money through accommodation entries for the sum of Rs. 1,31,05,303/-*

*In view of the above, I have reason to believe that the assessee company M/s AJ CAST ALLOYS PRIVATE LIMITED. (PAN- AACCA5368A), has taken help of accommodation entries to bring back the sum of Rs. 1,31,05,303/- into the business during F.Y. 2010-11 relevant to AY 2011-12 which has escaped assessment within the meaning of section 147 of the I.T. Act, 1961.”*

8. A perusal of the above reasons we find that the AO has referred to the information received from the investigation wing and thereafter, noted that the assessee was provided accommodation entries in the form of bogus

billing, loans and advances by the entities controlled and managed by Sh. Sanjiw Kumar Singh. Thus, the assessee has brought back its own unaccounted money through accommodation entries amounting to Rs. 1,31,05,303/-. Thereafter, the AO noted that income has escaped assessment within the meaning of section 147 of the Act. We note that the AO has not mentioned as to how the accommodation entries were received by the assessee and from whom these entries were received. Besides the amount as mentioned in the reasons by the AO was Rs. 1,31,05,303/- whereas the cash sales to these 5 entities as mentioned in page no.2 of the assessment order were only Rs. 89,30,339/-. Therefore, we find merit in the contention of the assessee that the reasons are not recorded with correct facts and no details have given as to transactions by these 5 entities. Even amount mentioned was wrong therefore, the reasons recorded are vague, scanty and ambiguous. In our opinion the reopening made on the basis of said reasons is wrong and cannot be sustained. The issue is squarely covered by the decision of Hon'ble Delhi High Court in the case of CIT Vs. Insecticides (India) Ltd. [2013] 357 ITR 330 (Delhi) wherein the Hon'ble High Court has held as under:

*"7. We may point out at this juncture itself that the Tribunal did not go into the question of merits. It only examined the question of the validity of the proceedings under Section 147 of the said Act. The Tribunal, in essence, held that the purported reasons for reopening the assessments were entirely vague and devoid of any material. As such, on the available material, no reasonable person could have any reason to believe that income had escaped assessment. Consequently, the Tribunal held that the proceedings under Section 147 of the said Act were invalid.*

*8. The Tribunal gave detailed reasons for concluding that the proceedings under Section 147 were invalid. Instead of adding anything to the said reasons, we think it would be appropriate if the same are reproduced:-*

*"In the case at hand, as is seen from the reasons recorded by the AO, we find that the AO has merely stated that it has been informed by the Director of Income-tax (Inv.), New Delhi, vide letter dated 16.06.2006 that the above named company was involved in giving and taking bogus entries/transactions during the relevant year, which is actually unexplained income of the assessee company. The AO has further stated that the assessee company has failed to disclose fully and truly all material facts and source of these funds routed through bank account of the assessee company. In the reasons recorded, it is nowhere mentioned as to who had given bogus entries/transactions to the assessee or to whom the assessee had given bogus entries or transactions. It is also nowhere mentioned as to on*

*which dates and through which mode the bogus entries and transactions were made by the assessee. What was the information given by the Director of Income-tax (Inv.), New Delhi, vide letter dated 16.06.2006 has also not been mentioned. In other words, the contents of the letter dated 16.06.2006 of the Director of Income-tax (Inv.), New Delhi have not been given. The AO has vaguely referred to certain communications that he had received from the DIT(Inv.), New Delhi; the AO did not mention the facts mentioned in the said communication except that from the informations gathered by the DIT (Inv.), New Delhi that the assessee was involved in giving and taking accommodation entries only and represented unsecured money of the assessee company is actually unexplained income of the assessee company or that it has been informed by the Director of Income-tax (Inv.), New Delhi vide letter dated 16.06.2006 that the assessee company was involved in giving and taking bogus entries/transactions during the relevant financial year. The AO did not mention the details of transactions that represented unexplained income of the assessee company. The information on the basis of which the AO has initiated proceedings u/s 147 of the Act are undoubtedly vague and uncertain and cannot be construed to be sufficient and relevant material on the basis of which a reasonable person could have formed a belief that income had escaped assessment. In other words, the reasons recorded by the AO are totally vague, scanty and ambiguous. They are not clear and unambiguous but suffer from vagueness. The reasons recorded by the AO do not disclose the AO's mind as to what was the nature and amount of transaction or entries, which had been given or taken by the assessee in the relevant year. The reasons recorded by the AO also do not disclose his mind as to when and in what mode or way the bogus entries or transactions were given or taken by the assessee. From the reasons recorded, nobody can know what was the amount and nature of bogus entries or transactions given and taken by the assessee in the relevant year and with whom the transaction had taken place. As already noted above, it is well settled that only the reasons recorded by the AO for initiating proceedings u/s 147 of the Act are to be looked at or examined for sustaining or setting aside a notice issued u/s 148 of the Act. The reasons are required to be read as they were recorded by the AO. No substitution or deletion is permissible. No addition can be made to those reasons. Therefore, the details of entries or amount mentioned in the assessment order and in respect of which ultimate addition has been made by the AO, cannot be made a basis to say that the reasons recorded by the AO were with reference to those amounts mentioned in the assessment order. The reasons recorded by the AO are totally silent with regard to the amount and nature of bogus entries and transactions and the persons with whom the transactions had taken place. In this respect, we may rely upon the decision of Hon'ble jurisdictional Delhi High Court in the case of CIT v. Atul Jain [2000] 299 ITR 383, in which case the information relied upon by the AO for initiating proceedings u/s 147 of the Act did indicate the source of the capital gain and nobody knew which shares were transacted and with whom the transaction has taken place and in that case there were absolutely no details available and the information supplied was extremely scanty and vague and in that light of those facts, the Hon'ble Jurisdictional Delhi High Court held that initiation of proceedings u/s 147 of the Act by the AO was not valid and justified in the eyes of law. The recent decision of Hon'ble jurisdictional High Court of Delhi in the case of Signature Hotels (P.) Ltd. (supra) also supports the view we have taken above."*

9. We do not see any reason to differ with the view expressed by the Tribunal. No substantial question of law arises for our consideration. The appeals are dismissed. There shall be no order as to costs."

9. We therefore respectfully following the decision as discussed above quash the assessment framed by the AO. The ground raised in the Rule 27 is allowed. Since we have allowed the legal issue in favour of the assessee, the appeal of the revenue becomes infructuous and is dismissed.

10. In result, appeal of the Revenue is dismissed and ground as raised under Rule 27 is allowed.

Order pronounced on 06.03.2026

Sd/-  
**(Pradip Kumar Choubey)**  
**Judicial Member**

Sd/-  
**(Rajesh Kumar)**  
**Accountant Member**

Dated: 06.03.2026  
AK, Sr. PS

*Copy of the order forwarded to:*

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

//True copy//

By order

Assistant Registrar, Kolkata Benches

