

**IN THE INCOME TAX APPELLATE TRIBUNAL  
"SMC" BENCH, DELHI BENCHES, NEW DELHI  
BEFORE SHRI PAWAN SINGH, JUDICIAL MEMBER  
ITA No. 6000/DEL/2025 (AY: 2022-23)  
(Physical hearing)**

Omkar Nath Pradeep Kumar M/s. Kartar Singh & Co. 86, Bank Street, Meerut Cantt. Meerut City, Uttar Pradesh - 250001 [PAN: AACFO9230C]	Vs	ITO, Ward-2(3)(4), Hapur Uttar Pradesh
Appellant / Assessee		Respondent / Revenue

Assessee by	Shri R.P. Naran, Advocate & Shri R.K. Jain, Advocate
Revenue by	ShriVirender Kumar Singh, Sr. DR
Date of institution of appeal	29.09.2025
Date of hearing	04.12.2025
Date of pronouncement	22.01.2026

**Order under section 254(1) of Income Tax Act**

**PER PAWAN SINGH, JUDICIAL MEMBER:**

1. This appeal by assessee is directed against the order dated 25<sup>th</sup> August 2025 passed by National Faceless Appeal Centre, (NFAC) Delhi/ Commissioner of Income Tax (Appeals) [herein referred as "Ld. CIT(A)"] under section 250 of the Income-tax Act, 1961 (herein referred as "the Act"). The assessee has raised the following grounds of appeal:-

- (1) *The learned Commissioner of income tax (Appeals), NFAC, Delhi has erred in law in holding and confirming addition of 15.00 lakhs as a session of liability out of gross liability of ₹ 17,48,697/- a sum of Rs. 2,48,697/- deleted being partly allowed and balance of ₹15.00 lakhs confirmed. In view of the fact and circumstances and evidence placed on record the addition sustained is most arbitrary and uncalled for.*

- (2) *in view of the facts and circumstances and complete evidence placed on record the landed CIT (A) is erred in law and otherwise on facts not justified in sustaining addition of ₹14,27,654+₹7,80,293 = ₹. 22,07,947 /-on the back of the same were not responded under section 133(6) at the stage of assessment proceeding though complete evidence were placed in the stage of appeal proceeding.*
- (3) *In view of the facts and circumstances the addition of ₹ 35,180/- toward freight expenses made by AO and confirmed by CIT a is most arbitrary and not called for.*
- (4) *The assessee craves leave to take additional grounds of appeal before or at the time of hearing of the appeal and /or modify any of the above grounds.*
2. Brief facts of the case are that assessee is firm, and engaged in the business of timber trading, filed its return of income for assessment year (AY) 2022-23 on 24<sup>th</sup> September 2022 declaring Nil income. The case was selected for scrutiny on the issue of low income from TCS receipts and timber not obtained from forest lease. During assessment, the assessing officer noted that assessee has shown liabilities from creditors of Rs. 51,0258/-. The assessing officer AO issued show cause notice to the assessee to substantiate such creditors/ liabilities. The AO recorded that in response to such notice, the assessee filed list of creditors, ledger account, and his bank account in support of his claim. The AO also issued notice under section 133(6) to creditors. The AO recorded that after receipt of reply was received creditors. The reply of assessee was not accepted by the AO. The AO recorded that assessee has not furnished confirmation, payment proof in subsequent year and

disallowed liability in respect of 4 creditors/ liabilities, aggregating of Rs. 40,56,226/- in the following manner;

Sr No.	Name of the creditor	Amount (Rs.000/-)
1	Saavy Trade Link	17,48,697/-
2	Kanti Prasad Ashok Kumar	14,27,654/-
3	Saga Ply Industries LLP	99,718/-
4	Soft Wood Product	7,80,293/-
	Total	40,56,226/-

3. The AO further recorded that assessee has debited freight expenses of ₹3,58,100/-. The AO recorded that on show cause, the assessee has not furnished sufficient supporting evidence in respect of such freight expenses. On the basis of his aforesaid view, the assessing officer treated disallowed 10% of such expenses. Thus, the assessing officer while passing the assessment order disallowed creditors liability of Rs. 40,56,226/- and Rs. 35,810/- being 10% of freight expenses while passing the assessment order on 22<sup>nd</sup> March 2024. Aggrieved by the additions in the assessment order, the assessee filed appeal before CIT(A). Before CIT(A), the assessee filed detailed written submission dated 24.07.2025, which are extracted in the impugned order. The Id CIT(A) after considering the submissions of assessee allowed part relief to the assessee, which is summarized below;

Sr No.	Name of the creditor	Amount (Rs.000/-) Added by AO	Deleted/ confirmed by CIT(A)
1	Saavy Trade Link	17,48,697/-	Rs. 2,48,697/- deleted/ Rs. 15,00,000/- confirmed
2	Kanti Prasad Ashok Kumar	14,27,654/-	Confirmed
3	Saga Ply Industries LLP	99,718/-	Deleted
4	Soft Wood Product	7,80,293/-	Confirmed

4. The Id CIT(A) confirmed the disallowance of Rs. 15.00 lakhs in respect of credit of Saavy Trade Link, Rs. 14,27,654/- of Kanti Prasad Ashok Kumar and Rs. 7,80,293/- of Soft Wood Product by taking view that these parties have not responded to notice under section 133(6) nor the assessee submitted any evidence at the time of assessment. The Id. CIT(A) confirmed the addition under section 41(1) of the Act. Further, aggrieved the assessee has filed present appeal before Tribunal.

5. I have heard the submissions of both the parties and order of lower authorities and have gone through the record carefully. The learned authorized representative (Id AR) of the assessee submits that a show cause notice dated 09.03.2024 was issued by assessing officer who filed reply on or before 14.03.2024. The assessee filed reply on 14.03.2024. In the reply, the assessee furnished complete details of sundry creditors along with their copy of account in assessee's books of account. Copy of purchase bills were already on record. The assessing officer sent notice to creditors and their reply was received by assessing officer. The AO has not informed about the

contents of reply of various creditors. The assessing officer has not given any opportunity to explain if any, adverse reply was received by him and passed the assessment order on 22.03.2024. The assessee furnished complete details about the outstanding creditors / liabilities. Before Id. CIT(A), the assessee again filed complete details with the creditors. With regard to addition/disallowance of Rs. 15 lakhs in respect of Saavy Trade Link, the Id. AR submits that there was opening credit balance of this party as on 01.04.2021 of Rs. 1.50 lakh in Gandhi Dham Unit and Rs. 98697/- in Hapur Unit. During the year, the assessee also received Rs. 15 lakh on 07.12.2021 in HDFC Bank. Copy of accounts of the party in the assessee's book and copy of bank statement was filed before Id. CIT(A). The Id. CIT(A) disregarded the explanation of assessee and confirmed the action of assessing officer by holding that no evidence was filed before assessing officer. Similarly for other disallowances of Rs. 14,27,654/- with regard to Kanti Prasad Ashok Kumar and Rs. 7,80,293/- with regard to Soft Woods Products. The Id. AR of the assessee submits that AO has not given reasonable opportunity to explain, however, complete details were furnished before Id. CIT(A). The Id. CIT(A) ignored all such submissions. The Id. AR submits that complete details are placed on record in the form of ledger account of the parties and corresponding account in the books of account in the current year and in the subsequent year. The Id. AR submits that once the assessee has discharged his

onus and furnished sufficient evidence, the lower authorities were not justified in making such addition. Merely, the creditors have not confirmed, the assessing officer cannot treat the credit liability as cessation of liability. To support his submission, the Id. AR of the assessee relied upon the decision of Allahabad High Court in CIT vs Jagdish Prasad Tiwari (2013) 40 taxmann.com 265 (Allhabad), CIT vs Pancham Dass Jain (2006) 205 CTR 444 (All.), ACIT vs Real Impact P. Ltd. (2024) 109 ITR (Trib.) (S.N) 29 (Delhi) and Rameshwar Shaw vs ITO (2024) 110 ITR (Trib.) 33 (Kolkata).

6. On the on ground no. 3 that is second addition of adhoc 10.00% disallowance of freight expenses, the Id. AR of the assessee submits that no specific reason was given by assessing officer to make adhoc disallowance of 10.00% of the freight expenses. All the expenses incurred by assessee are genuine. The Id. AR prayed for deleting all the additions/disallowances.
7. On the other hand, the learned Senior Departmental Representative (Id. Sr. DR) for the Revenue supported the order of lower authorities. On the disallowance of creditors / liabilities, the Id. Sr. DR submits that the parties in response to notice under section 133(6) has not confirmed about the trade liability towards assessee. No evidence was furnished by assessee to substantiate such creditors / liability either before assessing officer or before Id. CIT(A). There is clear finding of both the lower authorities that of evidence was furnished to substantiate such liabilities. On the

disallowance of freight expenses @ 10.00% of total expenses, the Id. Sr. DR submits that assessee failed to substantiate the expenses and furnish necessary evidence. The assessing officer reasonably disallowed only 10.00% of the expenses. Still, the assessee has not placed any evidence on record to substantiate as to why 10.00% adhoc disallowance is not justified.

8. I have considered the submissions of both the have gone through the orders of lower authorities carefully. I find that assessing officer made additions / disallowances of creditors / liabilities by taking view that the parties have not confirmed the transaction with assessee. Before Id. CIT(A), the assessee filed detailed written submission along with ledger account of respective parties along with certain bank accounts and ledger account of subsequent year. I find that such details furnished by assessee has not been verified by the lower authorities, therefore, the issue of disallowance of creditors liability is restored back to the jurisdictional assessing officer to verify the fact and allow appropriate relief of the assessee in accordance with law. In the result, ground no 1 & 2 of appeal is allowed for statistical purpose.
9. So far as adhoc disallowance of freight expense is concerned, I find that the assessee has not given details of such expenses except making submission that no cogent reason is given by assessing officer. In my considered view, in absence of any details or evidence, the adhoc disallowance @ 10.00% of total freight

expenses is reasonable one. In the result, ground no. 3 of appeal is dismissed.

10. In the result, the appeal is partly allowed.

Order pronounced in the open court on 22.01.2026 as per Rule 34 of Income Tax (Appellate Tribunal) Rules-1963.

Sd/-

**(PAWAN SINGH)**  
**JUDICIAL MEMBER**

Mumbai, Dated 22/01/2026

**आदेशकीप्रतिलिपिअग्रेषित/Copy of the Order forwarded to :**

1. *अपीलार्थी/ The Appellant*
2. *प्रत्यर्थी/ The Respondent.*
3. *संबंधितआयकरआयुक्त/ The CIT(A)*
4. *आयकरआयुक्त(□ पील) / Concerned CIT*
5. *विभागीयप्रतिनिधि, आयकरअपीलीयअधिकरण, मुम्बई/ DR, ITAT, Mumbai*
6. *गार्डफाईल / Guard file.*

आदेशानुसार/ BY ORDER,

1.

उप/सहायकपंजीकार ( Asst. Registrar)  
आयकरअपीलीयअधिकरण, / ITAT, Delhi