

आयकर अपीलिय अधिकरण, हैदराबाद पीठ
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad ' DB-A ' Bench, Hyderabad

श्री रविश सूद, न्यायिक सदस्य एवं श्री मधुसूदन सावड़िया लेखा सदस्य समक्ष।

Before Shri Ravish Sood, Judicial Member
A N D

Shri Madhusudan Sawdia, Accountant Member

आ.अपी.सं / **ITA Nos.1174 & 1175/Hyd/2025**
(निर्धारण वर्ष / Assessment Years: 2013-14 & 2014-15)

Smt. Preeti Gupta Hyderabad PAN: ABMPM7172Q (Appellant)	Vs.	Dy. CIT Circle 9(1) Hyderabad (Respondent)
निर्धारिती द्वारा / Assessee by:	Shri K.A. Sai Prasad, CA	
राजस्व द्वारा / Revenue by::	Shri Madhukar Aves, Sr. AR	
सुनवाई की तारीख / Date of hearing:	02/04/2026	
घोषणा की तारीख / Pronouncement:	17/04/2026	

आदेश/ORDER

Per Madhusudan Sawdia, A.M.:

These two appeals are filed by Smt. Preeti Gupta (“the assessee”), feeling aggrieved by the separate orders passed by the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi (“Ld. CIT(A)”) dated 14.05.2025 & 16.05.2025 for the A.Ys.2013-14 & 2014-15 respectively. Since identical issues are raised by the assessee in both these appeals, for the sake of convenience, these were heard together and are being disposed of by this common and consolidated order.

ITA No. 1174/Hyd/2025 for A.Y. 2013-14:

2. The assessee has raised the following grounds of appeal:

1. The Order of the learned Commissioner of Income Tax (A),NFAC is not correct either on facts or in law and in both.
 2. The Ld. CIT(A) failed to appreciate that the reassessment proceedings initiated vide notice dated 30.03.2021, was issued beyond the permissible limitation under the then applicable Section 149(1)(b), and therefore barred by limitation and void ab initio.
 3. The Learned CIT(A) failed to appreciate that the reassessment was based solely on generic investigation reports alleging penny stock misuse and not on any independent tangible material or inquiry relating to the assessee's transaction, rendering the reopening bad in law and without valid "reason to believe."
 4. The Ld. CIT(A) failed to appreciate that the AO without making any enquiries simply relied mechanically on the findings of the Investigation Wing in making addition of Rs. 20,97,140/-.
 5. The Ld. CIT(A) wrongly upheld the addition of Rs. 20,97,140 under Section 69A though the transactions were duly recorded in the demat and bank accounts and disclosed in the return and since there is no finding of unexplained or unaccounted money the essential conditions for invoking Section 69A are not met.
 6. The Ld. CIT(A) erred in confirming the denial of short-term capital gains ignoring that all trades were executed through recognized stock exchanges and SEBI-registered brokers and STT was duly paid and proper evidence including contract notes and demat statements was placed on record and the addition was made purely on suspicion without any effort to disprove the genuineness of the transactions.
 7. The Ld. CIT(A) failed to appreciate the fact that evidences/documents filed by the appellant were not rebutted or found false by the AO and hence addition made is unjustified.
 8. The Ld. CIT(A) is not justified in passing a non-speaking order by not addressing the assessee's detailed submissions regarding limitation, evidentiary proof, and natural justice violations.
 9. The appellant craves leave to add, amend, modify, rescind, supplement or alter any or more grounds of appeal stated herein above either before or at the time of hearing of this appeal.
3. The assessee has also raised the following additional grounds of appeal:

"1. On the facts and circumstances of the case, the Learned NFAC, Delhi erred in assuming jurisdiction under section 151A read with section 144B of the Act with effect from

13.12.2021, whereas the notification issued under section 151A is operative only w.e.f. 29.03.2022, rendering the assessment proceedings without authority of law and liable to be quashed.

2. On the facts and circumstances of the case, the reassessment has been initiated on incorrect and inappropriate facts, as the reasons recorded allege non-disclosure of share transactions despite the appellant having duly disclosed short term capital gains of Rs.10,43,677/- on sale of shares of M/s. Vandana Knitwear Ltd., rendering the reopening invalid and bad in law”.

4. The Learned Authorized Representative (“Ld. AR”) submitted that additional grounds so filed are admissible in view of judgment rendered by the Hon’ble Supreme Court in the case of National Thermal Power Co. Ltd. v. CIT (1998) 229 ITR 383 (SC). The Learned Departmental Representative (“Ld. DR”) also did not make any objection for admission of the additional grounds. The prayer for admission of additional grounds noted above which are not in memorandum of appeal are being admitted for adjudication in terms of Rule 11 of the Income Tax (Appellate Tribunal) Rules, 1963 owing to the fact that objections raised in additional grounds are legal in nature for which relevant facts are stated to be emanating from the existing records.

5. The brief facts of the case are that the assessee is an individual who filed her return of income for Assessment Year 2013-14 on 06.03.2014 declaring total income of Rs.32,28,850/-, which included short-term capital gain of Rs.10,43,677/-. During the year under consideration, the assessee had purchased 40,000 shares of M/s. Vandana Knitwear Limited for a total cost of Rs.20,00,850/- and sold 20,000 shares for a consideration of Rs.20,97,140/-, claiming cost of acquisition at Rs.10,50,511/- and securities transaction tax (“STT”) of Rs.2,952/-. Accordingly, the assessee offered short-term capital gain of Rs.10,43,677/- under section 111A of the Income Tax Act, 1961 (“the Act”). Subsequently,

based on information received from the Investigation Wing, Hyderabad, that M/s. Vandana Knitwear Limited was a penny stock company and that the assessee was one of the beneficiaries, the Learned Assessing Officer ("Ld. AO") reopened the assessment of the assessee under section 147 of the Act and issued notice under section 148 dated 30.03.2021. In response, the assessee filed return of income on 05.01.2022 declaring the same income as originally returned i.e. Rs.32,28,850/-. During the reassessment proceedings, the Ld. AO held that the share transactions entered into by the assessee were not genuine and were merely accommodation entries. Accordingly, the Ld. AO rejected the claim of short-term capital gain under section 111A of the Act and treated the entire sale proceeds of Rs.20,97,140/- as unexplained income under section 69A of the Act, without allowing deduction for cost of acquisition or STT. The reassessment was completed by the Ld. AO under section 147 r.w.s. 144B of the Act vide order dated 26.03.2022 determining total income of the assessee at Rs.42,82,308/-.

6. Aggrieved with the order of the Ld. AO, the assessee preferred an appeal before the Ld. CIT(A), who confirmed the addition made by the Ld. AO.

7. Aggrieved with the order of the Ld. CIT (A), the assessee is in appeal before this Tribunal. During the appellate proceedings, the assessee has withdrawn the additional ground no. 1. Accordingly, the additional ground no. 1 of the assessee is dismissed as withdrawn.

8. The Ld. AR submitted that the assessee has challenged both the validity of reopening under section 147 of the Act as well as the addition made under section 69A of the Act. On merits, the

Ld. AR submitted that the Ld. AO has erred in treating the entire sale proceeds of Rs.20,97,140/- as unexplained income under section 69A of the Act. It was submitted that the addition has been made merely on the basis of information received from the Investigation Wing, Hyderabad, without any independent enquiry by the Ld. AO and is based on mere suspicion and presumption. The Ld. AR further submitted that the assessee had furnished all relevant documentary evidences before the lower authorities to substantiate the genuineness of the share transactions. It was submitted that the shares were purchased and sold through a SEBI registered broker on a recognized stock exchange, and the transactions were routed through a demat account. The demat statements were filed before the authorities. It was further submitted that the payments for purchase as well as receipts from sale were made through banking channels and the bank statements were also placed on record. It was also submitted that the assessee had furnished contract notes and ledger accounts issued by the registered broker evidencing the transactions. The Ld. AR contended that the lower authorities have not pointed out any discrepancy in the documentary evidences filed by the assessee. The Ld. AR further submitted that the allegation of the Ld. AO that the assessee had introduced unaccounted money in the garb of capital gains is not supported by any material evidence. It was submitted that no evidence has been brought on record to show movement of cash from the assessee to any broker or entry operator. It was also submitted that no person has named the assessee as a beneficiary of any bogus transaction or price rigging. The Ld. AR placed reliance on the decision of the Raipur Bench of the Tribunal in the case of Mohammad Anish Hingora Vs. ITO, reported in 175 taxmann.com 65, wherein under similar facts, the issue was decided in favour of the assessee. Accordingly, the Ld. AR

submitted that the addition made by the Ld.AO is liable to be deleted.

9. Per contra, the Ld. DR relied on the orders of the lower authorities. It was submitted that the Investigation Wing, Hyderabad had conducted detailed enquiry and found abnormal fluctuations in the share price of the company. It was submitted that in Financial Year 2011-12, the share price ranged from Rs.49.95 to Rs.139.50, and in Financial Year 2012-13, it ranged from Rs.8.86 to Rs.199. Further, as on 11.08.2017, the share price had fallen to Rs.0.20. It was submitted that such abnormal fluctuations without any corresponding change in financials or business activities of the company clearly indicate manipulation in the share prices. It was further submitted that the trading in the shares was concentrated among a few persons/entities. It was also submitted that SEBI had conducted investigation and levied penalties in respect of irregular trading in the shares of the company. Accordingly, the Ld. DR submitted that the Ld. AO was justified in treating the transaction as non-genuine and making addition under section 69A of the Act.

10. We have carefully considered the rival submissions and perused the material available on record including the case laws relied upon. The core issue for our consideration is whether the Ld. AO was justified in treating the entire sale proceeds of shares as unexplained money under section 69A of the Act and denying the claim of short-term capital gain under section 111A of the Act. It is an undisputed fact that the assessee has furnished documentary evidences in support of the share transactions, including demat statements, bank statements, contract notes, and broker ledger accounts. There is also no dispute about the fact that the transactions of purchase and sale of shares are duly supported by

documentary evidences and are routed through recognized stock exchange and banking channels. We further find that the lower authorities have not pointed out any discrepancy or defect in the evidences furnished by the assessee. No material has been brought on record to show that the documents submitted by the assessee are false or fabricated. We also find that the addition has been made primarily on the basis of general investigation report regarding penny stock transactions and abnormal price fluctuations in the shares of the company. However, no specific material has been brought on record to establish that the assessee was involved in any price rigging or accommodation entry. We have also gone through para no. 14 to 31 of the order of Raipur Bench of the Tribunal in the case of Mohammad Anish Hingora Vs. ITO (Supra), which is to the following effect:

14. The second contention raised by the Ld. AR is that the assessee's name was not mentioned in the investigation report which is relied upon by the revenue or in the statement of alleged entry operators, further there was no allegation or evidence brought on record by the revenue to establish that the assessee concerned, or his broker was involved in the alleged price rigging, while undertaking the transactions of purchase/ sale of the impugned shares. On this issue, reliance has been placed on the following judgments:

Principal Commissioner of Income-tax v. Smt. Renu Agarwal [2023] 153 taxmann.com 578 (Allahabad)

5. After detailed discussion, the ITAT has recorded the following findings of facts:

"The above findings recorded by Id. CIT(A) are quite exhaustive whereby he has discussed the basis on which the Assessing Officer had made the additions. While allowing relief to the assessee, the Id. CIT(A) has specifically that there is no adverse comment in the form of general and specific statement by the Pr. Officer of stock exchange by the company whose shares were involved in these transactions, and he held that Assessing Officer only quoted facts pertaining to various completely unrelated persons whose statement were recorded and, on the basis of unfounded presumptions. He further held that the name of the appellants were neither quoted by any of such persons nor any material relating to the assessee was found at any place where investigation was done by the investigation Wing. The Id. CIT(A) relying on various orders of Lucknow Benches and other Benches has allowed relief to the assessee by placing reliance on the evidence filed by the assessee before Assessing Officer. I do not find adversity in the order of Id. CIT(A) specifically keeping in view the fact that Lucknow Benches in a number of case after relying on the judgment of Hon'ble Delhi High Court in the case of Krishna Devi and others had allowed relief to various assessees."

PCIT v. Ziauddin A Siddique [IT Appeal No. 2012 of 2017, dated 4-3-2022]

2. We have considered the impugned order with the assistance of the learned Counsels, and we have no reason to interfere. There is a finding of fact by the Tribunal that the transaction of purchase and sale of the shares of the alleged penny stock of shares of Ramkrishna Fincap Ltd. ("RFL") is done through stock exchange and through the registered Stock Brokers. The payments have been made through banking channels and even Security Transaction Tax ("STP") has also been paid. The Assessing Officer also has not criticized the documentation involving the sale and purchase of shares. The Tribunal has also come to a finding that there is no allegation against assessee that it has participated in any price rigging in the market on the shares of RFL.

Principal Commissioner of Income-tax 1 v. Parasben kasturchand Kochar [2021] 130 taxmann.com 177/282 Taxman 301 (SC)

2. We take notice of the fact that the issue in the present appeal is whether the assessee earned long term capital gain through transactions with bogus companies. In this regard, the finding of fact recorded by the Tribunal in paras 9, 10 and 11 reads thus:-

"9. In our considered opinion, in such case assessee cannot be held that he earned Long Term Capital gain through bogus company when he has discharged his onus by placing all the relevant details and some of the shares also remained in the account of the appellant after earning of the long term capital gain.

10. Learned A.R. contention is that no statement of the Investigation Wing was given to the assessee which has any reference against the assessee.

11. In support of its contention, learned A.R. also cited an order of Coordinate Bench in ITA No. 62/Ahd/2018 in the matter of Mohan Polyfab (P.) Ltd. v. ITO wherein ITAT has held that A.O. should have granted an opportunity to cross examine the person on whose statement notice was issued to the assessee for bogus long term capital gain. But in this case, neither statement was

supplying to the assessee nor cross examination was allowed by the learned A.O. Therefore, in our considered opinion, assessee has discharged his onus and no addition can be sustained in the hands of the assessee."

3. Thus, the Tribunal has recorded the finding of fact that the assessee discharged his onus of establishing that the transactions were fair and transparent and further, all the relevant details with regard to such transactions were furnished before the Income-tax authorities and the Tribunal also took notice of the fact that some of the shares also remained in the account of the appellant.

4. We take notice of the fact that the assessee has a Demat Account maintained with the ICICI Securities Ltd. and has also furnished the details of such bank transactions with regard to the purchase of the shares. In the last, the Tribunal took notice of the fact that the statements recorded by the investigation wing of the Revenue with regard to the Tax entry provided were informed to the assessee despite giving him opportunity to meet such an allegation. In the overall view of the matter, we believe that the proposed question cannot be termed as a substantial question of law for the purpose of maintaining the appeal under section 260-A of the Act, 1961.

Chief Commissioner of Income-tax (OSD) v. Nilesh Jain (HUF) [2024] 163 taxmann.com 229 (Madhya Pradesh)

12. Learned counsel for the respondent further contended that mere sudden increase in share prices on the stock exchange, does not ipso facto determine that shares are bogus, if the shares are bogus, then these shares cannot be listed and traded on stock exchange through D-MAT accounts. Therefore, it is incorrect notion of the Revenue that these shares are bogus shares, on the contrary these shares are genuine and lawfully issued share by the company by following the law and procedure in this regard. The Assessing Officer has heavily relied upon report of Investigation Wing of Income Tax Department which was conducted in Kolkata in case of some of the Companies including M/S. Sunrise Asian Limited. This report has never been provided to the respondent at any stage of the proceedings nor filed by the department before ITAT or before this Court. It is settled law that no material can be used against the assessee without providing the assessee to examine it and, if required, to cross examine. Thus, there was violation of principles of natural justice. That on similar set of facts and in respect of the same share script of M/S Sunrise Asian Ltd. the Mumbai Bench of ITAT in case of (1) Narayan Ramchandra Rathiv. ITO[IT Appeal No. 4811 (Mum.) of 2018, dated 8-8-2019] (Page nos.50 to 61), (2) Dipesh Ranmeshchandra Vardhan (*supra*) (Page nos. 62 to 71) and, (3) Anraj Hiralal Shah v. ITO [IT Appeal No. 4514 (Mum.) of 2018, dated 16-7-2019] (page nos. 72 to 74) has dealt with the identical issue and decided in favour of the assesseees.

13. Learned counsel for the respondent further submitted that as many as three High Courts *i.e.* Delhi High Court, Bombay High Court and Gujarat High Court also have dealt with the similar issues and has dismissed the appeal filed by the Revenue. The appellant (Revenue) had preferred SLP against an order of Gujarat High Court passed in the case of *the Principal Commissioner of Income Tax-I v. Parasben Kasturchand Kochar* [2021] 130 taxmann.com 176, passed in R/TAX Appeal No.204 of 2020 decided on 17.09.2020), which has been dismissed in limine upholding the orders passed by the Gujarat High Court. The Apex Court in the case of *Principal Commissioner of Income Tax v. Smt. Krishna Devi* [2021] 126 taxmann.com 80/279 taxman 148/431 ITR 361 (Delhi). decided on 15.01.2021 has held that the High Court has erred by holding that the addition made under Section 68 of the Act by treating impugned Long term Capital Gain (LTCG) as bogus was unjustified and same was to be deleted.

Principal Commissioner of Income-tax v. Mamta Rajivkumar Agarwal [2023] 155 taxmann.com 549/295 Taxman 512 (Gujarat)

4. Hence, the Tribunal held, and in our opinion rightly so that there was no evidence available on record suggesting that the assessee or his broker was involved in rigging up of the price of the script of M/s Shree Nath Commercial & Finance Ltd. The assessee had acted in good faith. The Tribunal, therefore, correctly held that the Assessing Officer had acted only on assumption which was misconceived. The CIT(A) order dismissing the revenue's appeal was confirmed.

Pr. CIT, (Central), Ludhiana v. Prem Pal Gandhi [2018] 94 taxmann.com 156/401 ITR 253 (Punjab & Haryana)

4. The issue in short is this: The assessee purchased shares of a company during the assessment year 2006-2007 at Rs. 11/- and sold the same in the assessment year 2008-2009 at Rs. 400/- per share. In the above case, namely, Hitesh Gandhi (*supra*) also the assessee had purchased and sold the shares in the same assessment years. The Assessing Officer in both the cases added the appreciation to the assessee's income on the suspicion that these were fictitious transactions and that the appreciation actually represented the assessee's income from undisclosed sources. In Hitesh Gandhi's case (*supra*) also the CIT (Appeals) and the Tribunal held that the Assessing Officer had not produced any evidence whatsoever in support of the suspicion. On the other hand, although the appreciation is very high, the shares were traded on the National Stock Exchange and the payments and receipts were routed through the bank. There was no evidence to indicate for instance that this was a closely held company and that the trading on the National Stock Exchange was manipulated in any manner.

Commissioner of Income-tax, Jaipur v. Smt. Pooja Agarwal [2018] 99 taxmann.com 451 (Rajasthan)

12. However, counsel for the respondent has taken us to the order of CIT(A) and also to the order of Tribunal and contended that in view of the finding reached, which was done through Stock Exchange and taking into consideration the revenue transactions, the addition made was deleted by the Tribunal observing as under:—

"Contention of the AR is considered. One of the main reasons for not accepting the genuineness of the transactions declared by the appellant that at the time of survey the appellant in his statement denied having made any transactions in shares. However, subsequently the facts came on record that the appellant had transacted not only in the shares which are disputed but shares of various other companies like Satyam Computers, HCL, IPCL, BPCL and Tata Tea etc. Regarding the transactions in question various details like copy of contract note regarding purchase and sale of shares of Limtex and Konark Commerce & Ind. Ltd., assessee's account with P.K. Agarwal & co. share broker, company's master details from registrar of companies, Kolkata were filed. Copy of depository a/c or demat account with Alankrit Assignment Ltd., a subsidiary of NSDL was also filed which shows that the transactions were made through demat a/c. When the relevant documents are available the fact of transactions entered into cannot be denied simply on the ground that in his statement the appellant denied having made any transactions in shares. The payments and receipts are made through a/c payee cheques and the transactions are routed through Kolkata Stock Exchange. There is no evidence that the cash has gone back in appellants's account. *Prima facie* the transaction which are supported by documents appear to be genuine transactions. The AO has discussed *modus operandi* in some sham transactions which were detected in the search case of B.C. Purohit Group. The AO has also stated in the assessment order itself while discussing the *modus operandi* that accommodation entries of long term capital gain were purchased as long term capital gain either was exempted from tax or was taxable at a lower rate. As the appellant's case is of short term capital gain, it does not exactly fall under that category of accommodation transactions. Further as per the report of DCIT, Central Circle-3 Sh. P.K. Agarwal was found to be an entry provider as stated by Sh. Pawan Purohit of B.C. Purohit and Co. group. The AR made submission before the AO that the fact was not correct as in the statement of Sh. Pawan Purohit there is no mention of Sh. P. K. Agarwal. It was also submitted that there was no mention of Sh. P. K. Agarwal in the order of Settlement Commission in the case of Sh. Sushil Kumar Purohit. Copy of the order of settlement commission was submitted. The AO has failed to counter the objections raised by the appellant during the assessment proceedings. Simply mentioning that these findings are in the appraisal report and appraisal report is made by the Investing Wing after considering all the material facts available on record does not help much. The AO has failed to prove through any independent inquiry or relying on some material that the transactions made by the appellant through share broker P.K. Agarwal were non-genuine or there was any adverse mention about the transaction in question in statement of Sh. Pawan Purohi. Simply because in the sham transactions bank a/c were opened with HDFC bank and the appellant has also received short term capital gain in his account with HDFC bank does not establish that the transaction made by the appellant were non genuine. Considering all these facts the share transactions made through Shri P.K. Agarwal cannot be held as non-genuine. Consequently, denying the claim of short term capital gain made by the appellant before the AO is not approved. The AO is therefore, directed to accept claim of short term capital gain as shown by the appellant."

15. In backdrop of the aforesaid judgments, our interpretations to the facts and circumstances of the present case are that, admittedly certain transactions of investment in shares and thereafter selling of such investments

are carried out by the assessee.

16. From the facts on record, undisputedly, it is evident that the assessee had purchased 12,000 shares of 'Karma' on 06.02.2010 for Rs. 4,42,920/- i.e., @ Rs. 36.91 per share, these shares were sold by the assessee at an average of Rs. 300.47 per share for Rs. 36,05,644/-, the investments are disposed off in parts on 07.06.2011 (3000 shares @277.55 per share), 07.07.2011(3000 shares @317.07 per share) & 09.07.2011(6000 shares @303.63 per share) and have obtained capital gain of Rs.31,62,724/- (Rs. 36,05,644 - Rs. 4,42,920) i.e., 714% on the cost of investment.

17. Similarly, 60,000 shares of 'Praneta' are purchased on 12.01.2010 for Rs. 4,24,200/- i.e., @ Rs. 7.01 per share, these shares were sold by the assessee @ an average of Rs. 63.77 per share for Rs. 38,26,217/-, the investments are disposed of in parts on 07.06.2011 (30000 shares @62.36 per share), 07.07.2011(6000 shares @63.05 per share) & 14.07.2011(24000 shares @65.71 per share) and have obtained capital gain of Rs.34,02,017/- (Rs. 38,26,217- Rs. 4,24,200) i.e., 801.98% on the cost of investment.

18. From the above facts, it is emanating that the assessee has sold the shares of aforesaid companies within a span of approx. 1 year 5-6 months and have attained a profit of 700% to 800%, which *prima facie* has been exorbitant. The aforesaid facts are duly acknowledged by the assessee during his statements recorded on oath under the provisions of section 131 of the Act.

19. Coming to the issue that whether the assessee had discharged the onus cast upon him qua furnishing the details to substantiate the genuineness of the transaction. Herein on perusal of the order of Ld. AO, Ld. CIT(A) and material on record, evidently, during the assessment proceedings assessee attended the office of Ld. AO and have given statements, also have filed reply and necessary documents like ITR, Computation of Income, Balance Sheet, copy of D-Mat Account, details of Sale / Purchase of shares of 'Karma' & 'Praneta', Contract Note cum Bill of registered share brokers, Bank Statement of the assessee etc. Therefore, it cannot be said that there was any failure on the part of assessee in furnishing the primary and requisite information for the assessment before the Ld. AO.

20. The allegation of revenue qua the purchases which are made in cash is not tenable at this stage, for the reason that there was no objection by the Ld. AO, who had made the addition of amount of capital gain only, thus, impliedly accepted the genuineness of the purchases.

21. As all the corroborative evidence supporting genuineness of purchase / sale of the impugned stocks are duly furnished by the assessee against which no discrepancies has been pointed out by the Ld. AO or by the Ld. CIT(A), therefore, the allegation that, the assessee cannot escaped from the burden cast upon him, which unfortunately in the present case are heavy as the facts established that the shares which were traded by the assessee had phenomenal and fanciful rise in the price in a short span of time i.e., within 17-18 months, does not considered to be appropriate.

22. Herein, we may observe, drawing support from the decision of Hon'ble Allahabad High Court in the case of *Renu Agrawal (supra)*, wherein Hon'ble Court has held that dehors any adverse comment from the stock exchange and officials of the company involved in the impugned transactions and no material relating to assessee was found in the investigation wing's report, addition made by Ld. AO cannot be sustained. The order of Hon'ble Allahabad High Court is decisive in the present case, as the same was challenged through a SLP by the revenue before the Hon'ble Apex Court, but the same was dismissed.

23. Under similar situation Hon'ble Mumbai HC in the case of *Ziauddin A. Siddique (supra)* have affirmed the findings of Tribunal that if the transaction of purchase / sales of shares of the alleged penny stock is done through stock exchange and through registered stock brokers, the payment is made through banking channel and the Stock Transaction Tax (STT) has been paid, the Assessing Officer has not criticised the documentation involving the sale / purchase, also there is no allegation against the assessee that it has participated in any price rigging in the market on the impugned shares.

24. Similar findings are accorded by Hon'ble Gujarat HC in the case of *Mamta Rajeev Kumar Agrawal (supra)*, wherein their lordships have observed that, if there is no evidence available on record suggesting that the assessee or his broker was involved in rigging up of the price of the impugned script, the assessee had acted in good faith, then the action of Assessing Officer was only on assumption and misconceived.

25. Hon'ble MP High Court in the case of *Nilesh Jain HUF (supra)*, have held that mere sudden increase in share price on the stock exchange does not ipso facto determine that the shares are bogus, their lordship in this judgment have even observed that, if the shares are bogus then these shares cannot be listed and traded on

stock exchange through D-Mat Accounts. Therefore, it is incorrect notion of the revenue in treating such shares as bogus. The Assessing Officer has heavily relied upon report of investigation wing, which was never provided to the respondent at any stage.

26. Apropos, high appreciation in the value of shares Hon'ble P&H HC in the case of *Prem Pal Gandhi (supra)*, has held that, though appreciation of value of shares sold by the assessee was very high, if the same was traded in NSE and receipt of sales routed through bank and company whose share were sold was not a closely held company, no addition could be made as undisclosed income.

27. Further, Hon'ble Supreme Court have dismissed the SLP of revenue while dealing with the decision of Hon'ble Gujarat HC in the case of *Parasben Kasturchand Kochar (supra)*, wherein it was the finding of Hon'ble HC that, where assessee individual engaged in trading of shares had discharged his onus of establishing LTC gain arising out of sale of shares as fair and transparent by submitting records of purchase bills, sale bills, D-Mat statement etc., same not being earned from bogus companies was eligible for exemption u/s 10(38).

28. In a connected issue, Hon'ble Rajasthan HC in the case of *Smt. Pooja Agrawal (supra)*, has held that, where share transactions were made through D-Mat Account, through stock exchange, payments and receipt were made through account payee cheques, copy of contract note regarding purchase / sale of shares, assessee's account with share broker, company Master details from registrar of companies had been filed, transaction could not held to be not genuine or mere accommodation entry.

29. Adverting to the facts and circumstances of the present case, as the assessee had furnished all the necessary information in carrying out the transaction of purchase / sale of the shares, though the purchase by the assessee was offline by making the payment in cash but the same was not disputed by the Ld. AO, since the addition was made qua the amount of capital gain only. The documents furnished by the assessee before the Ld. AO to support the genuineness of the transaction are neither criticised nor any discrepancy therein which indicates that the documents are not genuine are pointed out by either of the authorities below. There was an allegation that the assessee failed to discharge the burden cast upon him, however, no explicit observation specifying the fault on the part of assessee in discharging of burden which the assessee was unable to furnish could be brought on record.

30. Ld. CIT(A) also relied on the doctrine of preponderance of human probabilities, placing reliance on certain judicial pronouncements, thus have observed that the rise in price of the share was artificially done by adopting the manipulative practices, the assessee was failed to prove that there was no manipulation, and the gains assessee has reaped was not tainted. It is further observed that the Assessing Officer has adopted an inferential process which is followed by a reasonable and prudent person, Ld. AO culled out proximate facts, considered the surrounding circumstances as enlightened by investigation wing, assessee's conduct, the time between the buy and sale operation and also the sudden and steep rise in the price of shares of the impugned company, whereas the general market trend was admittedly recessive. The aforesaid conviction of the Ld. CIT(A) is found to be bereft of merits, whereas as per settled ratio of law emerging from the orders of various Hon'ble High Courts, wherein revenue's challenge before the Hon'ble Supreme Court was not considered as a subject of interference thus, has reached finality as of now, accordingly, referring to the facts of present case, wherein the assessee has furnished all the necessary documents to substantiate the genuineness of the transaction which were neither contradicted by the revenue authorities nor any defect in the said documents has been indicated. There is no finding or evidence on record showing assessee's or his broker's involvement in rigging of price of the impugned shares, there was no hiding of information about the transactions by the assessee as the claim of exemption u/s 10(38) on LTCG generated has duly been disclosed in the computation of income. Under such circumstances, since sudden rise in the price of share due to which the assessee was benefited, merely on the basis of presumption, inferences, human probabilities cannot be held as bogus transactions. As the transactions are carried out through recognized stock exchange, through registered stockbrokers, therefore, dehors any concrete evidence against the assessee being involved in the manipulative practices the impugned transactions cannot be held as tainted.

31. In view of aforesaid observations, facts and circumstances of the present case, respectfully following the ratio of law laid down by Hon'ble Courts referred to supra, squarely relevant to decide the issues, the addition made u/s 68 by adding the amount of capital gain of Rs. 65,64,741/-, earned by the assessee during the relevant year and claimed as exempted u/s 10(38), on the basis of mere assumptions and inferences without establishing that the assessee is guilty of being involved in price rigging or without establishing that the transactions and corroborative evidence furnished by the assessee are not genuine, cannot be sustained. We,

thus, in terms of aforesaid observations direct to vacate the impugned addition of Rs. 65,64,741/- made u/s 68 of the Act.

11. On a perusal of the above, we find that under identical circumstances, the Tribunal has decided the issue in favour of the assessee by relying on various decisions of the Hon'ble High Courts including Allahabad, Madhya Pradesh, Gujarat, Punjab & Haryana, and Rajasthan High Courts, holding that in the absence of any evidence to show involvement of the assessee in price rigging or bogus transactions, the addition cannot be sustained merely on the basis of suspicion. In the present case also, no evidence has been brought on record to show that the assessee was involved in manipulation of share prices or that the transactions were non-genuine. Further, no person has named the assessee as a beneficiary of any bogus accommodation entry. In view of the present facts and respectfully following the decision of the Raipur Bench of the Tribunal in the case of Mohammad Anish Hingora Vs. ITO (Supra), we are of the considered view that the Ld. AO was not justified in treating the entire sale proceeds of Rs.20,97,140/- as unexplained income under section 69A of the Act. Accordingly, we direct the Ld. AO to delete the addition made under section 69A of the Act and to treat the profit arising on sale of shares as short-term capital gain under section 111A of the Act.

12. Since we have decided the issue in favour of the assessee on merits, we do not propose to adjudicate the other grounds raised by the assessee, including the additional ground of appeal, which are kept open.

13. In the result, the appeal of the assessee in ITA No. 1174/Hyd/2025 is allowed.

ITA No. 1175/Hyd/2025 for A.Y 2014-15:

14. We have carefully considered the rival submissions and perused the material available on record including the case law

relied upon. We find that the issue involved in the present appeal is identical to the issue involved in ITA No.1174/Hyd/2025 for Assessment Year 2013-14. In the said appeal, we have examined in detail the genuineness of the share transactions entered into by the assessee in respect of shares of M/s. Vandana Knitwear Limited and have held that the transactions are genuine and the addition made under section 69A of the Act is not sustainable. In the present appeal, the assessee has sold 20,000 shares of the same company, namely M/s. Vandana Knitwear Limited, for a total sale consideration of Rs.55,70,349/-, resulting in long-term capital gain of Rs.46,12,845/-, which has been claimed as exempt under section 10(38) of the Act. However, the Ld. AO denied the claim of exemption under section 10(38) of the Act and treated the entire sale consideration of Rs.55,70,349/- as unexplained income under section 69A of the Act. Since we have already held in ITA No.1174/Hyd/2025 that the transactions in the shares of M/s. Vandana Knitwear Limited are genuine, the same reasoning and findings squarely apply to the present appeal as well. Accordingly, following our findings in ITA No.1174/Hyd/2025, we direct the Ld. AO to delete the addition of Rs.55,70,349/- made under section 69A of the Act and to allow the exemption claimed by the assessee under section 10(38) of the Act in respect of long-term capital gain of Rs.46,12,845/-.

15. Since we have decided the issue in favour of the assessee on merits, we do not propose to adjudicate the other grounds raised by the assessee, including the additional ground of appeal, which are kept open.

16. In the result, the appeal of the assessee in ITA No. 1175/Hyd/2025 is allowed.

17. To sum up, both the appeals filed by the assessee are allowed.

Order pronounced in the Open Court on 17th April, 2026.

Sd/-

Sd/-

(RAVISH SOOD) JUDICIAL MEMBER	(MADHUSUDAN SAWDIA) ACCOUNTANT MEMBER
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Hyderabad, dated 17th April, 2026.

Vinodan/sps

Copy to:

S.No	Addresses
1	Smt. Preeti Gupta, C/o Katrapati & Associates, 1-1-298/2/B/3 Sowbhagya Avenue Apartments, 1st Floor, Ashoknagar, Street No.1 Hyderabad 500020
2	Dy. CIT, Circle 9(1) IT Towers, Masab Tank, AC Guards, Hyderabad 500004
3	Pr. CIT - Hyderabad
4	DR, ITAT Hyderabad Benches
5	Guard File

By Order