

IN THE INCOME TAX APPELLATE TRIBUNAL
AHMEDABAD "C" BENCH

**Before: DR. BRR Kumar, Vice President
And Shri T. R. Senthil Kumar, Judicial Member**

**ITA Nos.1362, 1363 & 1364/Ahd/2025
Asst Years: 2014-15 to 2016-17**

Shri Bhumika Strips Private Limited. 255/256, G.V.M.M.S.A.V. Ltd., Odhav, Ahmedabad, Gujarat- 382 415 PAN: AAACB7696J (Appellant)	Vs	The ITO Ward-4(1)(1), Ahmedabad (Respondent)
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Assessee Represented: Shri Parimalsinh B. Parmar, A.R.
Revenue Represented: Shri Uday Kakne Kishanrao, Sr. D.R.

Date of hearing : 11-03-2026
Date of pronouncement : 08-04-2026

आदेश/ORDER

PER : T.R. SENTHIL KUMAR, JUDICIAL MEMBER:-

These three appeals are filed by the Assessee as against separate appellate orders all dated 10-06-2025 passed by the Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi, (in short referred to as "CIT(A)"), arising out of the reassessment orders passed under section 147 r.w.s. 144B of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') relating to the Assessment Years 2014-15, 2015-16 and 2016-17. Since common issue of addition under section 68 of the Act is involved in all these appeals, for the sake of convenience, the same are disposed of by this common order.

2. ITA Nos.1362/Ahd/2025 is taken as lead a lead case. Brief facts of the case is that the Assessee was having a rolling mill and engaged in manufacturing activity of stainless steel, S.S. Patta/Patti, S.S. Flat and also engaged in job work activity for materials received from the various vendors. For the Assessment Year 2014-15, the Assessee filed its Return of Income on 30.09.2014 declaring total income of Rs.20,65,910/-. There was information received from the Investigation Wing that the Assessee had taken benefit of accommodation entry for an amount of Rs.1,60,86,323/- from M/s. Kabra and Company (Prop. Suresh Prabhulal Kabra), Madhav Marketing (Prop. Kashmira Dhirajbhai Mehta), Param Enterprises (Manharlal Bhogialal Patel) and Shreeji Steels (Bhaumik Dipak Bhagat) M/s Kabra and Company (Prop. Suresh Prabhulal Kabra), Madhav Marketing (Prop. Kashmira Dhirajbhai Mehta), Param Enterprise (Manharlal Bhogilal Patel) and Shreeji Steels (Bhaumik Dipak Bhagat) is mainly engaged in facilitating accommodation entry to the beneficiary companies. Therefore, notice under section 148 of the Act was issued on 30.03.2021. In response thereto, the Assessee filed its Return of Income admitting total income of Rs.22,01,770/- on 30.04.2021. During the reassessment proceedings, the Assessee purchased S.S. Cold, Rolled Patta/Patti and also produced tax invoices, which was not accepted by the AO and added as follows:

Sr.No.	Name of the party	Total sales Amt.(Rs.)	Doubted & Added by AO Amt.(Rs.)
1.	Kabra and Co.	16,304,932	12,766,045
2.	Madhav Marketing	3,844,884	200,000
3.	Param Enterprise	---	1,805,278
4.	Mahavir Enterprise	685,304	1,055,000
5.	Shreeji Steels	388,598	260,000
	Total	21,223,718	16,086,323

2.1 The Assessing Officer found that the above parties had shown meagre income and have had only salary income and no business income by M/s. Kabra and Company, as well as VAT registration was also cancelled by the Gujarat VAT department. Thereby the Assessing Officer made an addition of Rs. 1,60,86,323/- under section 68 of the Act and also calculated tax under Section 115 BBE of the Act.

3. Aggrieved against the reassessment order, the Assessee filed an appeal before the CIT(A), who has confirmed the additions made by the Assessing Officer, thereby dismissing the appeal filed by the Assessee.

4. Aggrieved against the same, the Assessee is in appeal before us raising the following Grounds of Appeal:

"1. The Ld. CIT(A) has erred, both in law and on facts, in confirming the action of AO in reopening the case of the assessee under section 147 of the Act.

2. The Ld. CIT(A) has erred, both in law and on facts, in confirming the addition of Rs.1,60,86,323/-under section 68 of the Act in respect of sales duly recorded in the books of accounts.

3. Alternatively and without prejudice, the Ld. CIT(A) ought to have restricted the addition in respect of underlying sales to the extent of profit element embedded therein instead of confirming addition in respect of entire amount of sales.

4. The Ld. CIT(A) has erred, both in law and on facts, in confirming action of AO in applying provisions of section 115BBE of the Act while computing tax on addition under section 68 of the Act in respect of sales duly recorded in the books of accounts.

5. Both, AO & CIT(A), have erred in passing the impugned orders without properly appreciating facts of the case, submissions of the assessee and documentary evidences available on record in the correct perspective. Such an act in in gross violation of principles of natural justice and hence, the impugned order deserve to be quashed.

6. The Ld. CIT(A) has erred in law and on facts of the case in confirming levy of interest u/s. 234A/B/C/D of the Act."

7. The Ld. CIT(A) has erred in law and on facts of the case in confirming initiation of penalty proceedings u/s. 271(1)(c) of the Act.

4. Learned counsel appearing for the Assessee, apart from the grounds of appeal, alternatively argued that the entire sales could not have been taxed since the Assessee has recorded such sales in the audited books of accounts and paid taxes thereon; referring to the voluminous paper book running to 2040 pages filed by the Assessee. Further, such sales and profit have been accepted by the learned AO and he has not rejected the audited books of accounts. In such circumstances, only the profit element embedded in such sales could have been taxed and submitted a note of the net profit as follows:

- Tax Audit Reports containing NP rates of three years in question are placed at following pages of Volume VI of Paperbook:
 - ✓ AY 2014-15 - Pgs.1993-2006 @ 2001 of PB-VI (NP : 0.96%);
 - ✓ AY 2015-16 - Pgs.2007-2020 @ 2020 of PB-VI (NP : 0.36%);
 - ✓ AY 2016-17 - Pgs.2021-2040 @ 2040 of PB-VI (NP : 1.26%);
- Average NP rate of three years works out to 0.86% (i.e. less than 1%). In view of the same, some reasonable NP rate (approximately 1% or 2%) may kindly be adopted by Hon'ble Bench in the larger interest of justice.
- Following table shows the amounts of NP element (if 1% or 2% rates) are adopted by Hon'ble Bench:

AY	Sales	NP @ 1%	NP @ 2%
AY 2014-15	Rs.1,60,86,323/-	Rs.1,60,863/-	Rs.3,21,726/-
AY 2015-16	Rs.58,62,000/-	Rs.58,620/-	Rs.1,17,240/-
AY 2016-17	Rs.95,28,910/-	Rs.95,289/-	Rs.1,90,578/-
Total	Rs.3,14,77,233/-	Rs.3,14,772/-	Rs.6,29,544/-

- Accordingly, impugned additions may kindly be restricted to Rs.3,14,772/- or Rs.6,29,544/- or some reasonable profit element (aggregate of 3 years) as Hon'ble the Bench may deem fit in the larger interest of justice and consequently, balance additions may kindly be deleted.

5. Per contra, the learned Senior D.R. appearing for the Revenue supported the orders passed by the lower authorities and requested to confirm the additions.

6. We have given our thoughtful consideration and perused the materials available on the record. The short controversy in these appeals are as to whether the addition made under section 68 of the Act, in respect of sales which are duly accounted for in the books of accounts and offered to tax, is valid in law. The Assessing Officer has doubted part of sales made to the five parties and disallowed Rs. 1,60,86,323/- as against the total sales of Rs. 2,12,23,718/- made by the Assessee company. The only reason made out by the Assessing Officer was that the VAT registration number of M/s. Kabra and Company was cancelled by the Gujarat VAT department. There is no verification by the Assessing Officer about the date of cancellation of the VAT registration by VAT department. However, based on the information received from the Investigation Wing, the Assessing Officer made addition under section 68 of the Act. The Assessee during the appellate proceedings clarified that M/s. Kabra and Company, wherein the proprietor Kabra Suresh Prabhulal, as Kartha in his HUF capacity, and not in individual capacity. Thus, Assessing Officer wrongly noted that there is only salary income of Kabra Suresh Prabhulal, whereas M/s. Kabra and Company is having GST No. 24AACHK5257R1ZQ under the new GST Regime and active in its business activities and filed latest GST return in April, 2025. Further, M/s. Kabra and Company is having TIN No.2407050114 also. Thus, the Assessing Officer without making proper verification made the additions, which are against the provisions of law.

6.1 Further, the Assessing Officer has not rejected the books of account and accepted part of the sales declared by the Assessee. The net profit declared by the Assessee for the three assessment years is

ranging from 0.6% to 1.26% and the average of the same is worked out to 0.86% and Gross Profits ranging from 8.98% to 9.01% and average Gross Profits works out to 9%.

6.2 It is a well-settled principle of law that only the profit element embedded in the sales value can be brought to tax and not the entire transaction value, as held by the Hon'ble Gujarat High Court in the cases of (i) CIT Vs. President Industries reported in (2002) 258 ITR 654, (ii) CIT Vs. Gurubachan Singh reported in (2008) 302 ITR 63 (Guj.) and (iii) CIT Vs. Samir Synthetics Mill reported in (2010) 326 ITR 410 (Guj.).

7. Considering the above judicial precedents, we deem it fit that a gross profit rate of 9% is reasonable addition in the above case since expenses are already allowed in the Profit and Loss account and direct the learned Jurisdictional Assessing Officer (JAO) to make the re-assessment accordingly by giving opportunity of hearing to the Assessee.

8. In the result, the appeal filed by the Assessee in ITA No. 1362/Ahd/2025 is hereby allowed for statical purpose.

ITA Nos. 1363 & 1364/Ahd/2025 (AY: 2015-16 and 2016-17):-

9. There is no change in the facts of the case except the additions made under section 68 of the Act. For the assessment year 2015-16, the Assessee shown sales of Rs. 123,74,280/-, wherein the Assessing Officer doubted Rs. 58,68,000/-. For the assessment year 2016-17, the Assessee shown sales of Rs. 83,12,692/-, whereas the Assessing Officer doubted the sales of Rs.95,28,910/-. Therefore, we direct the

Jurisdictional Assessing Officer (JAO) to make fresh re-assessment adopting gross profit rate at 9% is reasonable addition for the above two assessment years and pass fresh reassessment orders accordingly by giving opportunity of hearing to the Assessee.

10. In the result, the appeals filed by the Assessee in ITA Nos. 1363 & 1364/Ahd/2025 are allowed for statistical purpose.

Order pronounced in the open court on 08-04-2026

Sd/-
(DR. BRR KUMAR)
VICE PRESIDENT

True Copy

Sd/-
(T.R. SENTHIL KUMAR)
JUDICIAL MEMBER

Ahmedabad :
Dated 08/04/2026
DS

आदेश की प्रतिलिपि अग्रेषित / Copy of Order Forwarded to:-

1. Assessee
2. Revenue
3. Concerned CIT
4. CIT (A)
5. DR, ITAT, Ahmedabad
6. Guard file.

By order/आदेश से,

उप/सहायक पंजीकार
आयकर अपीलीय अधिकरण,
अहमदाबाद