IN THE INCOME TAX APPELLATE TRIBUNAL, 'C' BENCH, MUMBAI

BEFORE: SHRI AMIT SHUKLA, JUDICIAL MEMBER

&

SHRI ARUN KHODPIA, ACCOUNTANT MEMBER

ITA No. 7038/Mum/2025

(Assessment Year: 2022-23)

Income Tax Officer-12(2)(1) Aaykar Bhavan M K Road, Mumbai-400020	Vs	**INVT Electric India Private Limited** Plot No. A-791/8, Ttc Industrial Area, Thane Belapur Road, Thane-400710 **PAN: AACCI6708G**
(Appellant)		(Respondent)

CO No. 362/Mum/2025

(Arising out of ITA No.7038/Mum/2025)

(Assessment Year: 2022-23)

INVT Electric India Private Limited Plot No. A-791/8, Ttc Industrial Area, Thane Belapur Road, Thane-400710 **PAN: AACCI6708G**	Vs	**Income Tax Officer-12(2)(1)** Aaykar Bhavan M K Road, Mumbai-400020
(Appellant)		(Respondent)

Assessee by	Shri Chanchal Jain, CA
Department by	Shri Virabhadra Mahajan, (SR. DR)

Date of Hearing	10.03.2026
Date of Pronouncement	07.04.2026

ORDER

PER AMIT SHUKLA (J.M):

The present appeal has been preferred by the Revenue and the cross objection has been filed by the assessee, both arising out of the order dated 19/08/2025 passed by the learned National Faceless Appeal Centre (NFAC), Delhi, which in turn emanates from the

assessment framed under section 143(3) of the Income Tax Act, 1961 for the assessment year 2022-23. Thus, what is brought before us for adjudication is the correctness of the appellate findings rendered by the learned first appellate authority in the context of additions made by the Assessing Officer in the course of the scrutiny assessment proceedings.

2. The Revenue, in its grounds of appeal, has assailed the impugned order primarily on two counts. Firstly, it has challenged the action of the learned CIT(A) in deleting the addition of Rs.9,90,46,583/- made by the Assessing Officer under section 69C on account of alleged unexplained expenditure, which had been computed by disallowing 10% of the total purchases debited by the assessee. Secondly, the Revenue has also contested the relief granted by the learned CIT(A) in respect of addition of Rs.5,16,905/- made on account of alleged TDS defaults, stated to have been noticed on the basis of certain discrepancies reflected in Form 26AS. The grievance of the Revenue, thus, essentially revolves around the correctness of the deletion of these two additions.

3. The brief factual matrix, as culled out from the record, is that the assessee company is engaged in the business of industrial automation and energy power solutions, and is part of a larger global group having substantial international presence. It has been brought on record that the assessee has multiple subsidiaries, a large employee base and an extensive network of branches, forming a wide distribution and sales channel across various countries. A significant feature of the assessee's business model, which is not in dispute, is that a substantial portion of its purchases—approximately 95%—are made from its subsidiary company located in China, and such

purchases are effected in the nature of imports. This aspect assumes relevance in the context of the controversy at hand, as the genuineness and source of purchases constitute the core issue involved in the present appeal.

4. During the course of assessment proceedings, the Assessing Officer issued a show cause notice to the assessee, calling upon it to explain certain alleged discrepancies in respect of purchases, which, according to him, were gathered on the basis of information available on the Insight Portal. In response thereto, the assessee furnished a comprehensive set of documents and evidences, which included its complete books of account as well as supporting primary records. These, inter alia, comprised the bank book, ledger book, stock register, sales register, purchase register, share capital account and the audited financial statements, including the profit and loss account and balance sheet. The assessee, thus, placed on record all foundational documents to substantiate the correctness of its accounts and the genuineness of its transactions.

5. In addition to the aforesaid, the assessee also furnished the ledger accounts and details of the major purchase parties from whom purchases exceeding Rs.1,00,000/- were made during the year, along with relevant supporting particulars such as addresses, email details, sample invoices and mode of transportation. The details so furnished by the assessee, which form part of the record, are reproduced herein below for the sake of completeness and ready reference:

Name	PAN	Postal Address	Email Address	Copy of Bills	Mode of Transport
Shenzhen INVT Electric Co Ltd.	N.A.	501, Building A7 Nanshan Zhiyuan Changyuan Community Taoyuan Subdistrict, Nanshan District, Shenzhen China 518055	maggiewu@invt.com.cn	Sample Bill attached	Ship, Air
Indexel Engineering Private Limited	AADCI0760M	G-1-12, Road No.4 Behind Best Price, I.P.I.A. Kota, Rajasthan 324 005	info@ieepl.com	Sample Bill Attached	Road
Camsol Eng Solution Crs.	BULPR1274F	1st Floor, U-261, School Block, Unchey Pur, Mandawali, East Delhi 110 092	info@camsol.co.in	Sample Bill attached	Road

The assessee also explained that the overwhelming majority of purchases were from its group entity in China, and the outstanding trade payables were largely attributable to such transactions.

6. It was, however, specifically and emphatically clarified by the assessee that it had not made any purchases from the parties referred to by the Assessing Officer in the show cause notice, which parties were stated to have been identified through certain third-party information available on the Insight Portal. The assessee categorically

denied having any dealings with those parties and asserted that all purchases recorded in its books pertained only to genuine and disclosed suppliers. Despite such categorical denial and despite the detailed documentary evidences furnished in support of its claim, the Assessing Officer proceeded to make an ad hoc disallowance of 10% of the total purchases amounting to Rs.99,04,65,833/-, thereby making an addition of Rs.9,90,46,583/- under section 69C. He further subjected the same to tax under the provisions of section 115BBE, without bringing any specific material on record to demonstrate that the purchases were either bogus or unexplained.

7. Apart from the aforesaid addition, the Assessing Officer also made a separate addition of Rs.5,16,905/- on account of alleged TDS defaults, which, according to him, were discernible from the entries reflected in Form 26AS. The addition was made without examining whether such discrepancies were provisional, rectifiable or had already been addressed by the assessee through subsequent corrections in TDS returns.

8. Aggrieved by the aforesaid additions, the assessee carried the matter in appeal before the learned CIT(A), wherein it reiterated that all primary evidences substantiating the genuineness of the purchases had already been furnished before the Assessing Officer and no defect whatsoever had been pointed out therein. The learned CIT(A), upon perusal of the assessment records and the submissions of the assessee, noted that the assessee had filed complete financial statements, books of account, bank statements, stock records, purchase and sales registers, and detailed ledger accounts, including that of its principal supplier, Shenzhen INVT Electric Co. Ltd., China. It was also observed that a substantial portion of trade payables was

attributable to the said entity, which further corroborated the explanation furnished by the assessee.

9. The learned CIT(A), after examining the entire evidentiary record, recorded a categorical finding that despite the availability of such extensive documentation, the Assessing Officer had failed to point out any discrepancy in the stock register, purchase register or sales register, nor had he rejected the books of account. There was no finding of any mismatch in quantitative details, nor any adverse inference drawn in respect of the accounting records maintained by the assessee. In the absence of any such defect, the learned CIT(A) held that the ad hoc disallowance of 10% of purchases was wholly unjustified and unsustainable in law, and accordingly proceeded to delete the addition made under section 69C.

10. In so far as the addition on account of TDS default is concerned, the assessee submitted before the learned CIT(A) that the discrepancies reflected in Form 26AS were duly identified and rectified by filing revised TDS returns dated 28/12/2023 and 16/04/2024, and that the position as reflected in the updated Form 26AS no longer showed the alleged defaults. The learned CIT(A), after considering the submissions and examining the revised Forms 26AS placed on record, deemed it appropriate, in the interest of justice, to direct the Assessing Officer to verify the claim of the assessee and to delete the addition if the same was found to be correct, while observing that in case the claim was found to be contrary, the addition would stand affirmed. The relevant observation of the learned CIT(A) is reproduced hereunder:

> *"6.3.1. I have considered the submissions made by the Appellant. I have also perused the two Forms 26AS submitted by the Appellant dated 28/12/2023 and 16/04/2024. In my considered opinion, it would be interest of justice that the AO gets an opportunity to examine the claim made by the Appellant. Accordingly, the Appellant is directed to furnish before the AO relevant details in this regard. The AO is directed to examine the same and delete the addition, if the claim is found correct. If found contrary, the addition made by the AO stands affirmed. The AO is, further, directed to give effect by passing a speaking order."*

11. We have heard the rival submissions at considerable length, perused the orders of the authorities below and carefully examined the entire material placed on record. Upon a comprehensive and holistic consideration of the factual conspectus and the legal position emanating therefrom, what unmistakably emerges is that the impugned addition under section 69C is not predicated upon any discernible defect in the books of account, nor is it supported by any cogent, corroborative or incriminating material which could even remotely suggest that the purchases claimed by the assessee were either bogus, inflated or unexplained. The entire substratum of the addition rests upon certain information allegedly derived from the Insight Portal, on the basis of which the Assessing Officer presumed that the assessee had entered into transactions with as many as 22 parties. However, the assessee, in clear and unequivocal terms, categorically denied having made any such purchases and asserted that its transactions were confined only to the disclosed parties, predominantly its group entity in China, from whom nearly 95% of the purchases were made in the form of imports. This assertion was not a mere ipsi dixit but was substantiated by a complete and unbroken chain of documentary evidences, including books of account, stock register, purchase and sales registers, bank statements, import

documentation and ledger accounts of the principal suppliers, all of which stood placed before the Assessing Officer.

12. Once such comprehensive and primary evidences were brought on record, the burden clearly shifted upon the Assessing Officer to either dislodge the same by bringing some tangible material on record or to demonstrate specific discrepancies therein which could justify any adverse inference. However, we find that no such exercise has been undertaken. There is no finding in the assessment order pointing out any defect in the books of account; there is no observation that the purchases recorded do not reconcile with the quantitative details reflected in the stock register; there is no allegation that the corresponding sales are unverifiable or fictitious; nor is there any suggestion that the payments made through banking channels are sham or have been routed back to the assessee. Significantly, the books of account have not been rejected under section 145, which, in itself, is a strong indicator that the primary records maintained by the assessee were found to be in order. In such a factual backdrop, the action of the Assessing Officer in proceeding to make an ad hoc disallowance of 10% of the total purchases, without any rational basis or nexus to any identified defect, is nothing but an arbitrary estimation, bereft of any legal foundation. It is a settled proposition of law that estimation cannot be a substitute for evidence, and suspicion, however strong, cannot partake the character of proof, particularly when the documentary trail remains intact, consistent and uncontroverted.

13. What further renders the approach of the Assessing Officer wholly untenable is the inherent contradiction embedded in his reasoning. On one hand, he accepts the purchases as recorded in the

books and does not disturb the trading results or reject the books of account, and on the other hand, he proceeds to treat a portion thereof as unexplained expenditure under section 69C by applying an arbitrary percentage. Such an approach runs counter to the settled principles governing assessment proceedings, inasmuch as once the purchases are duly recorded, supported by invoices, reflected in stock and the resultant sales are accepted, the same cannot be partially disallowed in the absence of any material to indicate that the expenditure is either bogus or unexplained. The scope and ambit of section 69C is confined to cases where the assessee fails to offer a satisfactory explanation regarding the source of expenditure; it does not extend to cases where the expenditure is duly recorded and substantiated, yet an artificial disallowance is carved out on mere conjectures and surmises. The Assessing Officer, therefore, has not only failed to discharge the burden cast upon him but has also adopted a course which is fundamentally inconsistent with the principles of evidence and taxation jurisprudence.

14. The learned CIT(A), in our considered opinion, has appreciated the entire factual and evidentiary matrix in its proper perspective and has dealt with the issue in a judicious and reasoned manner. He has taken note of the fact that all primary documents and supporting evidences were furnished before the Assessing Officer, that no discrepancy whatsoever was found therein, and that the addition was made purely on an ad hoc basis without any supporting material. By placing reliance on judicial precedents and applying the well-settled principles of law, he has rightly concluded that such an addition cannot be sustained. The reasoning given by the learned CIT(A) is not only legally sound but also in consonance with the settled position that in the absence of rejection of books of account or any specific

defect therein, no arbitrary disallowance can be made. We, therefore, find ourselves in complete agreement with the findings and conclusion of the learned CIT(A), which, in our considered view, do not warrant any interference.

15. Coming to the issue relating to the addition on account of alleged TDS default, we find that the learned CIT(A) has adopted a balanced, pragmatic and legally tenable approach. Instead of granting outright relief or mechanically confirming the addition, he has directed the Assessing Officer to verify the assessee's claim that the discrepancies appearing in Form 26AS stood rectified upon filing of revised TDS returns dated 28/12/2023 and 16/04/2024. Such a direction ensures that the matter is examined on the basis of correct and updated factual data and that the assessee is neither prejudiced by an incorrect reflection in Form 26AS nor granted undue relief without due verification. It is a well-settled principle that where subsequent rectification or correction is claimed by the assessee, the same deserves to be examined by the Assessing Officer on the basis of the revised record before any adverse inference is sustained. The direction of the learned CIT(A), therefore, strikes a fine balance between safeguarding the interest of the Revenue and ensuring fairness to the assessee, and thus, calls for no interference.

16. In view of the aforesaid discussion, and having regard to the entirety of facts and circumstances of the case, we hold that the addition of Rs.9,90,46,583/- made under section 69C is wholly unsustainable both on facts and in law and has rightly been deleted by the learned CIT(A). Similarly, the direction issued in respect of the TDS default is fair, reasonable and in accordance with law. Accordingly, the grounds raised by the Revenue stand dismissed.

17. In the result, the appeal of the Revenue is dismissed and the cross objection of the assessee is allowed.

Order pronounced in the open court on 07.04.2026.

Sd/-	**Sd/-**
(Arun Khodpia)	**(Amit Shukla)**
Accountant Member	**Judicial Member**

Mumbai,
Dated*: 07/04/2026*
Ankit, Sr.PS

Copy of the order forwarded to:

1. Appellant
2. Respondent
3. The CIT
4. The CIT (Appeals)
5. The DR, I.T.A.T.

By order
(Assistant Registrar)
ITAT, Mumbai