

**IN THE INCOME TAX APPELLATE TRIBUNAL, 'D' BENCH
MUMBAI**

**BEFORE: SHRI AMIT SHUKLA, JUDICIAL MEMBER
&
SHRI MAKARAND VASANT MAHADEOKAR,
ACCOUNTANT MEMBER**

**ITA No.9259/Mum/2025
(Assessment Year :2011-12)**

DCIT- 13.3.2 Mumbai	Vs.	Remi Sales And Engineering Limited 11 Cama Industrial Estate, Goregaon-East Mumbai- 400 063
PAN/GIR No.AAACR0421M		
(Appellant)	..	(Respondent)

Assessee by	Shri Hitendra Hemrajani
Revenue by	Shri Annavaram Kosuri, SR. AR
Date of Hearing	02/04/2026
Date of Pronouncement	21/04/2026

आदेश / O R D E R

PER AMIT SHUKLA (J.M):

The present appeal has been preferred by the Revenue assailing the impugned order dated 21.10.2025 passed by the learned Addl./JCIT(A)-7, Kolkata, arising out of the assessment framed under section 143(3) read with section 147 of the Income Tax Act, 1961 for the assessment year 2011-12.

2. The solitary grievance raised by the Revenue lies in the action of the learned CIT(A) in restricting the addition made under section 69C on account of alleged bogus purchases to 15% of the impugned purchases amounting to Rs.1,23,750/-, thereby sustaining an addition of only Rs.18,562/- as against 100% disallowance made by the Assessing Officer.

3. Shorn of unnecessary details, yet retaining the essential substratum for adjudication, the facts emerging from the record are that the assessee company had filed its return of income on 30.09.2011 declaring total income of Rs.3,93,24,225/- under the normal provisions and Rs.3,79,47,540/- under section 115JB. The return was initially processed under section 143(1). Subsequently, based on certain information allegedly received from the Sales Tax Department, the Assessing Officer formed a belief that the assessee had obtained accommodation entries in the garb of purchases from certain parties, aggregating to Rs.1,23,750/-. Proceeding on this premise, the Assessing Officer disallowed the entire purchases treating the same as non-genuine.

4. The learned CIT(A), however, after considering the material on record and following the ratio laid down by the Hon'ble jurisdictional High Court in the case of PCIT vs. Ramelex Private Limited, held that in cases where sales are accepted and purchases are doubted, the entire purchases cannot be

disallowed and only the profit element embedded therein can be brought to tax. Accordingly, he restricted the addition to 15% of the alleged purchases.

5. We have given our thoughtful consideration to the rival contentions and have carefully perused the entire material placed on record. What emerges from the record, in a rather unambiguous manner, is that the assessee had furnished a comprehensive set of documentary evidences in support of the purchases in question, which included purchase invoices, goods received notes, bank statements evidencing payments through account payee cheques, stock registers reflecting quantitative details of purchases and corresponding sales, ledger accounts of the suppliers, as well as sales invoices raised on third parties to whom the goods were ultimately sold, along with evidence of receipt of sale consideration through banking channels.

6. Not only this, it is an undisputed position that the Assessing Officer has accepted the corresponding sales declared by the assessee, which, in itself, lends significant credence to the fact that the purchases could not have been entirely non-existent. It is a settled proposition in law that where sales are accepted, the purchases, even if not fully verifiable, cannot be treated as wholly bogus, for the simple reason that without purchases, there cannot be any sales. At best, such cases may warrant estimation of profit element embedded in such purchases,

particularly where the possibility of inflation of purchase price or procurement from grey market cannot be ruled out.

7. Further, it is also discernible that the Assessing Officer has neither provided any adverse material allegedly received from the Sales Tax Department to the assessee, nor conducted any independent enquiry to dislodge the evidences furnished by the assessee. The entire addition appears to have been made in a mechanical manner, solely on the basis of third-party information, without affording proper opportunity to the assessee to rebut the same, thereby falling short of the requirements of principles of natural justice.

8. In this backdrop, once the assessee has demonstrated, through cogent documentary evidences, that the purchases are duly recorded in the books of account, payments have been made through banking channels, and the corresponding sales have been accepted by the department, then invocation of section 69C to disallow the entire purchases becomes wholly untenable. The scope of section 69C is confined to unexplained expenditure, and once the source and nature of expenditure stands duly recorded and explained, the same cannot be brought within the mischief of the said provision.

9. The learned CIT(A), in our considered view, has adopted a judicious and balanced approach by restricting the addition to 15% of the alleged purchases, thereby bringing to tax the

possible profit element embedded therein. This approach not only aligns with the consistent judicial view taken in similar matters but also ensures that the assessment is not reduced to an exercise in conjectures and surmises. The rate of 15% adopted by the learned CIT(A), in the facts and circumstances of the present case, appears to be fair and reasonable, especially considering that the assessee has already declared profit on the corresponding sales.

10. Thus, in our considered opinion, the order of the learned CIT(A) does not suffer from any infirmity warranting our interference. The addition has been restricted on sound legal footing and after due appreciation of facts and evidences on record.

11. Accordingly, the ground raised by the Revenue is dismissed.

12. In the result, the appeal of the Revenue stands dismissed.

Order pronounced on 21st April, 2026.

**Sd/-
(MAKARAND VASANT
MAHADEOKAR)
ACCOUNTANT MEMBER**

**Sd/-
(AMIT SHUKLA)
JUDICIAL MEMBER**

Mumbai; Dated 21/04/2026
KARUNA, *sr.ps*

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent.
3. CIT
4. DR, ITAT, Mumbai
5. Guard file.

//True Copy//

BY ORDER,

(Asstt. Registrar)
ITAT, Mumbai