

**IN THE INCOME TAX APPELLATE TRIBUNAL
"B" BENCH, AHMEDABAD**

**BEFORE DR. B.R.R. KUMAR, VICE-PRESIDENT
MS. SUCHITRA R. KAMBLE, JUDICIAL MEMBER**

ITA No. 1452/Ahd/2025
(Assessment Year: 2009-10)

Crystal Quinone Pvt. Ltd., Nr. Old Excise Chowky, S.M. Road, Ambawadi, Ahmedabad-380015 [PAN : AABCC 1413 H]	Vs.	DCIT, Circle 1(1)(2), Ahmedabad
(Appellant)	..	(Respondent)
Appellant represented by :	Shri Bandish Soparkar, AR	
Respondent represented by:	Shri Abhijit, Sr DR	
Date of Hearing	19.02.2026	
Date of Pronouncement	07.04.2026	

ORDER

PER DR. B.R.R. KUMAR, VICE-PRESIDENT:-

This appeal has been filed by the assessee against the order dated 23.05.2025 passed by the Ld. Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi (hereinafter referred to as 'Ld. CIT (A)' in short), under Section 250 of the Income-tax Act, 1961 (hereinafter referred to as 'the Act' in short) for Assessment Year 2009-10.

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

"1.1. That the learned CIT(A) has erred in confirming addition of Rs.4,50,000/- being commission paid by the appellant to Reynolds Petro Chem Ltd.

1.2. That the various reasons advanced by the Ld. CIT (A) in confirming the disallowance of commission are the contrary to the facts of the case and evidence on record.

1.3. The Appellant respectfully submits that it has paid commission to Reynolds Petro Chem Ltd in respect of Purchases made by it from Ipca Laboratory Ltd. Therefore the expenses of Commission is incurred wholly and exclusively for the purpose of business and therefore same should be allowed to appellant.

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1.4. *The Appellant therefore submits that addition of Rs 4,50,000/-on account of commission be deleted.*

2.1 *That the Ld. CIT (A) has add in confirming the addition of Rs 90,00,000/- on account of inflated purchases.*

2.2 *That the various reasons advanced by the Ld. CIT (A) in confirming the disallowance of inflated purchases of Rs 90,00,000/- are the contrary to the facts of the case and evidence on record.*

2.3 *The Appellant respectfully submits that it has not made any purchases from Reynolds Petro Chem Ltd. Further all the purchases are supported by bills and purchases are accepted by VAT authority.*

2.4 *The Appellant therefore submits that addition of Rs 90,00,000/- on account of inflated purchase be deleted."*

3. The assessee has also raised the following additional ground of appeal challenging the validity of reopening of assessment u/s 147 of the Act:-

"1. Notice issued u/s 148 is bad and illegal in as much the Assessing Officer could not have recorded any valid reasons to believe any income to have escaped assessment on the alleged statements which do not incriminate the Appellant in any manner.

2. Assessment Order passed u/s 143(3) rws 147 is bad and illegal in as much as no opportunity to file objections against the reasons recorded was provided. Further no separate order disposing off the objections was passed.

3. Ld. CIT (A) erred in law and on facts in not adjudicating ground challenging the reassessment proceedings initiated u/s 147 of the Act."

3.1 The assessee has raised the aforesaid additional grounds, which involve purely legal issues arising from facts already on record. The Ld. AR submitted that such additional grounds deserve to be admitted, for which he placed reliance on the decision of the Hon'ble Supreme Court in National Thermal Power Ltd. v. CIT (1998) 229 ITR 383 (SC).

3.2 We have considered the rival submissions and perused the material on record. The additional ground raised by the assessee involves a pure legal issue concerning the validity of reassessment proceedings and all relevant facts are

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already available on record. Respectfully following the decision of the Hon'ble Supreme Court in NTPC Ltd. (supra), the additional ground raised by the assessee is admitted for adjudication.

4. The brief facts of the case are that the assessee is a Private Limited Company, engaged in the business of manufacturing chemicals. The return of income was filed declaring income of Rs.1,58,94,385/- on the total turnover of Rs.31,27,35,054/-. The books of account of the assessee are duly audited u/s 44AB of the Act. The assessment was subsequently reopened u/s 147 of the Act based on information received from Investigation Wing that Reynolds Petro Chem Ltd was involved in providing accommodation entries and inflation of purchases. During reassessment, the Assessing Officer made additions of Rs.4,50,000/- towards commission paid to Reynolds Petro Chem Ltd and Rs.90,00,000/- towards alleged inflated/bogus purchases, thus making a total addition of Rs.94,50,000/-.

4.1 Aggrieved by the aforesaid additions made by the Assessing Officer, the assessee has preferred an appeal before the Ld. CIT(A) who confirmed the said additions and upheld reassessment proceedings.

5. Aggrieved by the order of the Ld. CIT(A), the assessee is now in appeal before the Tribunal.

6. The Ld. AR submitted that the reassessment proceedings are invalid as no proper opportunity was given to file objections after supplying reasons and no speaking order disposing of objections was passed. It was further contended that the reasons recorded are vague and do not establish any live nexus between the material and alleged escapement of income, as the name of the assessee does not appear in any incriminating material.

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6.1 On merits, the Ld. AR submitted that the commission payment of Rs.4,50,000/- is duly supported by documentary evidence such as ledger accounts, confirmations, TDS certificates, invoices and stock records and no defect has been pointed out in the books of account.

6.2 With regard to the addition of Rs.90,00,000/-, it was submitted that no show-cause notice was issued before making the addition and the Assessing Officer has made the addition by applying a 5% commission rate without any actual purchases to support such calculation. It was further submitted that the assessee has not made any purchases from Reynolds Petro Chem Ltd., but from Ipca Laboratories Ltd. which are duly supported by evidences. It was also contended that the additions are based solely on statements of third parties recorded behind the back of the assessee and no opportunity of cross-examination was provided. It was emphasized that none of the statements relied upon contain any reference to the assessee or its transactions.

7. The Ld. DR, on the other hand, relied upon the orders of the lower authorities and submitted that the additions are based on material gathered during survey and investigation.

8. We have heard the rival submissions and perused the material available on record. We have also examined the reasons recorded for reopening as well as the assessment and appellate orders. The reasons recorded for reopening of assessment dated 08.07.2016 are as under:-

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*Sub: Assessment proceeding u/s 147 of the I.T. Act, 1961 for A.Y. 2009-10-
Reason for Reopening the assessment – reg.*

*...The reasons for reopening of the assessment proceedings for AY 2009-10
are provided hereunder:-*

*“The assessee filed return of income for A Y 2009-10 on 30/09/2009
declaring income of Rs. 1,58,94,385/-. The Dy Director of Income tax
(Inv), Mumbai, vide letter dated 14/03/2016 reported that a survey*

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*action u/s 133A of the Act was earned out in the case of M/s Reynolds Petro Chems Ltd. on 16/04/2015 and statement of one of the director(s) of the M/s Reynolds Petro Chems Ltd., Shri Sanjay Parasmal Jain was recorded u/s 131 of the Act, Shri Sanjay Parasmal Jain, deposed that M/s Reynolds Petro Chems Ltd. is not genuine and real trader of pharma products and the company is merely a facilitator between actual suppliers and sales parties. It is further deposed by Shri Sanjay Parasmal Jain that M/s Reynold Petro Chems Ltd are just paper entity. Shri Sanjay Parasmal Jain further stated that sales and commission/brokerage transactions have been executed with an intention to facilitate the real buyers and real supporters to earn commission income from both buyers and suppliers. **It is also reported that, during the course of survey, it is noticed that the assessee i.e. Crystal Quinone Pvt. Ltd. has paid commission of Rs 5,05,620/- during the F.Y. 2008-09 relevant to A.Y. 2009-10 which is found to be not genuine payment. Omission on the part of the assessee to disclose fully and truly all material necessary for assessment, the income of Rs. 5,05,620/-, has escape assessment within the meaning of Section 147 of the Act.***

2. This is for your information and record."

8.1 From the reasons recorded, it is seen that the reopening is based on information received from the Investigation Wing regarding survey conducted in the case of Reynolds Petro Chem Ltd. and general statements recorded therein. However, the reasons do not demonstrate any independent application of mind by the Assessing Officer nor establish any specific nexus between the alleged material and escapement of income in the hands of the assessee. Further, it is evident that no proper opportunity was granted to the assessee to file objections after supply of reasons and no speaking order disposing of objections has been passed. In these circumstances, the reassessment proceedings are liable to be held as invalid.

8.2 Even on merits, we find that the assessee has placed on record substantial documentary evidence to establish the genuineness of commission payment of Rs.4,50,000/-, including ledger accounts, confirmations, TDS deduction certificates, service tax payment details and supporting invoices

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relating to purchases from Ipca Laboratories Ltd. The payments have been made through banking channels and no defect has been pointed out in the books of account maintained by the assessee.

8.3 With regard to the addition of Rs.90,00,000/-, we find that no specific show cause notice was issued to the assessee proposing such addition. It is also an undisputed fact that the assessee has not made any purchase from Reynolds Petro Chem Ltd and it is its purchases from Ipca Laboratories Ltd, which are supported by bills, stock records, excise documents and VAT records. We also find merit in the contention of the assessee that the entire addition is substantially based on statements of third parties recorded during survey proceedings, without providing the assessee an effective opportunity of cross-examination. It is also noted that none of the statements specifically refer to the assessee or any transaction entered into by it. In absence of such linkage, reliance on such statements cannot form the sole basis of addition, particularly when the assessee has produced cogent documentary evidence supporting its transactions.

8.4 In view of the foregoing discussion, we are of the considered opinion that the reassessment proceedings are unsustainable in law and the additions made on merits are also not sustainable in law or on facts. Accordingly, the impugned order of the Ld. CIT(A) is set aside and the additions made by the Assessing Officer are directed to be deleted.

9. In the result, the appeal of the assessee is allowed.

Order pronounced in the open Court on 07.04.2026

Sd/-

(SUCHITRA R. KAMBLE)
JUDICIAL MEMBER

Ahmedabad; Dated 07.04.2026

**btk

Sd/-

(DR. B.R.R. KUMAR)
VICE-PRESIDENT

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आदेशकीप्रतिलिपिअग्रेषित/Copy of the Order forwarded to :

1. अपीलार्थी/ The Appellant
2. प्रत्यर्थी/ The Respondent.
3. संबंधितआयकरआयुक्त/ Concerned CIT
4. आयकरआयुक्त(□ पील) /The CIT(A)-
5. विभागीयप्रतिनिधि, आयकरअपीलीयअधिकरण, अहमदाबाद/ DR, ITAT, Ahmedabad
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