

IN THE HIGH COURT OF GUJARAT AT AHMEDABAD

R/SPECIAL CIVIL APPLICATION NO. 16806 of 2025

FOR APPROVAL AND SIGNATURE:

HONOURABLE MR. JUSTICE A.S. SUPEHIA

and

HONOURABLE MS. JUSTICE VAIBHAVI D. NANAVATI

Approved for Reporting	Yes	No
	✓	

JYOTI CNC AUTOMATION LIMITED

Versus

ASSISTANT COMMISSIONER OF INCOME TAX CIRCLE 1(1), RAJKOT

Appearance:

MR B S SOPARKAR(6851) for the Petitioner(s) No. 1

MAUNIL G YAJNIK(9346) for the Respondent(s) No. 1

CORAM: HONOURABLE MR. JUSTICE A.S. SUPEHIA

and

HONOURABLE MS. JUSTICE VAIBHAVI D. NANAVATI

Date : 07/09/2026

ORAL JUDGMENT

(PER : HONOURABLE MR. JUSTICE A.S. SUPEHIA)

1. With the consent of the learned advocates appearing for the respective parties, the matter is taken up for final hearing.

2. By way of the present petition under Article 226 of the Constitution of India, the petitioner challenges the notice dated 30.03.2025 issued by the respondent under Section 148A(1) of the Income Tax Act, 1961 (for short, "the Act"). The petitioner also calls in question the order dated 28.06.2025 passed by the respondent under Section 148A(3) of the Act, as well as the notice dated 28.06.2025 issued under Section 148 of the Act, whereby the petitioner has been called upon to furnish its return of income for Assessment Year (for short "A.Y.") 2019-20.

BRIEF FACTS:

3. The petitioner-company, engaged in the business of manufacturing CNC machines, filed its original return of income for A.Y. 2019-20 on 30.11.2019, declaring total income of Rs.45,05,86,190/-. The said return was processed under Section 143(1) of the Act on 18.05.2020, determining the total income at Rs.45,20,60,740/-.

3.1 Subsequently, the assessment proceedings were reopened and a notice under Section 148 of the Act dated 30.03.2023 came to be issued on the basis of information received from the Investigation Wing alleging that the petitioner-company was a beneficiary of an accommodation entry of Rs.78,34,409/- received from M/s.GSD Trading and Financial Services Pvt. Ltd. The petitioner participated in the reassessment proceedings and furnished the details and documents called for from time to time. Eventually, an assessment order came to be passed on 16.03.2024 under Section 147 read with Section 143(3) of the Act, determining the total income at Rs.45,98,95,153/- after making various additions. The petitioner has preferred an appeal against the said assessment order, which is stated to be pending.

3.2 Thereafter, the petitioner was issued the impugned notice dated 30.03.2025 under Section 148A(1) of the Act, alleging escapement of income chargeable to tax to the extent of Rs.27,46,30,215/-.

3.3 The grievance of the petitioner is that along with the impugned notice, it was supplied only a screenshot of the



Insight Portal containing the Case Related Information Detail, without furnishing the underlying documents referred to therein and relied upon for alleging escapement of income. The petitioner submitted a detailed response dated 17.04.2025 to the said notice. Thereafter, the respondent passed the impugned order dated 28.06.2025 under Section 148A(3) of the Act rejecting the objections raised by the petitioner. On the same day, the respondent also issued the impugned notice under Section 148 of the Act. Along with the aforesaid notice and order, the petitioner was also furnished a proforma seeking approval of the Specified Authority for passing an order under Section 148A(3) of the Act and issuing notice under Section 148 of the Act.

SUBMISSIONS ON BEHALF OF THE PETITIONER:

4. Mr.B.S.Soparkar, learned advocate appearing for the petitioner, submitted that the notice issued under Section 148A(1) of the Act is legally unsustainable, being vague and founded upon factually incorrect premises. According to him, the notice has been issued without due application of mind and without furnishing the documentary material on which the allegation of escapement of income is founded. At the outset, it was submitted that the notice does not disclose either the names of the parties with whom the alleged transactions were undertaken or even the nature of the transactions referred to at Serial Nos. 2 and 3 of the notice. It was further submitted that the screenshot of the Insight Portal, namely, the Case Related Information Detail, does not contain the very documents to which reference has been made therein.



4.1 In support of his submissions, learned advocate placed reliance upon the decision of this Court in the case of Filco Trade Centre (P.) Ltd. vs. Deputy Commissioner of Income-tax, [2024] 169 taxmann.com 401 (Guj.), as well as the decision in the case of Bhagwati Polyfill Private Limited vs. Assistant Commissioner of Income Tax, [Special Civil Application No.17669 of 2019]. It was, therefore, submitted that the impugned notice is vitiated not only on account of non-disclosure of the relevant material but also because it proceeds on factually incorrect premises.

4.2 It is further submitted that the petitioner had undertaken sales transactions with M/s.Arco Trading Est LLP aggregating to Rs.1,18,97,361/- and with M/s.Blue Cross Commodities Pvt. Ltd. aggregating to Rs.28,59,62,668/-. The said transactions were duly recorded in the petitioner's books of account and financial statements and the corresponding income had been duly offered to tax. Consequently, there was no escapement of income as alleged. In support thereof, the petitioner had furnished voluminous material, including ledger accounts, sales invoices and relevant extracts of bank statements evidencing the transactions.

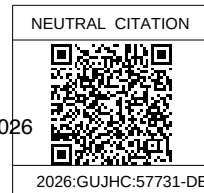
4.3 Learned advocate submitted that the information forming the basis of the proposed reassessment was thus not only factually erroneous but had also been accepted by the respondent without any independent verification or application of mind. It was contended that the respondent had merely relied upon the information uploaded on the Insight Portal



without examining the petitioner's books of account or undertaking any independent inquiry. No effort was made to seek any clarification from the petitioner before forming an opinion that the transactions represented accommodation entries. The proceedings, therefore, according to the petitioner, constitute a case of reopening founded upon borrowed satisfaction, which is impermissible in law.

4.4 Learned advocate further submitted that the reassessment proceedings were initiated merely for undertaking a fishing and roving inquiry. The statutory scheme does not permit reopening of an assessment on the basis of a mere hope or apprehension that some income might have escaped assessment. According to the petitioner, there was no tangible material in the possession of the respondent connecting the petitioner with any alleged fictitious transaction.

4.5 It was further submitted that in response to the notice under Section 148A(1) of the Act, the petitioner had furnished voluminous documentary material, including ledger accounts, sales invoices and relevant extracts of bank statements, to establish the genuineness of the purchase and sale transactions. However, the respondent failed to meaningfully deal with the said material. It was specifically pointed out that the petitioner had also furnished the E-way bills along with the invoices; nevertheless, the impugned order proceeds on the erroneous premise that such documents had not been supplied by the petitioner. The impugned order, therefore, suffers from non-consideration of relevant material as well as reliance upon



an incorrect factual premise.

SUBMISSIONS ON BEHALF OF THE RESPONDENT:

5. *Per contra* Mr.Maunil G. Yajnik, learned Senior Standing Counsel appearing for the respondent, opposed the writ petition and submitted that neither the impugned notice dated 30.03.2025 nor the order dated 28.06.2025 passed under Section 148A(3) of the Act warrants interference. Referring to the dissemination report, the impugned notice and the order passed by the Assessing Officer, learned Senior Standing Counsel submitted that the petitioner, along with M/s.Alfara's Infraprojects Limited and M/s.Harshvardhan Commercials LLP, had entered into bogus transactions with various entities for the fraudulent availment of ineligible Input Tax Credit (ITC) by obtaining bogus invoices without any actual receipt of goods or services.

5.1 It was submitted that although the petitioner had furnished documents such as E-way bills, tax invoices and transport receipts in respect of its transactions with M/s. Blue Cross Commodities Pvt. Ltd., it had failed to furnish E-way bills in respect of the transactions with M/s.Harshvardhan Commercials LLP and M/s.Arco Trading Est LLP. According to the learned Senior Standing Counsel, the said documents were produced before this Court only subsequently.

5.2 Learned Senior Standing Counsel further submitted that the information received by the respondent revealed that the petitioner had undertaken sales and purchase transactions with the aforesaid entities during the year under consideration,

which were suspected to form part of a circular transaction structure involving no actual supply or delivery of goods or services. It was contended that the routing of funds through banking channels was undertaken merely to lend an appearance of genuineness to the transactions.

5.3 It was, therefore, submitted that the Assessing Officer had sufficient information to form the requisite *prima facie* belief regarding escapement of income and had duly exercised the jurisdiction vested in him under Section 148A of the Act. Learned Senior Standing Counsel finally submitted that in the event this Court were to interfere with the impugned notice and order, the matter may be remanded to the respondent authority with liberty to issue a fresh notice and undertake proceedings in accordance with law. On the aforesaid basis, it was urged that the writ petition be dismissed.

ANALYSIS AND OPINION:

6. We have heard the learned advocates appearing for the respective parties at length and have perused the material placed on record. From the facts and pleadings, it emerges that the petitioner-company filed its original return of income for A.Y. 2019-20 on 30.11.2019, declaring total income of Rs.45,05,86,190/-. The return was processed under Section 143(1) of the Act on 18.05.2020, determining the total income at Rs.45,20,60,740/-. Subsequently, the assessment was reopened and a notice under Section 148 of the Act dated 30.03.2023 came to be issued on the basis of information received from the Investigation Wing alleging that the

petitioner-company was a beneficiary of an accommodation entry of Rs.74,34,409/- received from M/s.GSD Trading and Financial Services Pvt. Ltd.

6.1 The petitioner participated in the reassessment proceedings and furnished the details sought by the Assessing Officer from time to time. Ultimately, an assessment order came to be passed on 16.03.2024 under Section 147 read with Section 143(3) of the Act, determining the total income of the petitioner at Rs.45,98,95,153/-. The petitioner has preferred an appeal against the said assessment order, which is pending consideration.

6.2 Subsequently, the respondent issued the impugned notice dated 30.03.2025 under Section 148A(1) of the Act, alleging escapement of income chargeable to tax to the extent of Rs.27,46,30,215/-. The said amount has been stated to constitute the income alleged to have escaped assessment.

7. On a perusal of the impugned notice, it emerges that the alleged income escaping assessment has been quantified in the following manner:

Sr. No.	Type of Transaction	Amount
1	Purchases	1,18,97,361=00
2	Others	24,15,47,166=00
3	Others	2,11,85,688=00
Total income escaping assessment		27,46,30,215=00

8. It is evident from the aforesaid notice that the petitioner was not furnished the names of the parties with whom the

alleged transactions were undertaken, nor were the basic particulars or nature of the transactions referred to in the notice disclosed. Along with the notice, however, the petitioner was furnished screenshots containing the Case Related Information Detail pertaining to three entities, namely, (i) M/s.Harshvardhan Commercials LLP; (ii) M/s.Arco Trading Est LLP; and (iii) M/s.Blue Cross Commodities Pvt. Ltd. The said Case Related Information Detail merely contain the PAN numbers and the information value relating to the respective entities. Among the documents referred to therein was the dissemination report.

8.1 Admittedly, the dissemination reports pertaining to the aforesaid three entities were not furnished to the petitioner along with the impugned notice. It is only during the pendency of the present writ petition that the said reports were furnished to the learned advocate for the petitioner and have thereafter been placed on record. The Revenue has unable to offer any satisfactory justification for withholding the dissemination reports from the petitioner at the stage of issuance of the notice under Section 148A(1) of the Act.

8.2 The consequence is significant. The impugned notice, apart from the screenshot of the Case Related Information Detail available on the Insight Portal, does not disclose the underlying material or the particulars of the alleged escapement of income. The notice thus proceeds on information which is bereft of the very material upon which the allegation of escapement appears to have been founded. In our view, such non-disclosure strikes at the very foundation of

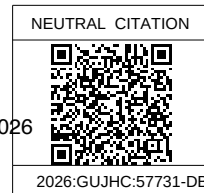


the opportunity contemplated under Section 148A(1) of the Act.

9. In response to the impugned notice, the petitioner submitted a detailed reply dated 17.04.2025 explaining the transactions referred to therein. In respect of the purchase transaction of Rs.1,18,97,361/-, the petitioner specifically pointed out that the information forming the basis of the notice was erroneous and that the transaction had been duly accounted for. In support of its stand, the petitioner furnished copies of the ledger accounts of the concerned parties as appearing in its books of account, sales invoices and relevant extracts of bank statements evidencing receipt of consideration against the sales transactions.

9.1 The petitioner also furnished relevant material in respect of the transactions with M/s.Blue Cross Commodities Pvt. Ltd. and M/s.Harshvardhan Commercials LLP, including ledger accounts and other supporting documents. Significantly, the petitioner specifically brought to the notice of the Assessing Officer that the dissemination reports and the underlying information referred to therein had not been supplied along with the notice under Section 148A of the Act. Despite the aforesaid objections and the documentary material furnished by the petitioner, the respondent proceeded to pass the impugned order dated 28.06.2025 under Section 148A(3) of the Act.

10. On a perusal of the impugned order, we find that although the material portions of the petitioner's reply have

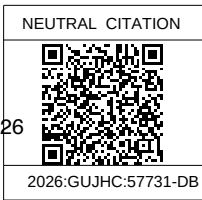


been reproduced therein, the substantive objections raised by the petitioner have not been dealt with in any meaningful manner. The respondent has merely observed that there was no evidence of actual movement of goods, warehouse receipts or E-way bills demonstrating the genuineness of the transactions and that the core allegations contained in the notice remained unrebutted.

10.1 We further find that even while passing the order under Section 148A(3) of the Act, the Assessing Officer has not demonstrated any independent application of mind to the dissemination reports. The said reports are exhaustive and primarily concern M/s.Alfara's Infraprojects Pvt. Ltd., which is stated to have dealt with several entities, including the three entities referred to in the impugned notice. The reports contain references to numerous transactions and entities associated with M/s. Alfara's Infraprojects Pvt. Ltd.

10.2 In such circumstances, the Assessing Officer was required to examine the material contained in the dissemination reports and ascertain, at least *prima facie*, the specific role, if any, attributable to the petitioner. The Assessing Officer was also required to indicate the material which, in his opinion, connected the petitioner with the alleged fictitious or accommodation transactions. Such an exercise was necessary to afford the petitioner a meaningful opportunity to respond to the allegations.

10.3 The mere reproduction of the transactions and the screenshots of the Case Related Information Detail pertaining



to the three entities cannot, in our considered opinion, satisfy the statutory requirement under Section 148A(1) of the Act. The opportunity of hearing contemplated under the provision is not an empty formality. Where the Revenue proposes to reopen an assessment on the basis of information alleging fictitious or accommodation transactions, the assessee must be furnished with sufficient particulars of the material relied upon so as to enable it to effectively controvert the allegation.

10.4 The notice under Section 148A(1) of the Act must, therefore, disclose the material particulars and the incriminating material which, at least *prima facie*, connect the assessee with the alleged transactions. Upon consideration of such material and the assessee's response thereto, the Assessing Officer is required to form the requisite opinion as to whether income chargeable to tax has escaped assessment for the relevant assessment year.

11. In the present case, the impugned notice is conspicuously bereft of the material particulars and underlying documents on the basis of which the allegation of escapement of income has been made. The subsequent supply of such material during the pendency of the writ petition cannot cure the defect in the notice, particularly when the petitioner was required to exercise its statutory right of response under Section 148A(1) of the Act on the basis of the material furnished to it at that stage.

11.1 For the foregoing reasons, the impugned notice dated 30.03.2025 issued under Section 148A(1) of the Act and the



consequential order dated 28.06.2025 passed under Section 148A(3) of the Act cannot be sustained. Consequently, the notice dated 28.06.2025 issued under Section 148 of the Act is also rendered unsustainable.

11.2 In view of the facts and circumstances of the present case, we are not inclined to remand the matter to the respondent authority. The Revenue had an opportunity to furnish the relevant material and consider the petitioner's response in accordance with law at the stage of the proceedings under Section 148A of the Act. The defect in the present case goes to the very foundation of the proceedings and cannot be permitted to be cured by granting the Revenue a further opportunity at this stage.

12. Accordingly, the present writ petition **succeeds**. The impugned notice dated 30.03.2025 issued under Section 148A(1) of the Act, the order dated 28.06.2025 passed under Section 148A(3) of the Act, and the consequential notice dated 28.06.2025 issued under Section 148 of the Act are hereby quashed and set aside. Rule is made absolute to the aforesaid extent.

(A. S. SUPEHIA, J)

(VAIBHAVI D. NANAVATI,J)