IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH "A" NEW DELHI

BEFORE SHRI ANUBHAV SHARMA, JUDICIAL MEMBER
AND
SHRI SANJAY AWASTHI, ACCOUNTANT MEMBER

ITA No.1743/DEL/2026
Assessment Year:2018-19

M/s PINE LAMINATES PRIVATE LIMITED, A-526A, Riico Industrial Area, Kahrani, Bhiwari, Industrial Area, Alwar, Rajasthan 301019. PAN No.AADCP7015J	**Vs.**	DCIT, Central Circle 32, Delhi.
Appellant		**Respondent**

ITA No.1744/DEL/2026
Assessment Year: 2019-20

M/s PINE LAMINATES PRIVATE LIMITED, A-526A, Riico Industrial Area, Kahrani, Bhiwari, Industrial Area, Alwar, Rajasthan 301019. PAN No.AADCP7015J	**Vs.**	DCIT, Central Circle 32, Delhi.
Appellant		**Respondent**

ITA No.6901/DEL/2026
Assessment Year: 2018-19

DCIT, Central Circle 32, Delhi.	**Vs.**	M/s PINE LAMINATES PRIVATE LIMITED, A-526A, Riico Industrial Area, Kahrani, Bhiwari, Industrial Area, Alwar, Rajasthan 301019. PAN No.AADCP7015J
Appellant		**Respondent**

ITA No.6902/DEL/2026
Assessment Year: 2019-20

DCIT, Central Circle 32, Delhi.	**Vs.**	M/s PINE LAMINATES PRIVATE LIMITED, A-526A, Riico Industrial Area, Kahrani, Bhiwari, Industrial Area, Alwar, Rajasthan 301019. PAN No.AADCP7015J
Appellant		**Respondent**

&

ITA No.6903/DEL/2026
Assessment Year: 2022-23

DCIT, Central Circle 32, Delhi.	**Vs.**	M/s PINE LAMINATES PRIVATE LIMITED, A-526A, Riico Industrial Area, Kahrani, Bhiwari, Industrial Area, Alwar, Rajasthan 301019. PAN No.AADCP7015J
Appellant		**Respondent**

Assessee by	Shri Ved Jain, Adv. & Shri Ayush Garg, CA
Revenue by	Shri Ashok Gautam, CIT DR

Date of hearing:	30.09.2026
Pronouncement on	12.10.2026

O R D E R

PER SANJAY AWASTHI, ACCOUNTANT MEMBER:

1. This is a batch of five appeals pertaining to the same Assessee arising from common order dated 12.01.2026, passed u/s 250 of the Income Tax Act, 1961 (hereafter as "the Act"), by Ld. CIT(A), Delhi-30.

1.1It may be mentioned that these are the cross appeals filed by the assessee and the revenue for AYs 2018-19, 2019-20 and 2022-23 against the order passed by CIT(A) dated12.01.2026, arising from the assessment order passed by Id. AO under section 147 of the Act. The additions made in these three AYs may be captured as under:

Additions	AY 2018-19	AY 2019-20	AY 2022-23
Addition on account of loan received u/s 68 of the Act.	6,01,00,000	7,78,50,000	23,00,000
Ad-hoc addition @3% on account of commission on above amount u/s 69C	18,03,000	23,35,500	69,000
Disallowance on account of interest paid u/s 36(1)(iii)	22,57,800	66,86,139	
Total Additions made	6,41,60,800	8,68,71,639	23,69,000

AY 2018-19 will be taken as the lead case for the present adjudication. For the sake of convenience, the impugned loans may be depicted as under:

S.No.	Lender	AY 2018-19	AY 2019-20	AY 2022-23
1.	Alps Management Solutions Pvt. Ltd.		2,09,00,000	
2.	Determined Trade x Pvt. Ltd.	76,00,000	15,00,000	
3.	Everyday Infrastructure Pvt. Ltd.	10,00,000		
4.	Grow Big Marketing Pvt. Ltd.	24,00,000		
5.	Haripriya Real Estate Pvt. Ltd.		21,00,000	
6.	Icaros M8iF Pvt. Ltd. (Aptitude Tradex)	55,00,000	66,50,000	
7.	Idir Tradex Ltd.	3,81,00,000	2,76,00,000	
8.	Maximax Tradex Pvt. Ltd.	55,00,000		
9.	LTE Info Technologies Pvt. Ltd.		1,24,00,000	
10.	MPM Realty Pvt. Ltd.		67,00,000	
11.	White Line Apparels Pvt. Ltd.			23,00,000
Total		**6,01,00,000**	**7,78,50,000**	**23,00,000**

1.2. Brief facts of the case are that there was a search u/s 132 of the Act conducted by Revenue on 17.11.2021, on Galaxy Group, which also included Shri Pradeep Indra Prasad Agrawalla and entry providers Shri Deepak Agarwal and Shri Himanshu Verma. During the said searches conducted by Revenue, it transpired that Sh. Deepak Agarwal and Sh. Himanshu Verma were involved in providing various types of accommodation entries to a large number of beneficiaries through certain entities managed and controlled by them, with the help of

dummy Directors and Professionals. It transpired that both of them were running a syndicate who created, controlled and managed a large number of such corporate and non-corporate entities for the purpose of providing various types of accommodation entries to various beneficiaries. The field enquiries and departmental data base indicated that such entities do not conduct any actual business and, importantly, were not found existing at the given addresses. The analysis of the financials of these entities by Revenue revealed that these entities have declared meager turnover over the past few assessment years, fixed assets recorded are negligible, salaries and wages to employees, statutory benefits such as ESI, PF etc recorded are also negligible and this is in contrast to these companies having huge reserves and surplus lying in their balance sheets. It was also found that these entry providers were regularly opening new companies, and shifting the business of accommodation entries to these new entities. It was also seen that Directors of many of these companies were found to be same and their financial analysis also indicated that they are persons of little or no means. It also transpired, while conducting physical enquiries by Revenue, that no such company/entity was found existing at the addresses provided. It was observed during investigations that these entities have poor creditworthiness; identity could not be proved as these entities do not comply with the summons issued nor they were found to exist at the addresses mentioned in their returns of income.

During searches conducted by Revenue, it was seen that incriminating documents concerning unsecured loans of these entities were found from one Sh. Rajnish Jain, a key employee of Sh. Pradeep Indra Prasad Agrawalla (Founder of Galaxy Group). In his statement recorded u/s 131(1A) of the Income-tax Act, Shri Rajnish Jain accepted that the companies of Galaxy group have received/given accommodation entries in the form of bogus unsecured loan, and that Sh. Pradeep Indra Prasad Agrawalla has given said documents to him. Similarly, during the searches conducted at office premises of Sh. Deepak Agarwal, certain incriminating WhatsApp chats were noticed and extracted from phone of one Sh. Rasik Agarwal (son of Sh. Deepak Agarwal), wherein various photos of rupee notes and chats of cash/ "kg" transfer were found. These were confronted to Shri Rasik Agarwal, wherein he admitted that the chats pertained to providing bank entries by these entities on the directions of Sh. Deepak Agarwal, against receipt of cash. He admitted that '1 kg' in the chat denotes 'Lakhs'. He also admitted picking up Rs. 40 lacs against Rs. 10 currency note bearing 47V 685223 using it as token for delivery as per directions of his father Shri Deepak Agarwal. Similarly, during the searches conducted at the office premises of entry provider Sh. Deepak Agarwal, statement of Smt. Sonia Sharma, an Employee of Shri Deepak Agarwal and dummy director in M/s Covet Finance Service Ltd. & M/s Phont Real Estate Pvt. Ltd, was recorded u/s 132(4) wherein she accepted being a dummy director in both the entities which are

controlled by Sh. Deepak Agarwal. She admitted that she was signing documents related to these companies as and when required/ directed by Shri Deepak Agarwal. Documents seized during the search contained information which showed that the assessee is the beneficiary of accommodation entry to the tune of Rs. 6,01,00,000 from the entities controlled by above stated entry operators. Proceedings u/s 147 were initiated by the AO against the assessee after taking approval from the Competent Authorities. The AO issued notice u/s 148 to the assessee on 27.3.2024 asking the assessee to file return of income u/s 148 of the Act. In response thereto to the notice issued by the AO u/s 148, the assessee filed its return of income. Thereafter, notices u/s 143(2) and 142(1) were issued by the AO to the assessee, during the course of reassessment proceedings. The assessee participated in the reassessment proceedings. Show Cause Notice (SCN) was also issued by the AO to the assessee on 17.02.2025, as to why the amount received from the entities controlled by Shri Deepak Agarwal and Shri Himanshu Verma should not be treated as assessee's unexplained income. The assessee filed detailed response to the said SCN, which were considered but the same were rejected by the AO. Statement of Ms. Pooja Modi, who was an employee of CA Sh. Rajesh Agarwal and Sh. Deepak Agarwal was also recorded by Revenue u/s 132(4) at the office of entry provider Shri Deepak Agarwal and in her statement, she accepted that MPM Reality Pvt. Ltd., Pine View Portfolio Pvt. Ltd., Sarlokeshwar Constructions Pvt. Ltd. are shell entities

controlled by Sh. Rajesh Agarwal (CA and close associate of Shri Deepak Agarwal). Similarly, statement of Sh. Himanshu Verma was also recorded by Revenue on oath u/s 131(1A) of the 1961 Act, wherein he admitted that M/s Arti Securities and Services Limited, M/s Saivi Finance Private Limited and Mysore Finlease Private Limited are Managed and controlled by Sh. Deepak Agarwal, and Shri Deepak Agarwal provides accommodation entries in lieu of cash. During the search proceedings at the office premises of Deepak Agarwal, various unsigned board resolution papers, letter heads, signed and unsigned POAs (Power of Attorney) of various entities were found and seized in physical form. These POA's also included POA's of many companies which have provided accommodation entries to companies of M/s Galaxy Group. During the course of search proceedings, various incriminating documents such as tally data set of various entities controlled and managed by Shri Deepak Agarwal and Shri Himanshu Verma was found in the possession of both. During the course of post search investigation, statements of various Chartered Accountants were recorded who were being reported as statutory Tax Auditors on Financial statements of these entities. During statement recorded on oath u/s 131(1A) of CA Shri Pushp Kumar and CA Smt. Swati Mittal, they stated that they did the audit without following procedure as per law and merely signed the documents of such companies without verifying their actual businesses, voucher/bill/invoice and also did not verify the addresses of such companies, where the books of accounts of

such companies were maintained. The AO has recorded in detail in the assessment order about the various aspects of the coordinated investigations conducted by Revenue. During recording of statements u/s 132(4) dated 18.11.2021, Shri Himashu Verma gave evasive and contradictory replies. He argued that he has transferred all the companies to one Mr. Ravi Sharma after an earlier search on him. On being asked to produce Mr. Ravi Sharma, he could not produce said Mr. Ravi Sharma and even could not give any details to substantiate that any such person actually existed. The Revenue also observed that there is cross holding of shares of these dummy companies controlled by these two aforesaid entry providers, which were created just to depict artificial creditworthiness of various companies. These companies further created assets in the form of loans to various beneficiary companies. It was also observed that various dummy companies have provided loans, and have received interest on which TDS was deducted u/s 194A by the beneficiary party, to give legitimacy to accommodation entries. It was also observed that interest income has been set off against the non-genuine expenses. As per seized documents, the assessee company has accepted loan of Rs 6,01,00,000 from M/S Determined Tradex Private Limited, M/S Grow Big Marketing Private Limited, M/S Everyday Infrastructure Private Limited, M/S Icaros Medicare & Formulation Private Limited, M/S Idir Tradex Limited and M/S Maximax Tradex Private Limited which are entities controlled and managed by Shri

Himanshu Verma and were being used to provide accommodation entries in lieu of cash, allegedly after charging a commission of @ 3%.

1.3. The AO invoked provisions of Section 68 of the Act by holding that the assessee has accepted loan of Rs.6,01,00,000/- from allegedly bogus entities mentioned above, which, apparently, have no genuine businesses, with physical existence not proved, and also having no creditworthiness. Thereafter, an amount of Rs. 6,01,00,000/- was added to the income of the assessee u/s 68 of the 1961 Act. The AO also invoked the provisions of Section 115BBE of the 1961 Act to apply the enhanced rate of tax stipulated therein. Further, the AO also made addition to the income of the assessee to the tune of Rs. 22,57,800 being interest paid to these entities. An addition of Rs. 18,03,000 was also made, on adhoc basis, by way of alleged commission paid @ 3%.

1.4. Aggrieved, the assessee filed first appeal before the Ld. CIT(A), wherein Ld. CIT(A) partly allowed the appeal of the assessee by holding as under:-

> ***8. Ground nos. 13 to 19 addition u/s 68/69C/36(l)(iii)]:*** *These grounds are inter-related and challenge the addition made by the AO under section 68, 69C and 36(l)(iii) of the Act treating the loan repayment transaction as bogus accommodation entry. Hence, these grounds are taken up together for adjudication.*
>
> *8.1 In this case, the loan of Rs.6,01,00,000/- was originally taken through banking channels from M/s Determined Tradex Private Limited, M/s Grow Big Marketing Private Limited, M/s Everyday Infrastructure Private Limited, M/s ICAROS Medicare & Formulation Private Limited (Now known as M/s Aptitude Tradex Pvt. Ltd.), M/s*

IDIR Tradex Limited and M/s Maximax Tradex Private Limited. The AO added the said amount under section 68 of the Act and further made an addition of Rs. 22,57,800/- u/s 36(l)(iii) of the Act towards disallowed interest and addition of Rs. 18,03,000/- (being 3% of Rs. 6,01,00,000/-) under section 69C of the Act towards alleged commission expenditure.

8.2 The appellant submitted that the loans obtained from M/s Everyday Infrastructure Private Limited, M/s ICAROS Medicare & Formulation Private Limited (now known as M/s Aptitude Tradex Pvt. Ltd.), M/s IDIR Tradex Limited and M/s Maximax Tradex Private Limited had been fully repaid prior to the issuance of notice under section 148 dated 27.03.2024, except in the case of M/s Determined Tradex Private Limited and M/s Grow Big Marketing Private Limited.

*8.3 The recent judgment of the jurisdictional ITAT in **Real Innerspring Technologies Pvt. Ltd.** vs. ACIT (dated 27.03.2025). Hon'ble ITAT considered the same question on substantially similar facts (Himanshu Verma / Deepak Agarwal group) and held in favour of the assessee: because the loans had been repaid before the date of issue of notice under section 148. The ratio of same case is directly relevant and binding in the present appeal. A copy of the ITAT order is on file and has been examined. For sake of completeness, operating part of the said order is reproduced here as under:*

> *"11. In our considered view, the additions were made only on the basis of alleging that the loan taken by the assessee from the above said two companies are only accommodation entries and assessee's own money was routed through these companies with the help of accommodation entry providers. On careful note, the accommodation entries are taken which will remain in the books of account and they will ultimately written off over the period of time. These loans were normally not repaid. In the given case, it is brought to our notice that the assessee has received the unsecured loan through the banking channel and repaid thru the banking channel as under:-*

Name of the Lender	Amount	Date on which loan taken	Date of Interest payment	Date of repayment of loan
M/s Citzy Infraheights Pvt. Ltd.	50,00,000	09.07.2015 (Pg 38 of the PB)	30.12.2017 (Pg 40 of the PB)	06.12.2017 30.12.2017 (Pg 39 & 40 of the PB)
M/s CEA Consultants Pvt. Ltd.	50,00,000	18.03.2016 (Pg 81 of the PB)	27.04.2016 28.03.2017 (Pg 81 of the PB)	17.03.2017 18.03.2017 21.03.2017

> *12. From the above, it is clear that the assessee has repaid the loan even before the assessment was reopened. When the assessee takes the loan and repaid along with the interest clearly shows that the transactions are genuine. By returning the loan, the assessee has only utilised the loan for the purpose of business and repaid the same. Merely because some operator has managed the affairs and all the transactions cannot be labelled as non-genuine. Every transaction has to be evaluated on its merit rather than on the basis of suspicion. Therefore, in this case,*

the assessee has submitted all the documents in support of the transaction before the AO and he has merely rejected the same on the basis of information available with him as the same on the basis of suspicion. Therefore, we are inclined to allow the grounds raised by the assessee.

13. In the result, appeal filed by the assessee is allowed."

8.4 Applying the above principle to the facts before me and on a careful scrutiny of the ledger entries and the bank transaction evidence placed on record by the appellant which show repayment of loan Rs.10,00,000/- of M/s Everyday Infrastructure Pvt. Ltd., Rs.55,00,000/- of Rs. M/s ICAROS Medicare &Formulation Private Limited (now known as M/s Aptitude Tradex Pvt. Ltd.), and Rs.3,81,00,000/- of M/s IDIR Tradex Limited and Rs.55,00,000 of M/s Maximax Tradex Private Limited prior to the issuance of notice u/s 148 on 27.03.2024. However, amount of Rs.76,00,000/- from M/s Determined Tradex Private Limited and amount of Rs.24,00,000/- of M/s Grow Big Marketing Private Limited remains unpaid till issuance of section 148 notice. It is seen from the record that remaining amount was paid during the pendency of re-assessment proceeding which is clearly an afterthought. In totality, genuineness of transaction is suspected in view of circumstantial evidences. AO has elaborately explained the modus operandi of Himanshu Verma/Deepak Agarwal in the assessment order which clearly raised doubt about creditworthiness of lender company. Appellant relied on various judgements of courts which is not applicable here and facts of this case is entirely different. In the present case, issue is of accommodation entry and entry providers has admitted its role. Thus, genuineness and creditworthiness is not proven before the AO as well as before me. In view of the comprehensive findings given there and for the fact that appellant could not controvert AO's findings, I find that the addition u/s 68 Rs.1,00,00,000/- (amount of Rs. 76,00,000/- from M/s Determined Tradex Private Limited and amount of Rs. 24,00,000/- of M/s Grow Big Marketing Private Limited) is to be sustained. For, addition under section 69C appellant doesn't have any contrary and credible explanation. AO has taken a logical step by taxing it for deemed commission and interest claimed. However, calculation needs to be revised as addition of Rs.10,00,000/- of M/s Everyday Infrastructure Pvt. Ltd., Rs. 55,00,000/- of M/s ICAROS Medicare 6b Formulation Private Limited (now known as M/s Aptitude Tradex Pvt. Ltd.), and Rs. 3,81,00,000/- of M/s ID1R Tradex Limited and Rs.55,00,000/- of M/s Maximax Tradex Private Limited, is deleted following the judgement of Hon'ble Jurisdictional ITAT (supra) as repayment was made before issuance of reassessment notice. As a result, these grounds are partly allowed.

1.5. Aggrieved, both the Revenue and the assessee have now filed an

appeal before the Tribunal, both challenging the action of Ld. CIT(A) in either granting partial relief or, as in the case of Revenue, for granting any relief at all.

2. At the outset, the Ld. Counsel for the assessee submitted that addition of Rs.6,01,00,000/- has been made with respect to unsecured loans taken by the assessee from M/s Determined Tradex Pvt Ltd, Everyday Infrastructure Pvt Ltd, Grow Big Marketing Pvt Ltd, Icaros M&F Pvt Ltd, Idir Tradex Ltd and Maximax Tradex Pvt Ltd. It was submitted that the said amounts were taken through banking channels. It was submitted that based on third party statements, the additions have been made by the Revenue. It was submitted that the copies of statement were not provided to the assessee nor the cross examination was allowed. It was also submitted that bank statements PAN, Address and Confirmation were duly submitted by the assessee, but the same were rejected by the AO. It was the submission that except the loans taken from Determined Tradex and Grow Big Marketing, all others were repaid before the notice u/s 148 was issued on 27.3.2024. This squaring up was also done through banking channels, and the details were submitted before ld. CIT(A) as well as before this Bench. During the assessment proceedings, the assessee furnished complete documentary evidences in respect of all the lender companies. The Ld. AR drew our attention to the documents placed in the paper book filed, which included certificate

of incorporation, MOA, AOA, confirmations of accounts, bank statements, master data downloaded from MCA showing the companies as "Active", acknowledgements of filing of income-tax returns, audited financial statements and ledger accounts along with bank statements evidencing grant and repayment of loans. It was averred that the lenders had sufficient capital and reserves to advance loans to the assessee, were compliant on the MCA portal and were regular tax payers, declaring profits in their return of income for relevant assessment years. It was argued that in the light of this, the assessee had furnished complete documentary evidences and fully discharged the onus to establish the identity, creditworthiness and genuineness of the lender parties in each AY. The Ld AR also pointed out that in the assessment order, the AO has not referred to any adverse material whatsoever against the assessee to dislodge the documentary evidences furnished by it. No statement of any searched person, relied upon by the Revenue, contains any reference to the assessee or to the impugned loan transactions. The only material stated to have been found during the course of search were the ledger accounts of the assessee, which were duly recorded in the regular books of account and fully disclosed in the financial statements. Thus, there was no material on record to doubt the identity, creditworthiness or genuineness of the lenders. It was the submission that once complete documentary evidences establishing identity, creditworthiness and genuineness of the lenders were placed on record, no addition under

section 68 could survive. The Ld. AR also assailed the other consequential additions (commission and interest paid) by stating that the estimated addition on account of alleged commission paid for arranging the impugned accommodation entries were based on guesswork, and needed to be deleted outright. The Ld. AR placed reliance on the case of M/s Goodview Trading Pvt. Ltd., 2016 (12) TMI 617,wherein it was held that once the assessee furnishes documentary evidences establishing the identity, creditworthiness of the creditors and genuineness of the transactions, the initial onus under section 68 stands discharged. The Ld. AR also relied on a number of Coordinate Bench orders in support of his arguments. The Ld. AR again drew our attention to the case of Real Innerspring Technologies Pvt. Ltd. Versus ACIT, Central 29, New Delhi, 2025 (3) TM11434, order dated March 27, 2025, to canvass the point that an extra layer of justification was overlaid in the assessee's case due to substantial loans being squared up. In this regard the Ld. AR supported the Ld. CIT(A)'s findings.

2.1 The Ld. AR also challenged the legality of the notice issued u/s 148 of the Act by stating that in the present case, the notice issued under section 148 dated 27.03.2024 itself shows complete non-application of mind on the part of the Ld. AO as in Point No. 1 of the notice, the Ld. AO records that *"I have information that a search was initiated under section 132 of the Act in your case or in the case of the*

person in respect of which you are assessable under the Acton the date 17.11.2021." (as informed by the Ld. AR in Court). It was averred that the assessee was never subjected to any search under section 132 of the Act. The search was conducted only in the case of Galaxy Group on 17.11.2021. However, the notice u/s 148, ambiguously treats the assessee as both a searched person and a non-searched person, reflecting complete non-application of mind. Such vague and confusing language demonstrates that the Ld. AO was unsure of the very factual basis on which jurisdiction was being assumed. Thereafter he placed reliance on the Coordinate Bench case of Optus Developers Pvt. Ltd. vs. ACIT, 2026 (1) TMI 1037, dated 17.12.2025,wherein it has been categorically held that the ambiguous language, as in the present case, was fatal to the assumption of jurisdiction. The Ld. AR also relied on some other authorities to canvass the point that cryptic statutory approvals, as in this case, by higher authorities would also render the assumption of jurisdiction bad in law.

3. On the other hand, the Ld. DR submitted that more than 300 dummy entities were controlled and managed by Sh. Deepak Agarwal & Sh. Himanshu Verma and these dummy entities were engaged in providing bogus accommodation entries, with the assessee being one of the beneficiaries of the bogus accommodation entries of unsecured loans from six concerns. The Ld. DR relied upon certain orders of coordinate

benches of ITAT to canvass the point that mere repayment of loan cannot lend respectability and verifiability to the impugned transactions, especially when loans have been taken from entities which have no physical existence. In this context, the order of the Tribunal in the case of ACIT v. Bhawani Finvest Private Limited in ITA No.6303/Del/2025, order dated 25th March, 2026, was cited wherein under similar circumstances with respect to the same searches conducted by Revenue on 17.11.2021 u/s 132 on same alleged entry operators, the Coordinate Bench upheld the reassessment made by the AO. The Ld. DR also relied on some authorities to canvass the point that a paper trail, running through banking channels, cannot render an accommodation entry as genuine, especially when the loan givers physically do not exist. It was the submission that the entry providers had admitted to arranging such transactions after receiving a commission. Accordingly, even that addition was justified. It was also the submission that the alleged interest paid on loans was disallowable since it was paid on bogus loans.

4. We have heard the contentions of both the parties and perused the material available on record. Admittedly, a search and seizure operations were conducted by Revenue u/s 132 of the Act on 17.11.2021 in the case of Galaxy Group, Shri Pradeep Indra Prasad Agrawalla (Founder of Galaxy Group) and also in the case of Sh. Deepak Agarwal and Himanshu Verma, alleged entry operators. We find that a detailed and coordinated investigation was carried out by the Department,

through which it was found that Sh. Himanshu Verma and Shri Deepak Agarwal were alleged accommodation entity providers in lieu of cash and commission. It was also unraveled, consequent to detailed investigations carried out by department, that they were controlling and managing more than 300 entities (listed by the AO in his assessment order), which allegedly constituted a web of dummy/shell companies incorporated to provide bogus accommodation entries. The Ld. AO has concluded that these entities had huge share premium reflected in their books of accounts which do not justify their assets and turnovers. Also, they were having very few employees, and the main activities of these entities were to provide various types of accommodation entries in lieu of commission and cash. It also transpired that there are cross-holdings between these companies, which were undertaken to boost their net-worth with a view to provide more accommodation entries. It was found, consequent to investigations carried out by Revenue, that these two entry providers were acting in tandem while running these 300 entities which were engaged in providing various types of accommodation entries. It is recorded in the Ld. AO's order that while undertaking physical verification of these entities it was found that they were not found existing at the address mentioned in the records (page 8 of Ld. AO's order). It is a matter of record that various statements were recorded during search operations and post search investigations of these persons, their key employees/relatives, professionals, as well

employees of the Galaxy Group and thereafter it was concluded by Revenue that these persons were providing bogus accommodation entries. The Revenue has conducted detailed investigations as to the functioning of these entities having capital accumulated through high, allegedly unjustified, share premia; meager turnover; and non-traceability of these companies at the furnished addresses on record, non-compliances by these companies and their Directors to the summons issued by the Revenue. Apart from the incriminating material seized during the search there are incriminating WhatsApp messages and statements recorded during search and post search investigations. It is in this backdrop that the impugned transactions have to be examined.

4.1 To begin with we may mention that ld. AR has not pressed ground no. 9, concerning DIN. Coming to the challenge, vide ground nos. 2 to 14, on the assumption of jurisdiction by the Ld. AO, for the sake of brevity, we do not propose to repeat the arguments advanced by the Ld. AR in this regard. However, we may note that the objections of the assessee to the reasons for re-opening have been duly considered in some detail by the Ld. AO (pages 8 onwards of his order). At this stage we may consider the challenge on various issues pertaining to an alleged illegal assumption of jurisdiction in terms of section 147/148 of the Act. At the outset, we may refer to some case laws to test the thrust of arguments of the Ld. AR which range from allegedly illegal recording of reasons to illegal approvals by the Competent Authorities :

(i) In the case of an entry operator (simply mentioned as 'HV' in this case), the Hon'ble Delhi High Court in the case of **Ganesh Ganga Investments (P.) Ltd.** [173 taxmann.com 878 (Del)] has held in paras 9 and 10 that:

*"**9**. In our considered opinion, the reasoning as assigned by the Tribunal is clearly untenable. Firstly, the question of whether the power to reassess was rightly and justifiably invoked, could not have been tested basis the ultimate order of assessment that came to be drawn. What the Tribunal needed to principally bear in consideration was whether the AO had merely adopted and blindly followed the report of the Investigation Wing or whether it had treated the same as constituting relevant information for the purpose of formation of opinion that income chargeable to tax had escaped assessment. As we view the reasons which were recorded by the AO, we come to the firm conclusion that this could not have justifiably been characterized as a case of borrowed satisfaction. As is ex facie manifest from a reading of the reasons so recorded, it is apparent that the report of the Investigation Wing only prompted the AO to scrutinize the ROI and the reassessment power was thereafter exercised basis the commonality of entities which were found in the return as submitted and the report of the Investigation Wing. The AO also appears to have borne in consideration the statement of Mr. Himanshu Verma which was recorded in the course of investigation and the fact that some of the accommodation entry providers whose particulars were disclosed in that statement, were also found to be investors in the respondent. On an overall conspectus of the aforesaid, we are of the considered opinion that the Tribunal clearly erred in interfering with the exercise of power conferred by Section 148 by the AO.*

***10**. Insofar as the issue of borrowed satisfaction is concerned and when the invocation of the reassessment power could be said to be unjustified, we deem it apposite to allude to the following observations as appearing in Pr. CIT-6 v. Meenakshi Overseas (P.) Ltd. [2017] 82 taxmann.com 300/395 ITR 677 (Delhi)/2017 SCC Online Del 8691:-*

> *"24. The reopening of assessment under section 147 is a potent power not to be lightly exercised. It certainly cannot be invoked casually or mechanically. The heart of the provision is the formation of belief by the Assessing Officer that income has escaped assessment. The reasons so recorded have to be based on some tangible material and that should be evident from reading the reasons. It cannot be supplied subsequently either during the proceedings when objections to the reopening are considered or even during the assessment proceedings that follow. This is the bare minimum mandatory requirement of the first part of section 147(1) of the Act.*
>
> *xxxx xxxx xxxx*
>
> *26. The first part of section 147(1) of the Act requires the Assessing Officer to have "reasons to believe" that any income chargeable to tax has escaped assessment. It is thus formation of reason to believe that*

is subject matter of examination. The Assessing Officer being a quasi-judicial authority is expected to arrive at a subjective satisfaction independently on an objective criteria. While the report of the Investigation Wing might constitute the material on the basis of which he forms the reasons to believe the process of arriving at such satisfaction cannot be a mere repetition of the report of investigation. The recording of reasons to believe and not reasons to suspect is the pre-condition to the assumption of jurisdiction under section 147 of the Act. The reasons to believe must demonstrate link between the tangible material and the formation of the belief or the reason to believe that income has escaped assessment.

27. Each case obviously turns on its own facts and no two cases are identical. However, there have been a large number of cases explaining the legal requirement that requires to be satisfied by the Assessing Officer for a valid assumption of jurisdiction under section 147 of the Act to reopen a past assessment.

28.1 In Signature Hotels Pvt. Ltd. v. ITO (supra), the reasons for reopening as recorded by the Assessing Officer in a pro forma and placed before the Commissioner of Income-tax for approval read thus (page 56 of 338 ITR):

> *"11. Reasons for the belief that income has escaped assessment.— Information is received from the DIT (Inv.-I), New Delhi that the assessee has introduced money amounting to Rs.5,00,000/- during the financial year 2002-03 relating to the assessment year 2003-04.*
> *Details are contained in annexure. As per the information amount received is nothing but accommodation entry and assessee is a beneficiary."*

28.2 The annexure to the said pro forma gave the name of the beneficiary, the value of entry taken, the number of the instrument by which entry was taken, the date on which the entry was taken, name of the account holder of the bank from which the cheque was issued, the account number and so on.

28.3 Analysing the above reasons together with the annexure, the court observed (page 59 of 338 ITR):

> *"The first sentence of the reasons states that information had been received from Director of Income tax (Investigation) that the petitioner had introduced money amounting to Rs. 5 lakhs during the financial year 2002-03 as per the details given in the annexure. The said annexure, reproduced above, relates to a cheque received by the petitioner on October 9, 2002 from Swetu Stone PV from the bank and the account number mentioned therein. The last sentence records that as per the information, the amount received was nothing but an accommodation entry and the assessee was the beneficiary.*
>
> *The aforesaid reasons do not satisfy the requirements of section 147 of the Act. The reasons and the information referred to is extremely scanty and vague. There is no reference to any document or statement, except the annexure, which has been quoted above. The annexure cannot be regarded*

as a material or evidence that prima facie shows or establishes nexus or link which discloses escapement of income. The annexure is not a pointer and does not indicate escapement of income. Further, it is apparent that the Assessing Officer did not apply his own mind to the information and examine the basis and material of the information. The Assessing Officer accepted the plea on the basis of vague information in a mechanical manner. The Commissioner also acted on the same basis by mechanically giving his approval. The reasons recorded reflect that the Assessing Officer did not independently apply his mind to the information received from the Director of Income-tax (Investigation) and arrive at a belief whether or not any income had escaped assessment."

28.4 The court in Signature Hotels Pvt. Ltd. v. ITO (supra) quashed the proceedings under section 148 of the Act. The facts in the present case are more or less similar. The present case is therefore covered against the Revenue by the aforementioned decision.

29.29.1 The above decision can be contrasted with the decision in AGR Investment Ltd. v. Asst. CIT (supra), where the "reasons to believe" read as under (page 151 of 333 ITR):

"Certain investigations were carried out by the Directorate of Investigation, Jhandewalan, New Delhi in respect of the bogus/ accommodation entries provided by certain individuals/companies. The name of the assessee figures as one of the beneficiaries of these alleged bogus transactions given by the Directorate after making the necessary enquiries. In the said information, it has been inter alia reported as under:

Entries are broadly taken for two purposes:

1. To plough back unaccounted black money for the purpose of business or for personal needs such as purchase of assets etc., in the form of gifts, share application money, loans, etc.
2. To inflate expense in the trading and profit and loss account so as to reduce the real profits and thereby pay less taxes.
It has been revealed that the following entries have been received by the assessee :...."

29.2 The details of six entries were then set out in the above "reasons". These included name of the beneficiary, the beneficiary's bank, value of the entry taken, instrument number, date, name of the account in which entry was taken and the account from where the entry was given the details of those banks. The reasons then recorded:

"The transactions involving Rs.27,00,000, mentioned in the manner above, constitutes fresh information in respect of the assessee as a beneficiary of bogus accommodation entries provided to it and represents the undisclosed income/income from other sources of the assessee-company, which has not been offered to tax by the assessee till its return filed.

On the basis of this new information, I have reason to believe that

the income of Rs. 27,00,000 has escaped assessment as defined by section 147 of the Income-tax Act. Therefore, this is a fit case for the issuance of the notice under section 148."

29.3 The court was not inclined to interfere in the above circumstances in exercise of its writ jurisdiction to quash the proceedings. A careful perusal of the above reasons reveals that the Assessing Officer does not merely reproduce the information but takes the effort of revealing what is contained in the investigation report specific to the assessee. Importantly he notes that the information obtained was "fresh" and had not been offered by the assessee till its return pursuant to the notice issued to it was filed. This is a crucial factor that went into the formation of the belief. In the present case, however, the Assessing Officer has made no effort to set out the portion of the investigation report which contains the information specific to the assessee. He does not also examine the return already filed to ascertain if the entry has been disclosed therein.
……."

(ii) In the case of **Agroha Fincap Ltd.** reported in 179 taxmann.com 185 (Del), it is to be noted that in paras 18-20 the following order is there:"

*"**18**. This Court has said that the satisfaction has to be recorded, which can be reflected in the briefest possible manner. So the judgment of this Court in N.C. Cables Ltd (supra) is clearly distinguishable.*

***19**. We may at this stage refer to a judgment of this Court titled Meenakshi Overseas (P.) Ltd. (supra) wherein this Court had considered "Yes, I am satisfied" to mean that it satisfies the mandate of Section 151(1) of the Act. The relevant paragraph is reproduced as under:-*

*"16. Having carefully examined the aforesaid decisions, the Court finds that they are distinguishable in their application to the facts of the present case. It is not as if the Additional CIT here has merely appended his signature without specifically noting his approval. This is also not a case where a "Yes "rubber stamp has been used as was in the case of Central India Electric Supply Co. (supra). For the purpose of Section 151(1) of the Act, what the Court should be satisfied about is that the Additional CIT has recorded his satisfaction "on the reasons recorded by the Assessing Officer that it is a fit case for the issue of such notice". In the present case, the Court is satisfied that by recording in his own writing the words; **"Yes, I am satisfied", the mandate of Section 151(1) of the Act as far as the approval of the Additional CIT was concerned, stood fulfilled**. Additionally, by his letter dated 22nd March 2011 the Additional CIT confirmed and reiterated his approval already granted on the Form ITNS-10. "*

(Emphasis added)

***20**. So it must be held, that the language "Yes, I am convinced it is a fit case for re-opening the assessment u/s147 by issuing notice u/s 148" satisfies the mandate of Section 151A of the Act in this case. The Tribunal has clearly erred in not appreciating the above language used by the Competent Authority while granting approval. Hence, the impugned order dated 07.07.2023 passed by the ITAT allowing the appeal filed by the Respondent/Assessee is untenable and is liable to be set aside. We order accordingly. The substantial question of law is decided in favour of the Appellant/Revenue and against the Respondent/Assessee.*
Considering the case laws discussed above, there is no infirmity in the re-opening exercise undertaken by the Ld. AO."

(iii) In the case of **Rajat Export Import India (P.) Ltd.,** reported in 341 ITR 135 (Delhi), the following extract is relevant:

***7**. Despite the valiant attempt made by Mr. Kaanan Kapur, the learned counsel for the assessee, to discredit the reasons recorded for reopening the assessment, we are afraid we cannot agree with his submissions. On 17.2.2011 the Assessing Officer recorded the following reasons for reopening the assessment:-*
.....
The aforesaid reasons were enclosed to the notice dated 28.3.2011 issued under Section 148. It will be noticed that in the reasons recorded the Assessing Officer has referred to the investigation made by the DIT (Inv.) in the case of Mukesh Gupta Group along with its close confidants Rajan Jassal and Surinder Pal Singh. The group was found to have operated multiple accounts in various branches of banks to introduce unaccounted money in the guise of gifts, loans, share application money etc. It was further found by the investigation wing that those who wanted to introduce their own unaccounted money into their books approach persons belonging to the group, pay them cash plus commission and take cheques or demand drafts or pay orders for an equivalent amount. The cash is deposited in banks by the persons belonging to the group, who are known as entry operators or entry providers, and cheques are issued to assessees who want to get their own unaccounted money introduced into their business. After referring to the broad and general modus operandi adopted by the entry providers, the Assessing Officer specifically noticed from the list of entries given to him by the investigation wing that the petitioner herein has taken accommodation entry from Shivam Softech Ltd. in the amount of Rs.3 lakhs. This may be seen from the columnar table set out in the reasons recorded and quoted above. It may also be seen that the table gives the instrument number, date, name of the bank and the branch as well as account number. M/s. Shivam Softech Ltd. has been described in the table as an entry provider. The information contained in the table itself constitutes reasons to believe, prima facie, that income chargeable to tax has escaped assessment in the hands of the petitioner. It must be noticed that the information contained in the table was received by the Assessing Officer from DIT (Inv.), who was in charge of the investigation into groups that operate as entry providers or

entry operators. The material before the Assessing Officer, in our opinion, is relevant and affords a live link or nexus to the formation of the prima facie belief that income chargeable to tax had escaped assessment in the assessee's hands. We are not at this stage concerned whether the material before the Assessing Officer is sufficient for the formation of the belief. What we are concerned at this stage is whether the material before the Assessing Officer is relevant for forming the prima facie belief that income chargeable to tax has escaped assessment. It is also well settled that at that stage, that is at the stage when reasons are recorded for reopening the assessment, the Assessing Officer is not required to build a fool proof or a fort-like case for making addition to the assessee's income; all that he is required at that stage is to form a prima facie opinion or belief that income has escaped assessment. The relevancy of the material before the Assessing Officer is to be judged only from that perspective and not from the perspective as to whether the material is sufficient or adequate to sustain the addition ultimately. That will be an aspect which the Assessing Officer will examine and decide in the course of the re-assessment proceedings after hearing the assessee in the manner required by law.

4.2 Considering the discussion above on point of law, we are of considered view that in the given facts and circumstances there is no error in assumption of jurisdiction so far as recording of reasons for reopening, grant of approval, and connected issues are concerned. Deficiency in recording of reasons or grant of approval thereon should be such that there is actually a prejudice to the assessee, which is not made out here. Thus, we are inclined to reject ground nos. 2 to 14.

4.3 Coming to grounds pertaining to merits of cases of both the sides regarding the professed genuineness of the loan transactions, or otherwise. We may remind ourselves about the mandate given u/s 68 of the Act. To this extent, we may refer to the locus classicus on the subject, being the case of **Shankar Industries** reported in 114 ITR 689

(Calcutta). Though this case never travelled up to the Hon'ble Supreme Court but it has been relied on several Apex Court judgments on the subject and hence this case law assumes the strength of an Apex Court decision. The important findings in this case are extracted as under:

> *"The law on this point is now well settled. It is necessary for the assessee to prove prima facie the transaction which results in a cash credit in his books of account.* ***Such proof includes proof of the identity of his creditor; the capacity of such creditor to advance the money and, lastly, the genuineness of the transaction.*** [emphasis added] *These findings must be proved prima facie by the assessee and only after the assessee had adduced evidence to establish prima facie the aforesaid, the onus shifts on the department. In the instant case, it seemed that the assessee established only the identity of the creditor and nothing more."*

4.4 Regarding the primary argument of the Ld. AR, based on the Coordinate Bench case of **Real Innerspring Technologies Pvt Ltd**. (supra), also relied on by the Ld. CIT(A) to grant substantial relief, it deserves to be mentioned that mere repayment of loan would not imply that it was genuine in the first place. To this extent the case of **Seema Jain** reported in 406 ITR 411 (Del) would set the record straight in such matters. The para 14 is relevant- *"**14**. In view of the aforesaid factual background, the Tribunal was right and justified in relying on the judgments of the Supreme Court in CIT v. Durga Prasad More [1971] 82 ITR 540 and Sumati Dayal v. CIT [1995] 214 ITR 801/80 Taxman 89 (SC), to reject mere paper work and look at the reality behind a facade created to hoodwink and deceive.* ***Merely because the transaction was squared in the next financial year would not establish that the transaction was genuine and not bogus.****"*[Emphasis added]

This binding case law was never considered in the Innerspring Technologies case (supra) and thus there is no hesitation in holding that the Ld. CIT(A) fell in error in considering relief in the cases of entities

where the loans had been squared up. We may add that even if in later years the entire quantum of loans had been squared up, then also there would be no relief from the rigours of section 68 of the Act.

4.5 Regarding the attack on the Ld. AO's findings that all manner of documents were produced to justify the impugned loan transactions, reference deserves to be made of the case of **N.R. Portfolio (P.) Ltd** reported in 42 taxmann.com 339 (Del), where in paras 30 and 31 the following is recorded:

> *"**30**. What we perceive and regard as correct position of law is that the court or tribunal should be convinced about the identity, creditworthiness and genuineness of the transaction. **The onus to prove the three factum is on the assessee as the facts are within the assessee's knowledge. Mere production of incorporation details, PAN Nos. or the fact that third persons or company had filed income tax details in case of a private limited company may not be sufficient when surrounding and attending facts predicate a cover up. These facts indicate and reflect proper paper work or documentation but genuineness, creditworthiness, identity are deeper and obtrusive. Companies no doubt are artificial or juristic persons but they are soulless and are dependent upon the individuals behind them who run and manage the said companies. It is the persons behind the company who take the decisions, controls and manage them.*** [Emphasis added]
> ***31**. The respondent herein is a Private Limited Company. It is not the case of the respondent that the Directors or persons behind the companies making the investment in their shares were related or known to them. It is highly implausible that an unknown person had made substantial investment in a private limited company to the tune of Rs.63,80,100/- and Rs.75,60,200/- in two consecutive assessment years 2002-03 and 2003-04 respectively without adequately protecting the investment and ensuring appropriate returns. Other than the share application forms, no other agreement between the respondent and third companies had been placed on record. The persons behind these companies were not produced by the respondent. On the other hand respondent adopted prevaricate and non- cooperation attitude before the Assessing Officer once they came to know about the directed enquiry and the investigation being made. Evasive and transient approach before the Assessing Officer is limpid and perspicuous. Identity, creditworthiness or genuineness of the transaction is not established by merely showing that the transaction*

was through banking channels or by account payee instrument. It may, as in the present case required entail a deeper scrutiny. It would be incorrect to state that the onus to prove the genuineness of the transaction and creditworthiness of the creditor stands discharged in all cases if payment is made through banking channels. Whether or not onus is discharged depends upon facts of each case. It depends on whether the two parties are related or known to each; the manner or mode by which the parties approached each other, whether the transaction was entered into through written documentation to protect the investment, whether the investor professes and was an angel investor, the quantum of money, creditworthiness of the recipient, the object and purpose for which payment/investment was made etc. These facts are basically and primarily in knowledge of the assessee and it is difficult for revenue to prove and establish the negative. Certificate of incorporation of company, payment by banking channel, etc. cannot in all cases tantamount to satisfactory discharge of onus. The facts of the present case noticed above speak and are obvious. What is unmistakably visible and apparent, cannot be spurred by formal but unreliable pale evidence ignoring the patent and what is plain and writ large."

4.6 Undoubtedly, aforesaid case refers to introduction of share capital, but the principle regarding the genuineness of loan transactions, vis-a-vis would apply here with full force.

4.7 We may also consider the Coordinate Bench case of **Bhawani Finvest Private Limited** [ITA 6303/Del/2025, order dated 25.3.2026], where the following extract is relevant:

"8. We have heard rival submission in the light of material available on records.
We have noted that the ld. AO has vividly demonstrated in his assessment order extracted hereinabove that the assessee was having connections with accommodation entry providers. We have also noted that the ld. AO has extensively brought out in the assessment order while analyzing statements of entry providers Shri Himanshu Verma and Shri Deepak Agarwal and their employees Ms. Sonia, etc that a web of shell company was created to route accommodation entries and that the assessee was beneficiary of one such company. On the issue of justification of loan qua its repayment, we have noted that a co-ordinate Bench of the Mumbai Tribunal in the case of J.K. Global (supra) held as under:
"..7. Considering the facts of the case in toto and in the light of the

decisions of the coordinate bench (supra), we have no hesitation in confirming the addition made u/s 68 of the Act for the captioned Assessment years. The contention of the ld. counsel that the loans have been re-paid during the year under consideration therefore the set off of the same should also be given to the assessee does not hold any water as it has been established that the impugned loans were nothing but accommodation entries and the repayment is also nothing but return of accommodation entries therefore, the money which has been brought in the garb of unsecured loan is nothing but the unaccounted money of the assessee and the repayment of the same does not make any sense...".

9. Thus, we have noted that the argument of the assessee regarding the justification of impugned loan of Rs.2 crores on account of repayment cannot be accepted. In respectful compliance to the decision of Hon'ble Mumbai Tribunal in the case of J.K Global(supra), we are of the considered view that the relief accorded by the ld CIT(A) is not based upon correct understanding of the facts of the case. We, therefore, set-aside the order of the ld. CIT(A) and confirm the addition of Rs.2 crores made by the ld. AO. Similarly, we also confirm the addition made by the AO of Rs.15,06,164/- on account of interest and of Rs.6 lakhs on account of commission. The appeal of the Revenue is therefore allowed."

4.8 Furthermore, as per the Ld. AO the Revenue has put forth the contention that the loan givers are entities which are created solely for the purposes of providing different types of accommodation entries in lieu of cash and commission. It is further seen that these companies have meager turnover, meager fixed assets, very few employees, and depict huge premium being raised which does not, prima facie, justify their intrinsic worth. The loan givers have cross holdings to boost their capital in order to provide more accommodation entries and for circular rotation of funds. No plausible rebuttal was offered by the assessee to the aforesaid findings of Revenue during assessment proceedings. It was incumbent on the assessee to produce the Directors of the loan givers to prove its contention that the lenders were genuinely engaged in NBFC activities, more so because the assessee was in touch with some of them

as substantial loans were squared up around the time of assessment proceedings, even when there is a finding that the loan givers could not be located at the given addresses. We cannot be blind to the reality of money laundering through accommodation entries, and it is needed to lift the veil of secrecy in this case, and see beyond the paper trail, placed before us. We accordingly uphold the action of Ld. AO in treating the impugned loan u/s 68 of the Act. As a consequence, we reverse the finding of Ld. CIT(A), with respect to the relief given by him.

4.9 Finally, regarding the issue of disallowance of interest on bogus loans, the case of **Shyam Realities** [174 taxmann.com 871 (Ahmedabad-Trib)], has considerable persuasive value, as the following excerpt would show:

> *"**6.1**. It is settled law that the deletion of an addition under section 68 of the Act on technical grounds—namely, that the credit pertains to an earlier year and is carried forward as opening balance—does not automatically confer legitimacy upon the transaction. It is important to note that the Ld. CIT(A) has specifically recorded that the loan amounts reflected in the opening balances pertain to earlier years which were not subject to scrutiny assessment, and therefore the principle of res judicata is inapplicable. The non-examination of those credits in the past does not ipso facto prove their genuineness in the present year.*
> ***6.2**. The allowability of interest under section 36(1)(iii) of the Act is a fresh claim each year and is contingent upon the existence of a genuine and subsisting liability. In the present case, the assessee has not brought on record any credible documentary evidence to substantiate the identity and creditworthiness of the parties or the genuineness of the loan transactions. In fact, during the course of the hearing before us, the Bench specifically asked the Ld. Authorized Representative whether any material has been placed on record to show that the loans in question, on which interest has been claimed, have been repaid in subsequent years, or that interest thereon has actually been paid. In response, the Ld. AR fairly admitted that such details had not been brought on record and further submitted that he does not consider such evidence relevant to his contention that*

interest should be allowed solely because no addition under section 68 of the Act has been made in the year under consideration. In our considered view, this argument is misconceived and contrary to the settled legal position.

***6.3**. The deduction of interest expenditure is governed by section 36(1)(iii) of the Act, which allows deduction only where the capital has been genuinely borrowed and used for the purposes of business. If the assessee fails to establish the genuineness of the underlying loan, the interest payable or paid thereon cannot be allowed. Mere routing of interest through banking channels or deducting TDS is not conclusive proof of allowability.*

***6.4**. Further, the assessee's failure to bring on record evidence of repayment of the loans, even years after their receipt, reinforces the Revenue's contention that the alleged loans lack commercial substance. A genuine business liability is typically reflected in either repayment schedules, confirmations, or servicing of debt—none of which have been demonstrated in the present case. The assessee has relied on various decisions to argue that non-compliance with notices under section 133(6) or 131 of the Act by third parties should not automatically lead to adverse inferences, particularly when other documentary evidence exists on record. We have perused the said decisions and find them to be factually distinguishable from the case at hand. In those cases, there existed tangible and corroborative evidence in the form of confirmations, repayment details, PANs, TDS deduction, business necessity, and historical assessments, which are conspicuously absent in the present case. Here, the assessee not only failed to discharge the initial onus but also failed to bring on record any evidence of repayment or genuine subsistence of the loan liability, thereby justifying the disallowance of interest by the lower authorities."*

4.10 Considering the authorities discussed above and the facts of this case, it deserves to be held that in this case the impugned transactions could not be proved sufficiently to escape the rigours of section 68 of the Act. Also, since the impugned transactions have been considered to be non-genuine, the interest shown as paid to them is treated as dis-allowable. Also, for this reason the estimated commission payment, as worked out by the Ld. AO, is upheld as well. Thus corresponding grounds on merits of assessee are rejected and of revenue are allowed.

5. Since AY 2018-19 has been taken as the lead case, in which all the additions made by the Ld. AO have been upheld in full, the decision rendered for this year shall apply, mutatis mutandis, on other years as well, regarding the common issues arising similar set of transactions.

6. In result, the appeals of Revenue are allowed and the appeals of the assessee are dismissed.

Order pronounced in the open court on 12.10.2026

Sd/-	**Sd/-**
(ANUBHAV SHARMA)	**(SANJAY AWASTHI)**
JUDICIAL MEMBER	**ACCOUNTANT MEMBER**

Dated: 12.10.2026

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

Copy forwarded to:

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

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