

**IN THE INCOME TAX APPELLATE TRIBUNAL
“A” BENCH, AHMEDABAD**

**BEFORE SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER
& SHRI NARENDRA PRASAD SINHA, ACCOUNTANT MEMBER**

I.T.A. No.2581/Ahd/2025
(Assessment Year: 2022-23)

Rajesh Pananalal Shah, C-1B, 461/B GIDC, Makarpura Road, Vadodara-390010	Vs.	Assessment Unit, Income Tax Department, Jurisdictional Assessing Officer: DCIT, Cir-1(1)(1), Vadodara
[PAN No.AZNPS8340R]		
(Appellant)	..	(Respondent)

Appellant by :	Shri Rushin Patel, A.R.
Respondent by:	Shri C Dharani Nath, Sr. DR

Date of Hearing	10.03.2026
Date of Pronouncement	12.03.2026

ORDER

PER SIDDHARTHA NAUTIYAL - JUDICIAL MEMBER:

This appeal has been filed by the Assessee against the order passed by the Ld. Commissioner of Income Tax (Appeals), (in short “Ld. CIT(A)”), National Faceless Appeal Centre (in short “NFAC”), Delhi vide order dated 14.10.2025 passed for A.Y. 2022-23.

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

- “1. The ld. CIT(A) has erred in law and on facts of the case, in deciding and dismissing the appeal ex-parte.
2. The ld. CIT(A) has erred in law and on facts of the case, in sustaining the addition of Rs.1,00,04,345/- u/s.68 on account of increase in liability.
3. The ld. CIT(A) has erred in law and on facts of the case, in sustaining the disallowance of expenses amounting to Rs.6,45,356/-.

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4. *The appellant craves leave to add, amend or alter the grounds of appeal at the time of hearing, in need arise.”*

3. The brief facts of the case are that the assessee is engaged in the business of trading in various types of metal scrap and is also earning interest income. The assessee filed the return of income for Assessment Year 2022-23 on 20.10.2022 declaring total income of ₹28,82,250/-. The case was selected for complete scrutiny under CASS on the issues of low income reported in comparison to TCS receipts on scrap and high liabilities as compared to income/receipts. During the course of assessment proceedings, the Assessing Officer issued notice under section 143(2) dated 01.06.2023 and subsequently notices under section 142(1) of the Act. However, the Assessing Officer observed that the assessee failed to comply with the notices issued during the course of assessment proceedings. In the absence of any response or supporting evidence from the assessee, the Assessing Officer proceeded to complete the assessment ex-parte under section 144 of the Act. The Assessing Officer observed that the assessee had shown liabilities/credits in the books of accounts which were not substantiated with any documentary evidence and therefore made an addition of ₹1,00,04,345/- under section 68 of the Act treating the same as unexplained cash credits. The Assessing Officer further disallowed a sum of ₹6,45,356/- on account of business expenses which could not be verified, after comparing the expenses with earlier years and noting disproportionate variation. The Assessing Officer also invoked the provisions of section 115BBE in respect of the addition made under section 68 and initiated penalty proceedings under section 271AAC of the Act.

4. Aggrieved by the assessment order, the assessee preferred an appeal before the Commissioner of Income Tax (Appeals). During the appellate proceedings, notices under section 250 of the Act were issued to the assessee on multiple occasions by CIT(Appeals), fixing various dates of hearing. However, the assessee failed to respond to the notices issued by the CIT(Appeals) and did not furnish any submissions or documentary evidence in support of the grounds raised in Form No. 35. The learned CIT(Appeals) therefore observed that the assessee was not interested in pursuing the appeal. While adjudicating the grounds of appeal, the learned CIT(Appeals) held that the addition of ₹1,00,04,345/- made under section 68 of the Act was justified since the assessee failed to discharge the onus of explaining the nature and source of the liabilities reflected in the books of accounts either during the assessment proceedings or during appellate proceedings. Accordingly, Ground No. 1 challenging the addition under section 68 was dismissed. With regard to Ground No. 2 relating to the application of section 115BBE of the Act, the learned CIT(Appeals) held that once the addition under section 68 is confirmed, the consequential taxation under section 115BBE follows automatically and therefore the ground was dismissed. Ground No. 3 relating to initiation of penalty under section 271AAC was dismissed as premature since the penalty proceedings had only been initiated and not yet concluded. With respect to Ground No. 4 challenging the disallowance of ₹6,45,356/- towards business expenses, the learned CIT(Appeals) observed that the assessee failed to substantiate the expenses with supporting evidence and therefore upheld the action of the Assessing Officer. As regards Ground No. 5

alleging violation of principles of natural justice, the learned CIT(Appeals) held that the notices were duly served through the registered email ID available on the income-tax portal and therefore the contention of improper service was not acceptable. In view of these findings and also due to non-prosecution of the appeal, the learned CIT(Appeals) dismissed the appeal of the assessee and confirmed the assessment order.

5. The assessee is in appeal before us against the order passed by the CIT(Appeals) dismissing the appeal of the assessee.

6. We have carefully considered the rival submissions and perused the material available on record. It is an undisputed position emerging from the record that the assessee had filed the appeal before the learned CIT(Appeals) within the prescribed statutory time limit and has also filed the present appeal before this Tribunal within the limitation period. This clearly establishes that the assessee was fully aware of the ongoing assessment proceedings as well as the appellate proceedings before the learned CIT(Appeals). Despite such awareness, the assessee consciously and deliberately chose not to participate in the proceedings before the Assessing Officer as well as before the learned CIT(Appeals). The record reveals that several statutory notices were issued during the course of assessment as well as appellate proceedings, yet the assessee failed to furnish any explanation, evidence or written submissions to substantiate the claims made in the return of income or the grounds raised in appeal. Such persistent and deliberate non-compliance demonstrates a clear disregard for the statutory process and reflects a casual and negligent

attitude towards proceedings conducted under the Income-tax Act. The appellate mechanism provided under the Act is meant to facilitate adjudication on merits through active participation by the parties and cannot be reduced to a mere formality of filing appeals without pursuing them diligently. By abstaining from the proceedings despite having full knowledge of them, the assessee has failed to discharge the primary onus cast upon him and has unnecessarily impeded the proper administration of justice. Such conduct deserves to be strongly deprecated. However, considering that the assessment involves substantial additions and that the issues raised require proper verification and adjudication on merits, and in order to ensure that the cause of substantial justice is not defeated merely on account of such conduct, we are inclined to grant one final opportunity to the assessee to present his case, subject to appropriate conditions.

7. Considering the totality of the facts and circumstances of the case, we deem it appropriate to set aside the impugned order of the CIT(Appeals) and restore the matter to the file of the Assessing Officer for de-novo adjudication after providing adequate opportunity of being heard to the assessee. However, since the assessee has deliberately failed to participate in the proceedings despite being aware of the same, we consider it appropriate to impose a cost of ₹20,000/- on the assessee for such conduct. The assessee shall deposit the said amount with the Prime Minister's Relief Fund and shall produce proof of such payment before the Assessing Officer at the time of the set-aside proceedings. Upon production of such proof, the Assessing Officer shall examine the issues

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afresh in accordance with law and decide the matter on merits after considering the evidences and explanations that may be furnished by the assessee.

8. In the result, the appeal of the assessee is allowed for statistical purposes.

This Order is pronounced in the Open Court on

12/03/2026

Sd/-

**(NARENDRA P. SINHA)
ACCOUNTANT MEMBER**

Ahmedabad; Dated 12/03/2026

TANMAY, Sr. PS

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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,

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