

IN THE INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCHES : A : NEW DELHI

BEFORE Ms. MADHUMITA ROY, JUDICIAL MEMBER  
AND  
SHRI AMITABH SHUKLA, ACCOUNTANT MEMBER

ITAs No.6285 & 6286/Del/2025  
Assessment Years: 2015-16 & 2016-17

Rekantaa Developers Pvt. Ltd.,  
1037, 1<sup>st</sup> Floor,  
Room No.2,  
Tilak Bazar Chowk,  
Delhi- 110 006.

Vs DCIT,  
Central Circle-3,  
New Delhi.

PAN: AAICM3804H

(Appellant)

(Respondent)

Assessee by : None  
Revenue by : Shri Nitin Kumar Jaiman, Sr. DR  
  
Date of Hearing : 05.03.2026  
Date of Pronouncement : 11.03.2026

ORDER

PER MADHUMITA ROY, JM:

The instant appeal filed by the assessee is directed against the order dated 30.08.2025 passed by the Id. Commissioner of Income-tax (Appeals), Delhi-23 [hereinafter referred to as the Ld. CIT(A)] u/s 250 of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') arising out of the assessment orders dated 30.12.2017 and 23.12.2018 passed by the DCIT, Circle 12(1), New Delhi (hereinafter referred to as 'the Id. AO') under Section 143(3) of the Act for Assessment Years 2015-16 and 2016-17, respectively.

ITA No.6285/Del/2025 AY 2015-16)

2. In spite of notices being sent, the assessee never appeared. Earlier, on very many occasions, when the matter was called, the assessee was never represented. Disallowance of interest on loan paid to M/s Virat Exports Pvt. Ltd. amounting to Rs.24 lakhs is the subject matter before us. The assessee filed the return of income on 08.09.2015 declaring loss at Rs.1,33,51,301/-. The case of the assessee was selected for scrutiny and notice u/s 143 (2) of the Act dated 12.04.2016 was issued whereupon reply dated 24.06.2017 was filed by the assessee submitting the audited financial statements for AY 2015-16, the ITR along with computation of income. The case was, in fact, initially selected for limited scrutiny considering the information received from the Investigation Wing, Kolkata and since it was found from the balance sheet submitted by the assessee that there was increase in unsecured loans, the scrutiny proceedings of the assessee was completed into complete scrutiny from limited scrutiny vide approval dated 27.07.2017 passed by the PCIT-04. The assessee received Rs.2 crores from M/s Virat Exports Pvt. Ltd. which was held to be unexplained cash credit under Section 68 of the Act by the Ld. AO. The assessee further claimed interest expense of Rs.24 lakhs on the said loans. The amount of Rs. 2 crores is held as income of the assessee as per the provisions of Section 68 of the Act. The interest amount claimed on that amount is not found to be an allowable expenditure and the assessee was issued a show cause proposing such addition.

The assessee claimed that such loan was genuine and interest paid thereon was genuine and the AO had no jurisdiction in making addition of principal amount of Rs.2 crores. Obviously, the assessee was further given an opportunity when the assessee chose not to reply. In fact, as the loan amount was added in the hands of the assessee under Section 68 of the Act, the interest expenses claimed by the assessee to the tune of Rs.24 lakhs was also found to be ingenuine interest expenses and disallowed against the assessee which was further confirmed by the First Appellate Authority with the following observations:-

*“9.3 It is pertinent to mention here that the Ld.CIT(A)-35 vide his order dated 12.07.2018 IN APPEAL No.317/2016-17 in the case of appellant for AY 2014-15 has confirmed the addition of 2,00,00,000/- in respect of unsecured laon taken from M/s Virat Exports Pvt. Ltd. The relevant para(s) are reproduced as under:*

*4.2.3.4 A perusal of the details shows that there are huge cash deposits in the bank account (in most cases a matching amount) of M/s. Virat exports Pvt. Ltd, just before issue of cheque to the appellant company. The reasons given by the Director of M/s. Virat Exports regarding the availability of cash which was deposited in the bank account of M/s. Virat Exports just before the cheques of matching amount were issued to M/s. Manglayatan Projects Pvt. Ltd. are not convincing. Further, during the year, no interest was charged by M/s. Virat exports Pvt. Ltd from the appellant company, even though, M/s. Virat exports paid an interest of Rs.41,855,997/- on the funds borrowed by it. The amount of interest foregone by M/s. Virat Exports Pvt. Ltd. on so called unsecured loan is substantial and no prudent business entity will do so. Also, the appellant company could not file any explanation to the specific issues regarding the unsatisfactory explanation by Ajay Kumar Jain, Director of M/s. Virat Exports Pvt. Ltd., regarding availability of cash for depositing the same in the bank account just before the cheques were issued to the appellant company.*

*The AO during the assessment proceedings, has correctly concluded that the appellant had failed to discharge its onus regarding establishing the genuineness of transaction regarding Rs.2,00,00,000/- claimed to have been received from M/s. Virat Exports Pvt. Ltd. as unsecured loan on different dates during the year.*

*In the case of the appellant company, the unsecured loan has been taken of Rs. Rs.2,00,00,000/- claimed to have been received from M/s. Virat Exports Pvt. Ltd., the amount is a huge amount and it is apparent that in such cases of closely held companies, the transaction has been done between business entities who are controlled by known persons. In such cases, higher onus is required to be placed on such companies to also prove the source of money, in the hands of such persons or business enterprises making payment or receiving funds. If the company fails to discharge the onus, the sum should be treated as income of the company and added to its income. Therefore, it is imperative for the appellant company to provide that the nature and source of any sum credited, as unsecured loan in its books, and the same can be treated as explained, only if the source of funds is also explained by the appellant company. The treatment of the amount of*

*Rs.2,00,00,000/- as unexplained cash credit as per the provisions of section 68 of the Act has been done correctly in the assessment order and accordingly, it has been rightly treated as Income of the appellant company and taxed as per the provisions of section 115BBE of the Income Tax Act, 1961. The submissions of the appellant company have been considered and not found to be tenable. The case laws cited are found to be distinguishable in facts, Appeal on the ground nos. 1 & 4 are dismissed.*

*9.4 Further, Hon'ble ITAT, vide order dated 27.08.2025 in ITA No. 5527/Del/2018 in the case of appellant for AY 2014-15, has upheld the same addition with the following findings:*

*“3. As far as ground no. 1 is concerned, during the hearings Ld. AR submitted that Ld. CIT(A) has erred on facts and in law in mechanically upholding the action of AO in treating the unsecured loans of Rs. 2,00,00,000/- received from Ms Viral Exports Pvt. Ltd. as unexplained cash credit as per the provisions of Section 68 of the Income Tax Act 1961 in spite of the aforesaid credit having been specifically and repeatedly confirmed by the cash creditor u/s. 131 of the Income Tax Act with all the supporting documents and has further erred in not dealing with innumerable case laws including the Hon'ble Jurisdictional High Court. Ld. DR relied upon the orders of the authorities below.*

*3.1 We have heard both the parties and perused the records On the instant issue, it is noted that there are huge cash deposits in the bank account of Mis Viral Exports Pvt. Ltd., just before issue of cheque to the assessee company The reasons given by the Director of M/s, Virat Exports regarding the availability of cash which was deposited in the bank account of M/s Virat Exports just before the cheques of matching amount were issued to M/s. Manglayatan Projects Pvt. Ltd. are not convincing. During the year, no interest was charged by M/s. Virat exports Pvt. Ltd from the assessee company, even though, M/s. Virat exports paid an interest of Rs.*

*41,855,997/- on the funds borrowed by it. The amount of interest foregone by M/s. Virat Exports Pvt. Ltd. on so called unsecured loan is substantial and no prudent business entity will do so. Moreover, the assessee company could not file any explanation to the specific issues regarding the unsatisfactory explanation by Ajay Kumar Jain, Director of M/s. Virat Exports Pvt. Ltd., regarding availability of cash for depositing the same in the bank account just before the cheques were issued to the assessee company. The AO during the assessment proceedings, has correctly concluded that the assessee had failed to discharge its onus regarding establishing the genuineness of transaction regarding Rs.2,00,00,000/- claimed to have been received from M/s. Virat Exports Pvt. Ltd. as unsecured loan on different dates during the year. In the case of the assessee company, the unsecured loan has been taken of Rs. 2,00,00,000/- claimed to have been received from M/s. Virat Exports Pvt. Ltd., the amount is a huge amount and it is apparent that in such cases of closely held companies, the transaction has been done between business entities who are controlled by known persons. In such cases, higher onus is required to be placed on such companies to also prove the source of money, in the hands of such persons or business enterprises making payment or receiving funds. If the company fails to discharge the onus, the sum should be treated as income of the company and added to its income. Therefore, it is imperative for the assessee company to provide that the nature and source of any sum credited, as unsecured loan in its books, and the same can be treated as explained, only if the source of funds is also explained by the assessee company. The treatment of the amount Rs.2,00,00,000/- as unexplained cash credit as per the provisions of section 68 of the Act has been done correctly in the assessment order and accordingly, it was correctly treated as income of the assessee company and taxed as per the provisions of section 115BBE of the Income Tax Act, 1961. Accordingly, the action of the Ld. CIT(A) is affirmed and Ground no. 1 is decided against the assessee."*

*9.5 Therefore, considering the fact that the alleged loan of Rs.2,00,00,000/- received from M/s Virat Exports Pvt. Ltd. has been held as unexplained cash credit as per the provisions of section 68 of the Act in the A.Y. 2014-15 in the case of appellant therefore, the interest amounting to Rs. 24,00,000/- paid thereon in the current year cannot be allowed as a legitimate business expenditure. Thus, Ground of Appeal No. 9 is dismissed."*

3. Considering the facts and circumstances of the matter and particularly the reason assigned by the Ld. AO holding the interest expenses claimed by the assessee as non-genuine as the principal loan amount of Rs.2 crores has already

been added in the hands of the assessee under Section 68 of the Act which was further confirmed by the First Appellate Authority which is found to be just and proper so as not to warrant any interference particularly in the absence of any assistance rendered by the assessee. The appeal is, thus, dismissed.

ITA No.6286/Del/2025 (AY 2016-17)

4. The issue involved in this appeal is identical to the appeal of the assessee for AY 2015-16 and the decision rendered on the appeal for AY 2015-16 would *mutatis mutandis* apply to this appeal for AY 2016-17. This appeal of the assessee is also dismissed.

5. In the result, both the appeals filed by the assessee are dismissed.

Order pronounced in the open court on 11.03.2026.

Sd/-

(AMITABH SHUKLA)  
ACCOUNTANT MEMBER

Sd/-

(MADHUMITA ROY)  
JUDICIAL MEMBER

Dated: 11.03.2026.

dk

Copy forwarded to:

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

Asstt. Registrar, ITAT, New Delhi