

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH "B" NEW DELHI**

**BEFORE SHRI CHALLA NAGENDRA PRASAD, JUDICIAL MEMBER
AND
SHRI SANJAY AWASTHI, ACCOUNTANT MEMBER**

आ.अ.सं./I.T.A No.4532/Del/2025

निर्धारणवर्ष/Assessment Year: 2017-18

GURMUKH DAS, G-17, 3 rd Floor, Saket, South Delhi, Delhi. PAN No.ANRPD1084F	बनाम Vs.	ACIT, Central Circle-8, Room No.333, 3 rd Floor, DGIT(I&CI), ARA Centre, Ground Floor, E-2, Jhandewalan Extension, Delhi.
अपीलार्थी Appellant		प्रत्यर्थी/Respondent

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आ.अ.सं./I.T.A No.4533/Del/2025

निर्धारणवर्ष/Assessment Year: 2018-19

GURMUKH DAS, G-17, 3 rd Floor, Saket, South Delhi, Delhi. PAN No.ANRPD1084F	बनाम Vs.	ACIT, Central Circle-8, Room No.333, 3 rd Floor, DGIT(I&CI), ARA Centre, Ground Floor, E-2, Jhandewalan Extension, Delhi.
अपीलार्थी Appellant		प्रत्यर्थी/Respondent

Assessee by	Shri Ansh Kumar Sharma, CA
Revenue by	Ms. Pooja Swaroop, CIT DR

सुनवाईकीतारीख/ Date of hearing:	23.03.2026
उद्घोषणाकीतारीख/Pronouncement on	15.04.2026

आदेश /O R D E R

PER SANJAY AWASTHI, ACCOUNTANT MEMBER:

1. These are a batch of two appeals pertaining to the same Assessee. Since the issues are interconnected and common in both the cases, hence, these two appeals are being disposed of through a single order.

2. These appeals arise from two different orders passed u/s 250 of the Income Tax Act, 1961 (hereafter as “the Act”) by Ld. CIT(A)-24, New Delhi vide separate orders both dated 30.05.2025. Briefly in this case, a search and seizure operation was conducted on 07.12.2018 on the H.S. Impacts Group and M/s Dengen Products India LLP cases. Several documents were seized during the course of search action which allegedly pointed towards certain cash based loan committees run by Shri Prateek Chitkara and Shri Harpreet Singh Talwar. The Ld. AO issued a notice u/s 153C for both the years [AYs 2017-18 & 2018-19], on 04.11.2022. It is also a fact that a notice u/s 148 of the Act was issued on 30.06.2021 for AY 2017-18 and 01.04.2022 for AY 2018-19. It has been brought on record that for quite some time proceedings u/s 153C & 147 of the Act were running parallel to each other. The Ld. AO has made several additional through the respective assessment orders.

2.1 The assessee has raised additional grounds of appeal for both the years vide their application dated 15.12.2025 as under: -

“That while filing the above appeal the under noted ground of appeal could not be included in the ground of appeal as attached/accompanied to the Memorandum of Appeal, namely:-

01. That the Ld. AO has initiated proceedings u/s 148 of the Income Tax Act, 1961 for the instant assessment year and correspondingly initiated proceedings u/s 153C of the Income Tax Act, 1961 and the proceedings u/s 148 are not being dropped after issuance of notice u/s 153C renders the entire proceedings bad in law and the same deserves to be quashed.

02. That the satisfaction has been recorded after the elapse of 4 years from the date search i.e. 04.11.2022 whereas the search has been conducted on 07.12.2018, the notice as well as the entire proceedings assessment framed are without jurisdiction, which is void ab initio, bad in law and should be quashed.

03. That there being no incrementing material found during search and the assessment proceedings are initiated purely on the basis of statement of some person render the entire proceedings bad in law and deserves to be quashed. Saksam Commodity (Delhi HC).

The above ground of appeal is purely legal ground and goes to the root of the matter.”

The Ld. AR requested that the additional grounds of appeal challenging the assumption of jurisdiction by the Ld. AO may be decided before proceeding ahead with any decision on merits. Regarding the first additional ground tendered by the Ld.,AR, regarding the running of two parallel proceedings, the Ld. AR argued that the same was not permissible under law and relied on the case of Shri Karshni Metals Pvt. Limited in ITA No.5079/Del/2019, order dated 27.08.2024. Through this coordinate bench case it has been directed that proceedings u/s 147 of the Act and 153C of the Act cannot go together and in this particular case the proceedings u/s 147 of the Act were quashed. Secondly, regarding the ground of delay in recording satisfaction after almost four years from the date of search, reliance was placed on the case of Parag Rameshbhai Gathani [180 taxmann.com 662] (Guj.). The Ld. AR argued that the AO does not have unfettered powers in terms of the time taken for recording satisfaction prior to issue of a notice u/s 153C of the Act. Reliance was specifically placed on paragraphs 18 & 20 of this judgment. Thirdly,

regarding the ground pertaining to a live nexus between the incriminating material found during search and the additions made, has been argued to the extent that there was no direct nexus and thus, this case was squarely covered in favour of the assessee on the basis of the judgment in the case of Saksham Commodities Limited, reported in 464 ITR 1 (Del.).

2.2 Per contra, the Ld. DR relied on written submissions filed before us. The main portions from the same deserve to be extracted to capture the Ld. DR's arguments: -

“1.1 Initiation of proceedings under section under section 153C of the Act does not automatically invalidate it only due to the existence of another proceeding under section 148 of the Act

It is submitted that the mere fact that proceedings under section 148 were initiated earlier does not render subsequent proceedings under section 153C invalid. The Assessing Officer is empowered under the Act to proceed under the appropriate statutory provision depending upon the material available on record. Courts have consistently held that procedural irregularities which do not prejudice the assessee do not invalidate the assessment proceedings.

In this regard, reliance is placed on the decision of the Hon'ble Supreme Court in CIT vs. Sun Engineering Works (P) Ltd. (198 ITR 297), wherein it was held that reassessment proceedings cannot be challenged on technical grounds when the statutory purpose of assessment is otherwise fulfilled.

1.2 No prejudice caused to the assessee

The assessee has failed to demonstrate how any prejudice has been caused merely because proceedings under section 148 were not formally dropped after issuance of notice under section 1530. The assessment proceedings were carried out in accordance with the provisions of the Act and the assessee was provided adequate opportunity of being heard. It is a settled principle that

procedural lapses without prejudice do not invalidate assessment proceedings.

In this regard reliance may also be placed on the decision of the Hon'ble Supreme Court in CIT vs. Jagat Novel Exhibitors (P) Ltd. (97 ITR 242) where it was held that technical defects which do not affect the merits of the case cannot invalidate the proceedings.”

“2. ADDITIONAL GROUND NO.02 RAISED BY THE ASSESSEE

That the satisfaction has been recorded after the elapse of 4 years from the date search i.e. 04.11.2022 whereas the search has been conducted on 07.12.2018, the notice as well as the entire proceedings assessment should be quashed.

Comments of the Assessing officer:

The contention of the assessee is misconceived both on facts and law, and therefore deserves to be rejected for the following reasons:

2.1. No statutory limitation prescribed for recording satisfaction within four years from the date of search.

2.1.1 At the outset, it is respectfully submitted that section 153C of the Income Tax Act does not prescribe any limitation period of four years for recording satisfaction by the Assessing Officer of the searched person. The only statutory requirement under section 153C is that the Assessing Officer must be satisfied that money, bullion, jewellery, books of account or documents seized during the course of search belong to or pertain to a person other than the searched person, and thereafter transmit such material to the Assessing Officer having jurisdiction over such other person.

Thus, the argument of the assessee that satisfaction must necessarily be recorded within four years from the date of search has no statutory basis under the Act.

2.1.2 Reliance is placed on the decision of the Hon'ble Supreme Court in CIT vs Calcutta Knitweaves (362 ITR 673), wherein Apex Court has held that the satisfaction note is a prerequisite for initiation of proceedings under section 153C, and such satisfaction may be recorded at different stages of proceedings, including:

1. At the time of initiation of proceedings against the searched person,

2. During the course of assessment proceedings of the searched person, or

3. Immediately after completion of assessment of the searched person.

Thus, the Hon'ble Supreme Court itself has clarified that the satisfaction note is not restricted to a rigid time frame from the date of search, provided it is recorded in the course of proceedings arising from the search.”

“3.ADDITIONAL GROUND NO.03 RAISED BY THE ASSESSEE

That there being no incriminating material found during search and the assessment proceedings are initiated purely on the basis of statement of some person render the entire proceedings bad in law and deserves to be quashed. Saksham Commodity (Delhi HC)

Comments of the Assessing officer:

3.1 The contention of the assessee is factually incorrect and legally unsustainable for the following reasons:

3.1.1 Existence of incriminating material seized during the course of search

The contention of the assessee that no incriminating material was found during the search is contrary to the facts on record. During the course of search proceedings conducted on 08.12.2018 at the premises of M/s Dengen Products India LLP, wherein Shri Prateek Chitkara is a partner, certain diaries marked as Annexure A-1 to A-10 were seized. These diaries contained detailed entries relating to cash committees being controlled and operated by Shri Prateek Chitkara. The said documents constitute documentary evidence discovered during the course of search and therefore clearly qualify as incriminating material within the meaning of search assessment proceedings.

3.1.2. Statements recorded during search are valid and have evidentiary value

It is further submitted that Shri Shiv, a key employee of Shri Prateek Chitkara, in his statement recorded on oath under section 132(4) of the Income Tax Act during the course of search proceedings, categorically admitted that the entries contained in the seized diaries (Annexure A-1 to A-10) relate to the cash committees being controlled and run by Shri Prateek Chitkara. Further, Shri Prateek Chitkara in his statement recorded on 18.07.2019 under section 131(1A) of the Act, himself confirmed the correctness of the facts stated by Sh. Shiv.

Therefore, the proceedings in the present case are not based merely on a statement of a third person but are supported by:

- *seized documentary evidence (diaries Annexure A-1 to A-10), and*
- *corroborative statements recorded on oath under sections 132(4) and 131(1A) of the Act.*

Thus, in the present case, the statements are not standalone but are supported by seized documentary evidence, which clearly establishes the existence of unaccounted cash committee transactions.

3.1.3 Decision relied upon by the assessee is distinguishable on facts.”

3. We have carefully considered the rival submissions and have gone through the records before us and we have also perused the case laws filed by both the sides in support of their contentions. Considering the additional ground no.1 of the assessee which challenges the fact that when the 153C proceedings were initiated then proceedings u/s 147 of the Act were also, allegedly illegally, running parallelly. A review of judicial literature and even the coordinate bench case [Shri Karshni Metals - (supra)] reveals a situation where proceedings u/s 147/148 of the Act have been quashed and not proceedings u/s 153C of the Act. Again, the review of judicial pronouncements on the subject reveals that proceedings u/s 153C of the Act assume primacy over proceedings u/s 147/148 of the Act, thus, in all the cases that we have managed to study the proceedings u/s 147/148 have been quashed. In this case the situation is other way round. Thus, while if we had been dealing with a case of reopening u/s 147/148 of the Act then certainly those proceedings would have been quashed as soon as evidence of proceedings u/s 153C would have been brought to notice, but there is nothing to

suggest that the other way round situation would be true also. Thus, we are unable to persuade ourselves to agree with the assessee on this ground.

3.1 Regarding the second additional ground of inordinate delay in recording satisfaction and issuing a notice u/s 153C of the Act, the judgment in the case of Parag Rameshbhai Gathani (supra) clinches the issue in favour of the assessee where the satisfaction has been recorded after a gap of nearly four years from the date of search. The following extracts from the said judgment are relevant: -

“The Supreme Court in the case of CII v. Calcutta Knitwears [2014] 43 taxmann.com 446 (SC) while examining the provisions of section 158BC (now section 153A) has held that for the purpose of section 158HD, a satisfaction nota is sine qua non and must be prepared by the Assessing Officer before he transmits the records to the other Assessing Officer who has jurisdiction over such other person. The satisfaction note could be prepared at either of the following stages: (a) at the time of or along with the litigation of proceedings against the searched person under section 158BC, (b) along with the assessment proceedings under section 1581BC, and (c) immediately after the assessment proceedings are completed under section 15811c of the searched person” (Para 15].....

In view of the aforesaid decision of the Supreme Court, the respondent-department issued Circular No.24/2015 in light of the provisions of section 153C clarifying the recording of the satisfaction note at three stages. (Para 16).....

Thus, as per the Circular of the respondent-department, the judgment of the Supreme Court in the case of Calcutta Knitweara (supra) and the recording of the satisfaction note in three stages apply to the proceedings under section 153C. (Para 17).....

Though, the Assessing Officer had an opportunity to record the satisfaction note at two stages in stage (a) and (b) as specified in the Circular, the same is not done. The next stage which was a proceedings of the searched person in August, 2021, however, the

satisfaction note was recorded on 6-6-2023, after a period of 22 months. The satisfaction note was available was stage (e) on immediate completion of 22 months. The satisfaction note was drawn by the Assessing Officer of the petitioner on 17-10-2023. The satisfaction note of 17-10-2023 of the petitioner mentions that during the course of the assessment proceedings under section 153C in the case of Rushisinh Thakor and Randhirsinh Thakor, concluded in March, 2023, the transactions pertain to the sale, i.e., purchase of land by one HD, wife of DG, vale sale deed dated 24-7-2020, for a registered value of Rs. 3.80 crores. Thus, the Assessing Officer of the searched person prepared the satisfaction note on 6-6-2023, after completion of the assessment in August, 2021, i.e., almost after a period of 22 months. The decision of Coordinate Bench of this Court in the case of Pr. CIT vs. Jitendra H. Modi (HUF) (2018) 92 taxmann.com 510 (Gujarat) is referred to, wherein this Court, by placing reliance on the decision of the Supreme Court in the case of Calcutta Knitwears (supra), has held that satisfaction recorded after 09 months could not be said to be immediate action and hence, the Coordinate Bench of this Court set aside the notices issued under section 158BD. In the instant case, there has been a delay of 22 months in recording the satisfaction, which runs contrary to the decision in Calcutta Knitwears (supra) as well as provision '(c)' of Circular No.24/2015, dated 31-12-2015, which uses the expression 'immediately after the assessment procedure is completed'. [Para 18]-----

There was no restricting factor on the Assessing Officer to record the satisfaction earlier. The expression 'immediate', though is impossible in quantify in period, however, the same cannot be extended to such an extent which defeats the purpose of cost effective, efficient and expeditious completion of search assessments. The intention of using such term is to reduce and avoid long drawn proceedings and to bring certainty to the assessment. [Para 20]"

Accordingly, there is no hesitation in holding that the inordinate delay of four years in recording of satisfaction and issuance of notice u/s 153C of the Act cannot be justified and the resultant proceedings deserve to be quashed on this ground. Accordingly, the assessee succeeds with respect to additional ground no.2.

3.2 Since the assessee has succeeded on additional ground no.2, hence, neither the main grounds of appeal filed with Form 36 nor additional ground no.3 are being specifically adjudicated. The same are left open. Also it needs to be mentioned that the date of search and the date of issue of notice u/s 153C of the Act are identical for both the years and thus, the decision rendered with respect to additional ground no.2 for AY 2017-18 shall be applicable *mutatis-mutandis* to AY 2018-19 also.

4. In the result, the two appeals of the Assessee are allowed.

Order pronounced in the open court on 15.04.2026

Sd/-
(CHALLA NAGENDRA PRASAD)
JUDICIAL MEMBER

Sd/-
(SANJAY AWASTHI)
ACCOUNTANT MEMBER

Dated: 15.04.2026

**Kavita Arora, Sr. P.S.*

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR
ITAT, NEW DELHI