

**IN THE INCOME TAX APPELLATE TRIBUNAL
“D” BENCH, AHMEDABAD**

**BEFORE DR. BRR KUMAR, VICE PRESIDENT &
SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER**

I.T.A. Nos.1966&1967/Ahd/2025
(Assessment Year: 2014-15)

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| Deputy Commissioner of Income Tax, Circle-1(1)(1), Ahmedabad | Vs. | Dharmdeep Commodities Pvt. Ltd., 301/306, Anol Business Colony Darpan Six Road, Navrangpura, Ahmedabad-380009 |
| [PAN No. AAECD0147J] | | |
| (Appellant) | .. | (Respondent) |

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| Appellant by : | Shri Tushar Hemani, Sr. Advocate |
| Respondent by: | Shri Sher Singh, CIT-DR & Shri Rameshwar P Meena, Sr. DR |

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| Date of Hearing | 06.05.2026 |
| Date of Pronouncement | 26.05.2026 |

O R D E R

PER SIDDHARTHA NAUTIYAL - JUDICIAL MEMBER:

Both appeals have been filed by the Department against the order passed by the Ld. Commissioner of Income Tax (Appeals), (in short “Ld. CIT(A)”), National Faceless Appeal Centre (in short “NFAC”), Delhi vide order dated 11.08.2025 passed for A.Y. 2014-15.

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

ITA No. 1966/Ahd/2025 (A.Y. 2014-15)

“1. Whether on the facts and in the circumstances of the case and in law, the Ld. CIT(A) was justified in restricting the addition from Rs. 4,66,57,670/- to Rs. 8,33,212/- made u/s 68 of Act, without appreciating the facts of the case?”

2. Whether on the facts and in the circumstances of the case and in law, the Ld. CIT(A) was justified in restricting the addition to the extent of the profit element embedded in the transaction of Rs. 10,12,01,220/- made by the assessee on account of buying of commodities through Anand Rathi Commodities Ltd. by Client Code Modification?”

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3. *The appellant craves leave to amend or alter any ground or add a new ground, which may be necessary.*

4. *It is, therefore, prayed that the order of Ld. CIT(A) may be set aside and that of the Assessing Office be restored.”*

ITA No. 1967/Ahd/2025 (A.Y. 2014-15)

“1. *Whether on the facts and in the circumstances of the case and in law, the Ld. CIT(A) was justified in deleting the penalty of Rs.2,00,17,331/- u/s 271(1)(c) of the I T Act, without appreciating the facts of the case?*

2. *The appellant craves leave to amend or alter any ground or add a new ground, which may be necessary.*

3. *It is, therefore, prayed that the order of Ld. CIT(A) may be set aside and that of the Assessing Officer be restored.”*

ITA Nos. 1966/Ahd/2025 & 1967/Ahd/2025 (A.Y. 2014-15)

3. The brief facts of the case are that the assessee company is engaged in the business of trading in cotton bales and also acts as a commission agent. For the year under consideration i.e. A.Y. 2014-15, the assessee filed its return of income on 28.11.2014 declaring total income of Rs.98,32,060/-. The original assessment under section 143(3) of the Act was completed on 25.11.2016 accepting the returned income without making any addition. Subsequently, the case of the assessee was reopened and reassessment proceedings under section 147 read with section 143(3) were completed on 31.12.2019 wherein the Assessing Officer made two additions, namely disallowance of Rs.43,48,272/- under section 37 and addition of Rs.5,45,43,550/- under section 68 of the Act in respect of commodity trading transactions executed through M/s Anand Rathi Commodities Ltd. on the NSEL platform. According to the Assessing Officer, such transactions involved client code modification (CCM) and therefore the purchases and

sales shown by the assessee were treated as non-genuine and the transaction value was added under section 68 of the Act.

4. Thereafter, on the basis of another set of commodity transactions executed through the same broker and on the same NSEL platform, the Assessing Officer initiated a second round of reassessment proceedings by issuing notice under section 148 dated 30.03.2021. In response thereto, the assessee filed return of income on 06.12.2021 declaring the same income of Rs.98,32,060/-. The second reassessment proceedings were completed under section 147 read with section 144B on 29.03.2022 determining total income at Rs.11,53,81,550/- after making further addition of Rs.4,66,57,670/- under section 68 of the Act.

5. During the course of reassessment proceedings, the Assessing Officer observed that the assessee had entered into transactions of purchase and sale of commodities through broker M/s Anand Rathi Commodities Ltd. on the National Spot Exchange Limited (NSEL) platform and that such transactions were carried out through client code modifications involving original clients namely Navratan Mal Gupta, Ashrit Holdings Ltd., Borosil Glass Works Ltd. and Shirish Rege. According to the Assessing Officer, the assessee had not genuinely executed the transactions in its own client code and therefore the purchase value of the trades was liable to be treated as unexplained cash credit under section 68 of the Act.

6. The assessee, however, submitted before the Assessing Officer that all commodity transactions were genuine business transactions carried out in the ordinary course of business through registered broker Anand Rathi

Commodities Ltd. on the NSEL platform. The assessee submitted that it had no knowledge whatsoever regarding any alleged client code modification carried out by the broker and no instructions had ever been given by the assessee to the broker for carrying out such modifications. It was further submitted that the assessee had independently executed purchase and sale transactions of commodities through the broker and corresponding contract notes were issued in the name of the assessee company itself. The assessee also furnished documentary evidences including copies of contract notes, details of transactions, broker ledger accounts and bank statements evidencing payments made towards purchases and receipts against sales through banking channels. The assessee further submitted that the payments towards purchase of commodities were made entirely out of business funds generated from trading activity in cotton bales and therefore no part of the transactions could be treated as unexplained. The assessee submitted that the assessee had earned overall profit of Rs.17,59,312/- from the commodity transactions executed through Anand Rathi on NSEL platform during the relevant year and the said profit had already been offered to tax in the original return of income filed for A.Y. 2014-15. However, the Assessing Officer did not accept the explanation furnished by the assessee and proceeded to treat the entire purchase value of Rs.4,66,57,670/- as unexplained cash credit under section 68 of the Act while framing reassessment under section 147 read with section 144B.

7. Aggrieved by the reassessment order, the assessee preferred appeal before the Ld. CIT(A). During the course of appellate proceedings, the assessee reiterated that the impugned transactions represented genuine

commodity trading transactions executed in the regular course of business through broker Anand Rathi Commodities Ltd. on the NSEL platform. It was once again submitted that the assessee had no role in any alleged client code modification and had acted bona fide on the basis of contract notes issued by the broker. The assessee submitted that all transactions were fully supported by documentary evidences including contract notes, broker ledger accounts and bank statements reflecting corresponding inflow and outflow of funds through proper banking channels. **The assessee further brought to the notice of the Ld. CIT(A) that in the first reassessment proceedings for the very same assessment year involving identical facts and similar commodity transactions through the same broker and same NSEL platform, the Hon'ble ITAT Ahmedabad had already passed order dated 24.06.2025 in ITA No.398/Ahd/2023 granting substantial relief to the assessee.** It was submitted that the Tribunal, after examining identical transactions and allegations relating to client code modification, had held that the entire transaction value could not be added under section 68 and that at the highest only the profit element embedded in such transactions could be brought to tax. The Tribunal had accordingly restricted the addition to Rs.9,26,100/- representing **only the profit element arising from such trades.**

8. The assessee submitted before the Ld. CIT(A) that the transactions involved in the present reassessment proceedings were exactly similar to those already adjudicated by the Tribunal in the earlier round and therefore judicial consistency required that the same view should be followed. The assessee further submitted that the total profit of Rs.17,59,312/- from all

commodity transactions had already been offered to tax by the assessee in the original return itself and therefore there was no question of making any separate addition under section 68 of the Act. The assessee clarified that out of total profit of Rs.17,59,312/-, an amount of Rs.9,26,100/- related to transactions covered in the first reassessment proceedings while balance amount of Rs.8,33,212/- pertained to the transactions which were the subject matter of the present reassessment proceedings.

9. The Ld. CIT(A), after considering the submissions of the assessee, examining the assessment order, documentary evidences placed on record and the order passed by the Hon'ble ITAT in the assessee's own case for the same assessment year, granted substantial relief to the assessee. The CIT(Appeals) observed that the nature of transactions, broker involved, allegations relating to client code modification and surrounding facts in the present reassessment proceedings were completely identical to those already adjudicated by the Hon'ble Tribunal in the earlier reassessment proceedings for the same year. The Ld. CIT(A) noted that **the Tribunal had already held that in such cases only the profit element embedded in the transactions could be brought to tax and not the entire transaction value.**

10. The Ld. CIT(A) thereafter examined the contract notes, broker ledger accounts and bank statements furnished by the assessee and recorded detailed findings regarding purchase value, sale value and profit element arising from the impugned commodity transactions. The CIT(Appeals) observed that the total purchase value involved in the present reassessment proceedings aggregated to Rs.4,66,57,670/- and the corresponding profit element embedded in such transactions worked out to Rs.8,33,212/-. The

CIT(Appeals) further noted that the Assessing Officer had not disputed the correctness of such purchase and sale figures or the resultant profit computation furnished by the assessee.

11. Following the binding order of the Hon'ble ITAT in the assessee's own case for the same assessment year, the Ld. CIT(A) held that the entire transaction value of Rs.4,66,57,670/- could not be brought to tax under section 68 of the Act and **only the profit element embedded in the transactions could be considered for taxation**. Accordingly, the addition made by the Assessing Officer under section 68 was restricted from Rs.4,66,57,670/- to Rs.8,33,212/-.

12. At the same time, the Ld. CIT(A) also noted that such amount of Rs.8,33,212/- already formed part of the total trading profit offered to tax by the assessee in its original return of income. However, following the earlier order of the Hon'ble Tribunal, the CIT(Appeals) treated the said amount as taxable under section 68 of the Act in substitution of business income without enhancing the assessed income. Consequently, the balance addition was deleted and substantial relief was granted to the assessee.

13. The Department is in appeal before us against the order passed by CIT(Appeals) allowing the appeal of the assessee.

14. We have heard the rival submissions and perused the material available on record. The sole grievance of the Revenue in the present appeal is against the action of the Ld. CIT(A) in restricting the addition made under section 68 of the Act from Rs. 4,66,57,670/- to Rs. 8,33,212/- in respect of

commodity trading transactions executed by the assessee through M/s Anand Rathi Commodities Ltd. on the NSEL platform.

15. The assessee company is engaged in the business of trading in cotton bales and also acts as a commission agent. During the year under consideration, the assessee entered into purchase and sale transactions of commodities through broker M/s Anand Rathi Commodities Ltd. on the NSEL platform. The Assessing Officer treated the purchase value of certain trades amounting to Rs.4,66,57,670/- as unexplained cash credit under section 68 of the Act on the ground that such trades involved client code modification (CCM) carried out by the broker with original clients namely Navratan Mal Gupta, Ashrit Holdings Ltd., Borosil Glass Works Ltd. and Shirish Rege.

16. We find that identical issue involving the same assessee, same assessment year, same broker and same allegation of client code modification had already travelled before the Coordinate Bench of Ahmedabad Tribunal in assessee's own case arising out of the first reassessment proceedings for A.Y. 2014-15 in ITA No.398/Ahd/2023 order dated 24.06.2025. The Coordinate Bench, after detailed examination of the nature of transactions, contract notes, ledger accounts and banking trail, held that the entire transaction value could not be added under section 68 and only the profit element embedded in such trades could be brought to tax.

17. The relevant findings of the Coordinate Bench in assessee's own case read as under:-

“The assessee has furnished copies of contract notes, ledger account of broker and bank statements evidencing movement of funds through banking channels. Merely because client code modification was carried out by the broker would not automatically render the entire commodity transactions as non-genuine in absence of any material demonstrating that the assessee itself was beneficiary of any accommodation entries.”

18. The Coordinate Bench further observed as under:-

“The addition of the entire purchase value under section 68 is wholly unjustified. At the highest, only the profit element embedded in such transactions can be subjected to tax. Since the assessee has already disclosed profit arising from these transactions in its books of account and return of income, no separate addition of the gross transaction value is warranted.”

19. The Tribunal thereafter concluded as under:-

“Accordingly, the addition made by the Assessing Officer under section 68 is restricted only to the profit component embedded in the transactions.”

20. We find that the Ld. CIT(A) while adjudicating the present appeal has merely followed the aforesaid binding order of the Coordinate Bench in assessee's own case for the same assessment year. The Revenue has not brought any distinguishing feature on record to demonstrate that the transactions involved in the present reassessment proceedings are different from those already adjudicated by the Tribunal in the earlier round.

21. We further notice that the assessee had furnished complete documentary evidences before the authorities below including contract notes, ledger accounts of broker and bank statements evidencing corresponding payments and receipts through banking channels. The assessee had consistently explained that the transactions were executed in the normal course of business and the profits arising therefrom had already been offered

to tax in the return of income. The Revenue has not controverted these factual findings recorded by the Ld. CIT(A).

22. The Ld. CIT(A), after examining the documentary evidences, recorded categorical finding that the total purchase value involved in the impugned trades aggregated to Rs.4,66,57,670/- whereas the corresponding profit embedded therein worked out only to Rs.8,33,212/-. The Assessing Officer himself had not disputed the correctness of such purchase and sale figures or the resultant profit computation. Therefore, respectfully following the earlier order of the Coordinate Bench in assessee's own case, the Ld. CIT(A) restricted the addition only to the profit element embedded in the transactions.

23. We also find merit in the contention advanced by the Ld. Counsel for the assessee that even the said profit element of Rs.8,33,212/- already formed part of the total trading profit of Rs.17,59,312/- voluntarily disclosed by the assessee in the original return of income. Thus, effectively no income had escaped taxation. However, since the Ld. CIT(A) has already followed the earlier order of the Tribunal and sustained the addition to the extent of profit element only, no further interference is called for.

24. Considering the totality of facts and respectfully following the order of the Coordinate Bench of Ahmedabad Tribunal in assessee's own case in ITA No.398/Ahd/2023 dated 24.06.2025, we find no infirmity in the well-reasoned order passed by the Ld. CIT(A) restricting the addition under section 68 to the extent of profit element of Rs.8,33,212/- and deleting the balance addition.

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25. Accordingly, the appeal filed by the Revenue stands dismissed.

26. ITA No. 1967/Ahd/2026 is the Department's appeal against relief granted to the assessee by CIT(Appeals) with respect to penalty order u/s 271(1)(c) of the Act passed by the Assessing Officer for the aforesaid additions.

27. Since in the preceding part of order, we have dismissed the Department's appeal against the relief granted by CIT(Appeals) against the quantum addition, accordingly, we find no infirmity in the order of Ld. CIT (Appeals) granting relief to the assessee in penalty proceedings as well, so as to call for any interference.

28. In the combined result, both the appeals filed by Department are dismissed.

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| This Order pronounced in Open Court on | 26/05/2026 |
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Sd/-
(DR. BRR KUMAR)
VICE PRESIDENT

Ahmedabad; Dated 26/05/2026

TANMAY, Sr. PS

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आदेश की प्रतिलिपि अग्रेषित/Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, अहमदाबाद / DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

उप/सहायक पंजीकार (Dy./Asstt.Registrar)
आयकर अपीलीय अधिकरण, अहमदाबाद / ITAT, Ahmedabad