

IN THE INCOME TAX APPELLATE TRIBUNAL  
“SMC - C” BENCH : BANGALORE

BEFORE SHRI SUNIL KUMAR YADAV, JUDICIAL MEMBER

ITA No.558/Bang/2017
Assessment year : 2008-09

Shri. Amit Mehta (HUF), No. 1, Poonam, 3 <sup>rd</sup> Cross, Mount Joy Extension, Hanumanthnagar, Bengaluru-560019. <b>PAN: AAIHA 6592 B</b>	Vs.	The Income Tax Officer, Ward- 5 (2)(4), Bengaluru.
APPELLANT		RESPONDENT

Appellant by	:	Shri B. Sudheendra, CA
Respondent by	:	Smt. Swapna Das, Jt.CIT(DR)(ITAT)-2, Bengaluru

Date of hearing	:	18.05.2017
Date of Pronouncement	:	26.05.2017

**ORDER**

This appeal is preferred by the assessee against the order of  
CIT(Appeals) *inter alia* on the following grounds:-

1. *The learned Assessing Officer had erred in passing the order in the manner passed by him and the learned Commissioner of Income tax (Appeals) has erred in confirming the same. The impugned orders being had in law, void ab-initio are required to be quashed.*

2.1 *In any case, the conditions precedent for the issue of'*

*notice u/s. 148 of the Act being absent, the re-opening of assessment becomes bad in law and consequently the order as passed/confirmed being also bad in law is required to be quashed.*

*2.2 In any case, the impugned order passed without complying the legal formalities required u/s 147 of the Act, become bad in law and is required to be quashed.*

*3.1 In any case the order passed in gross violation of the principles of natural justice and fair play, especially in the absence of the cross examinations of the persons whose averments are sought to be relied upon by the Assessing Officer while passing the order, make the order totally bad in law and liable to be cancelled.*

*3.2 The learned Commissioner of Income tax (Appeals) has instead of quashing the impugned order on the above grounds, has just confirmed the order of Assessing Officer without properly considering the fact and circumstances of the case, arguments of the appellant and the law applicable.*

*3.3 In any case and without prejudice, the orders passed by the authorities below being contrary to binding dictum of the jurisdictional High Court are bad in law and are liable to be quashed.*

*4. The assessing officer had in any case, erred in treating a sum of Rs. 61054/- being purchase consideration paid on sale of shares as unexplained expenditure u/s 69C of the Act and taxing the same under time head 'Income from other sources' and the learned Commissioner Of Income tax (Appeals) has erred in confirming the same. The action of authorities below has no support in law; is contrary to facts and evidence available. Such a treatment deserves to be rejected totally.*

*5.1 In any case and without further prejudice, the authorities below have erred in:*

- a) Taxing/ confirming the purchase consideration paid for purchase of shares as income under the head other sources.*

- b) *Holding without basis that the transactions in shares are fraudulent*
- c) *Alleging without any basis that the appellant has obtained accommodation entries and appellant's own money come back in the guise of capital gains.*

*The conclusions / observations of authorities below being totally erroneous and without basis both on facts and law is to be disregarded.*

*5.2 The several observations made and various conclusions drawn by the lower authorities in the course of order are without basis and evidence and are made/drawn on surmises, probabilities and conjectures. Such observations and conclusions by quasi-judicial authorities have no support in law and deserve to be rejected in toto.*

*6. The appellant denies the liability to pay interest. The interest having been levied erroneously is to be deleted.*

*7. In view of the above and other grounds to be adduced at the time of hearing it is requested that the impugned order be quashed or atleast the addition made by treating the purchase consideration as unexplained expenditure is to be deleted, income as returned is to be accepted and the interest levied be also deleted.*

2. During the course of hearing, the Id. counsel for the assessee has invited my attention to the assessment order with the submission that search was conducted in a group of Shri Mukesh Choksi and on the basis of the statement of Shri Mukesh Choksi, the AO has treated the share transactions entered upon by the assessee as bogus and made the addition of the same in the hands of the assessee.

3. The Id. counsel for the assessee further contended during the course of assessment proceedings assessee has asked for opportunity to cross-examine Shri Mukesh Choksi, whose statement is being relied upon for making the addition in the hands of assessee; but the assessee has not been afforded opportunity to cross-examine him. Rather, statement of Shri Mukesh Choksi recorded during the course of his own assessment was also not confronted to the assessee. Therefore, the additions made in the hands of assessee are not sustainable in the eyes of law.

4. The Id. DR, on the other hand, has placed reliance upon the order of CIT(Appeals).

5. Having carefully examined the orders of lower authorities in the light of rival submissions, I find that during the course of search conducted upon the Shri Mukesh Choksi group, statement of Shri Mukesh Choksi was recorded and in his statement he has admitted that he was providing accommodation entries to those who were interested to earn capital gain. On a careful perusal of the assessment order, I find that there is no finding with regard to the supply of statement of Shri Mukesh Choksi to the assessee. Moreover, nothing is available on record, wherefrom it could be inferred that assessee was ever allowed to cross-examine Mr. Mukesh Choksi. It is settled position of law that statement or the evidence which is being relied upon by the AO for making the addition in the hands of

assessee, the same should be confronted to the assessee and the assessee should be allowed to cross-examine the witness in this regard.

6. From a careful perusal of the orders of lower authorities, it is quite evident that statement of Mr. Mukesh Choksi was relied on for making the addition, but assessee was never allowed to cross-examine him. In these circumstances, I am of the view that the AO was not justified in making addition in the hands of assessee, without allowing the assessee to cross-examine Mr. Mukesh Choksi, whose statement was relied upon for making the above additions. I accordingly set aside the order of CIT(Appeals) and restore the matter to the file of AO with a direction to first confront the statement of Mr. Mukesh Choksi to the assessee and allow him to cross-examine Mr. Mukesh Choksi to dig out the truth in this regard. Accordingly, the appeal of assessee is allowed for statistical purposes.

Pronounced in the open court on this 26<sup>th</sup> day of May, 2017.

Sd/-  
(SUNIL KUMAR YADAV )  
Judicial Member

Bangalore,  
Dated: the 26<sup>th</sup> May, 2017.  
/ NShylu /\*

Copy to:

1. Appellant
2. Respondent
3. CIT
4. CIT(A)
5. DR, ITAT, Bangalore.
6. Guard file

By order

Assistant Registrar,  
ITAT, Bangalore.