

**IN THE INCOME-TAX APPELLATE TRIBUNAL, MUMBAI "F" BENCH, MUMBAI  
BEFORE SHRI SANDEEP GOSAIN, JUDICIAL MEMBER AND  
SHRI BIJAYANANDA PRUSETH, ACCOUNTANT MEMBER  
ITA No. 7002/MUM/2025 (AY:2011-12)**

DCIT – 7(1)(1) Room No. 126, 1 <sup>st</sup> Floor, Aayakar Bhavan, M.K. Road, Mumbai - 400020	<b>vs.</b>	Monsher Fire Protection Systems Pvt. Ltd. 403, Tantia Jogani Estate 403, Tantia Jogani Estate, Off. N.M. Joshi Marg, Next to Lodha, Pavilion, Lower Parel, Mumbai-400011
<b>PAN/GIR No: AACCM4650R</b>		
(Appellant)		(Respondent)
<b>Appellant by</b>	None	
<b>Respondent by</b>	Shri Akhtar Hussain Ansari, (Sr. DR)	
<b>Date of Hearing</b>	23.02.2026	
<b>Date of Pronouncement</b>	27.02.2026	

**ORDER**

**PER BIJAYANANDA PRUSETH, AM:**

This appeal filed by the revenue emanates from the order passed under section 250 of the Income-tax Act, 1961 (in short, 'Act') by the Addl./JCIT Commissioner of Income-Tax (Appeals), Panchkula, [in short, 'CIT(A)'], dated 20.08.2025 for the assessment year (AY) 2011-12.

2. The grounds of appeal raised by the revenue are as under:

*"Whether on the facts and circumstances of the case and in law, the id. CIT(A) erred in partly allowing the appeal filed by the assessee by restriction the percentage of disallowance from 25% to 12.5%."*

*(α) "Whether on the facts and circumstances of the case and in law, the Ld. CIT(A) erred in ignoring the fact that assessee had taken two stands before two quasi-judicial authorities Le. Sales Tax Department and Income Tax Department on identical facts."*

*(iii) "Whether on the facts and circumstances of the case and in law, the Ld. CIT(A) erred in appreciating the fact that the Assessing Officer had relied on the*

*landmark case of M/s Vijay Protein Ltd. Vs. Assistant Commissioner of Income Tax to compute the disallowance @25%?"*

*(iv) Whether on the facts and circumstances of the case and in law, the Ld. CIT (A) has Erred in deleting the addition made u/s 69C of the IT Act towards bogus purchases ignoring that in consequence to the evidences gathered during the investigation conducted by the investigation wing, Mumbai, the non genuine nature of these transactions is clearly emerged.?"*

*2. The Ld. CIT (A)'s order is contrary in law and on facts and deserves to be set aside.*

*3. The appellant prays that the order of Ld. CIT (A) on the above ground be set aside and that of the AO restored. The appellant craves leave to amend or alter any ground or add a new ground that may be necessary at the time of hearing.*

*4. The Appellate Order of NFAC, Delhi vide DIN & Order No. ITBA/NFAC/S/250/2025-26/1079773576(1) dated 20.08.2025 in the case of M/s Monsher Fire Protection Systems Pvt. Ltd. (PAN: AACCM4650R) for A.Y. 2011-12 has been received in the O/o. Pr. CIT-8, Mumbai through ITBA on 20.08.2025. The last date for filing appeal is 31.10.2025. However, appeal should be filed immediately"*

3. Facts of the case, in brief, are that the assessee filed its return of income for the AY 2011-12 declaring total income at Rs.2,35,36,764/-. The case was reopened u/s 147 of the Act and reassessment order u/s 143(3) rws 147 of the Act was passed on 18.03.2016. In the said order, the AO disallowed 25% of the total bogus purchases of Rs. 94,15,446/- from M/s Liberty Traders and Impex Sales Corporation. The total disallowance was Rs. 23,53,862/- and accordingly, the total income was determined at Rs. 2,62,00,860/-. Aggrieved by the order of AO, the assessee filed appeal before the CIT(A), who partly allowed the appeal by directing the AO to restrict the disallowance Rs. 11,76,931/- (12.5% of Rs. 94,50,446/-). He has relied upon various decisions of the Hon'ble High Court mainly CIT v. Simit P. Sheth (356 ITR 451-Guj.), PCIT vs. S. V. Jiwani (2022) 145

taxmann.com 230 (Bom.) and PCIT vs. Ashwin Purshotam Bajaj (ITA 576 of 2018 dated 12.07.2023).

4. Aggrieved by the order of CIT(A), the revenue filed appeal before the Tribunal. The case was posted for hearing on 29.12.2025 and 23.02.2026. The respondent assessee did not attend the hearing nor filed any written submission. It has also not requested for adjournment. Therefore, no useful purpose would be served by prolonging the litigation. Hence, the appeal is decided on the basis of materials available on record.

5. The Ld. Sr. DR of the revenue submitted that the CIT(A) was not correct in restricting the disallowance from 25% to 12.5% of the bogus purchases. He supported the order of the AO.

6. We have considered the facts of the case and the orders of the AO and CIT(A). We have also deliberated on the decisions relied upon by the CIT(A). The CIT(A) decided the issue by stating as under:

*“6.1 On Grounds of Appeal Nos. 1 to 4:- All the grounds of appeal made by the Assessing Officer on account of alleged bogus purchases from certain parties. These grounds are therefore taken up together for disposal. The Assessing Officer made the addition based on information from the Sales Tax Department, Government of Maharashtra, identifying the parties as "hawala operators providing only accommodation entries without tany actual supply of goods.*

*6.2 The appellant relied upon judicial pronouncements including Nikunj Eximp Enterprises Pvt. Ltd. (Bom. HC), contending that no disallowance is warranted when purchases are supported by bills and payments are made by cheque. However, the facts of the present case are distinguishable. In the instant matter, the Sales Tax Department has recorded affidavits from the suppliers themselves admitting that they had issued*

*accommodation bills without supply of goods. Further, the appellant failed to produce the suppliers or obtain confirmations. Therefore, the ratio of Nikunj Eximp is not applicable.*

*6.3 On the other hand, in CIT v. Simit P. Sheth (356 ITR 451, Guj.), the Hon'ble High Court upheld an estimation of profit element at 12.5% on alleged bogus purchases, since the assessee had procured goods from grey market at lower rates but took bills from hawala dealers. The Court held that the entire purchase cannot be disallowed once sales are accepted. Similar views were taken in Vijay Proteins Ltd. (58 ITD 428, Ahd. ITAT) and Vijay M. Mistry Construction Ltd. (355 ITR 498, Guj. HC). The consistent principle emerging from these decisions is that where sales are accepted and quantitative stock records are not doubted, the entire purchases cannot be added as bogus. What is taxable is only the profit element embedded in such purchases. Judicial authorities have estimated this element between 12.5% and 25% depending on the nature of business. In the appellant's case, the Assessing Officer has not disputed sales. The books reflect purchases duly recorded, though the suppliers have been found to be non-genuine. It is therefore reasonable to conclude that the assessee procured material from open/grey market, but obtained bills from accommodation providers to regularize the purchases. I would like to place reliance on the recent decision of the Hon'ble High Court of Bombay in the case of PCIT vs. S.V. Jiwani [2022] 145 taxmann.com 230 (Bombay) wherein, under similar set of facts and circumstances of the case, the Hon'ble High Court has upheld the decision of the Hon'ble ITAT Mumbai that addition to the extent of 12.5% of the bogus purchases is fair and reasonable. In view of the matter, considering the factual matrix of the case, I am of the opinion that the ratio of the decision of the Hon'ble High Court of Bombay in the case of PCIT vs. S.V. Jiwani [2022] 145 taxmann.com 230 (Bombay) (supra), PCIT vs Ashwin Purshotam Bajaj in ITA. 576 of 2018 dated 12-07-2023 and the decision of Hon'ble High Court of Gujarat in the case of CIT vs. Simit Sheth (supra) are squarely applicable mutatis mutandis to the instant case. Accordingly, I direct the Assessing Officer to restrict the disallowance to Rs. 11,76,931/- (12.5% of Rs. 94,15,446/), and delete the balance addition.”*

6.1 It is clear from the finding of the CIT(A) that he has duly considered the facts of the case and the precedents on the subject issue before deciding the impugned issue. He has relied on decisions of the Hon'ble High Courts including the Hon'ble jurisdictional High Court. The facts of the instant case are similar to those of the cases relied upon by the CIT(A). Therefore, we do not find any

infirmary in the order of CIT(A), which we confirm. Accordingly, the grounds of appeal are dismissed.

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

Order is pronounced on 27.02.2026.

Sd/-

**(SANDEEP GOSAIN)**  
**JUDICIAL MEMBER**

Sd/-

**(BIJYANANDA PRUSETH)**  
**ACCOUNTANT MEMBER**

\*Aniket Chand; Sr. PS  
MUMBAI

Date: 27.02.2026

**Copy of the Order forwarded to:**

1. The Assessee
2. The Respondent
3. The CIT(A)
4. CIT
5. DR/AR, ITAT, MUMBAI
6. Guard File

By Order

Assistant Registrar  
ITAT, MUMBAI