INCOME TAX APPELLATE TRIBUNAL,
MUMBAI BENCHES, MUMBAI

BENCH: E

BEFORE SANDEEP GOSAIN, JUDICIAL MEMBER AND SHRI BIJAYANANDA PRUSETH, ACCOUNTANT MEMBER

ITA 3526/MUM/2026 (निर्धारण वर्ष/Assessment Year: **2015-16**)		
M/S. EVA SPORTING ASPIRATIONS PRIVATE LIMITED F-2/203, POONAM KUNJ, POONAM NAGAR ,MAHAKALI ROAD CAVES ANDHERI EAST, MUMBAI 400093 ,MAHARASHTRA, MUMBAI-400093, MAHARASHTRA	**Vs.**	**INCOME TAX OFFICER, WARD 9(2)(1), MUMBAI** AAYAKAR BHAWAN, MAHARSHI KARVE ROAD, NEW MARINE LINES, CHURCHGATE, MUMBAI 400020 MUMBAI-400020, MAHARASHTRA
अपीलार्थी **Appellant**		प्रत्यर्थी **Respondent**
Permanent Account Number of Assessee:		**AADCE1707G**

अपीलार्थी द्वारा/Appellant represented by:	**Shri Rakesh Joshi**
प्रत्यर्थी द्वारा/Respondent represented by:	**Smt. Sujatha Iyyanger, SR DR**

सुनवाई की तारीख / Date of conclusion of hearing:	**10-Aug-2026**
घोषणा की तारीख / Date of pronouncement:	**02.11.2026**

आदेश / ORDER

PER SANDEEP GOSAIN, JUDICIAL MEMBER:

This appeal is filed by the Assessee against the order of Ld. CIT(A)/NFAC, New Delhi vide DIN: ITBA/NFAC/S/250/2025-26/1085104494(1) dated 23-Jan-2026 for the Assessment Year 2015-16. The Assessee has raised the following grounds of appeal:

1) *On the facts and circumstances of the case as well as in law, the Learned CIT(A) has erred in confirming the action of the Learned Assessing Officer in reopening the assessment proceeding u/s.147 of the Income Tax Act, 1961, without considering the fact and circumstances of the case.*

2) *On the facts and circumstances of the case as well as in law, the Learned CIT(A) has erred in confirming the action of the Learned Assessing Officer in rejecting the books of account and passing the assessment order u/s.144 of the Income Tax Act 1961, without considering the facts and circumstances of the case.*

3) *On the facts and circumstances of the case as well as in law, the Learned CIT(A) has erred in confirming the action of the Learned Assessing officer in making an of Rs.3,60,00,000/- u/s.68 of the Income Tax Act, 1961, by treating the genuine unsecured loans received from M/s Bhuvneshwari Vyapaar Pvt. Ltd. (Rs.2,80,00,000/-) and M/s Saransh Construction Pvt. Ltd. (Rs.80,00,000/-) as alleged unexplained credit, without considering the fact & circumstances of the case.*

4) *On the facts and circumstances of the case as well as in law, the Learned CIT(A) has erred in confirming the action of the Learned Assessing officer in making an addition of Rs.1,25,22,146/- by estimating the Gross profit at 5 percent of the alleged turnover of Rs.25,04,42,922/-, without considering the facts and circumstances of the case.*

5) *The appellant craves leave to add, amend, alter OR delete the said ground of appeal.*

The assessee has raised the following additional grounds:

1) On the facts and in the circumstances of the case and in law, the Learned Assessing Officer (AO) erred in initiating reassessment proceedings and issuing notice under Section 148 without obtaining valid and requisite approval from the competent authority specified under Section 151 of the Income-tax Act, 1961. Consequently, the notice issued under Section 148 and the assessment order passed pursuant thereto are bad in law, null and void, and liable to be quashed.

2) On the facts and circumstances of the case as well as in Law, the Learned Assessing Officer has erred in passing the Assessment order u/s. 147 r.w.s 1448 of the Income Tax Act, 1961, without considering the relevant provision of section 153C of the

Income Tax Act, 1961, and the recent judgement of Hon'ble Jurisdictional Bombay High Court in the case of Sejal Jewellary v. Union of India, 171 taxmann.com 846.

2. The assessee is a domestic private limited company incorporated on 03.09.2012 and is engaged in the business of promoting sports activities. The assessee filed its return of income for Assessment Year ("AY") 2015-16.

3. The assessment was reopened under section 147 of the Act on the basis of information received from the DDIT (Investigation), Unit-3(2), Kolkata, vide letter dated 04.06.2018, which was received on 11.06.2018. The investigation report alleged that 15 companies, operating with common KYC/mobile numbers, had routed funds to M/s Nilpuspa Mercantile Pvt. Ltd., which, in turn, transferred funds to various intermediate entities, including M/s Bhuvneshwari Vyapaar Pvt. Ltd. and M/s Saransh Construction Pvt. Ltd., from whom the assessee was alleged to have received accommodation entries. Prior to issuance of notice under section 148 of the Act, the Assessing Officer ("AO") also gathered information under section 133(6) of the Act from ICICI Bank, which showed gross credit entries aggregating to Rs.28,64,42,922/- during the financial year 2014-15.

4. During the reassessment proceedings, the AO noted that the assessee had shown short-term borrowings of Rs.3,60,00,000/-, comprising Rs.2,80,00,000/- from M/s Bhuvneshwari Vyapaar Pvt. Ltd. and Rs.80,00,000/- from M/s Saransh Construction Pvt. Ltd. Treating these borrowings as non-genuine and accommodation entries on the basis of the investigation report and third-party statements, including the statement of Shri Ankit Jain, the AO made an addition of Rs.3,60,00,000/- under section 68 of the Act.

5. Further, observing aggregate bank deposits/credits of Rs.28,64,42,922/- as against declared business turnover of Nil, the AO reduced the amount of Rs.3,60,00,000/- added under section 68 from the total bank credits and arrived at a balance of Rs.25,04,42,922/-. The AO thereafter treated the remaining amount as unexplained turnover, rejected the books of account and estimated the Gross Profit ("GP") at 5%, thereby making an addition of Rs.1,25,22,146/-.

6. Aggrieved by the assessment order, the assessee carried the matter in appeal before the learned CIT(A), who upheld both the additions by relying upon the decisions of the Hon'ble Supreme Court in ***PCIT v. NRA Iron & Steel Pvt. Ltd., 412 ITR 161 (SC)*** and ***Kachwala Gems v. JCIT, 288 ITR 10 (SC)***. Aggrieved by the order of the learned CIT(A), the assessee is in appeal before the Tribunal.

7. The learned AR for the assessee vehemently submitted that the addition made under section 68 was primarily based upon the report of the Kolkata Investigation Wing and the statement of Shri Ankit Jain. However, the recorded statement of Shri Ankit Jain and the underlying adverse material relied upon by the AO were never furnished to the assessee despite specific requests. Further, no opportunity was granted to the assessee to cross-examine Shri Ankit Jain. It was submitted that this amounted to a violation of the principles of natural justice and was contrary to the law laid down by the Hon'ble Supreme Court in ***Andaman Timber Industries v. CCE, 281 CTR 241 (SC)***.

8. The learned AR submitted that the assessee had discharged the primary statutory onus cast upon it under section 68 of the Act by

establishing the identity, genuineness and creditworthiness of the lenders. It was submitted that all the loans were received and repaid through regular banking channels.

9. The assessee had placed on record complete documentary evidence, including Income-tax Return ("ITR") acknowledgements of the lenders, audited financial statements of both the lenders and the assessee company, ledger confirmations and the respective bank statements demonstrating the flow of the transactions.

10. With regard to M/s Saransh Construction Pvt. Ltd., it was submitted that the opening balance was Nil; a total amount of Rs.5,10,00,000/- was borrowed during FY 2014-15, out of which Rs.4,30,00,000/- was repaid during the same financial year on 16.03.2015 and 23.03.2015, leaving a closing balance of Rs.80,00,000/-. The said balance was also fully repaid in AY 2016-17.

11. In the case of M/s Bhuvneshwari Vyapaar Pvt. Ltd., an amount of Rs.2,80,00,000/- was borrowed during the year. The said amount formed part of a running account and was subsequently repaid in full.

12. It was further submitted that the source of the repayments made to M/s Saransh Construction Pvt. Ltd. was directly traceable to advances received from M/s Bhuvneshwari Vyapaar Pvt. Ltd. between 12.03.2015 and 19.03.2015, thereby explaining the source of funds.

13. The learned AR submitted that the AO had not pointed out any specific infirmity or defect in the books of account, confirmations or bank statements furnished by the assessee. Relying upon the decision of the Hon'ble

jurisdictional High Court of Bombay in ***PCIT v. Paradise Inland Shipping Pvt. Ltd., 400 ITR 439 (Bom)***, the learned AR submitted that where the identity, confirmations, ITR acknowledgements and banking transactions are established, the initial burden under section 68 stands discharged and an addition cannot be sustained merely on the basis of third-party statements or surmises.

14. Per contra, the learned DR appearing for the Revenue supported the orders of the lower authorities. It was submitted that the investigation conducted by the DDIT (Investigation), Kolkata, had unearthed a multi-layered accommodation-entry arrangement involving 15 shell companies operating with identical mobile numbers/KYC details.

15. It was submitted that funds were funnelled through intermediate entities, including M/s Nilpuspa Mercantile Pvt. Ltd., and were ultimately routed through M/s Bhuvneshwari Vyapaar Pvt. Ltd. and M/s Saransh Construction Pvt. Ltd. into the assessee's bank account.

16. The learned DR submitted that the bank statements of the lender companies revealed nominal balances prior to the transfers, followed by immediate credit and debit movements, demonstrating the absence of genuine creditworthiness and commercial rationale. It was further submitted that the assessee had no active business operations commensurate with the scale of the funds borrowed.

17. It was contended that mere submission of PAN, ITR acknowledgements and banking entries was insufficient to discharge the onus under section 68 when the surrounding circumstances failed the test of human probabilities. Reliance was placed on the decisions of the Hon'ble

Supreme Court in ***PCIT v. NRA Iron & Steel Pvt. Ltd., 412 ITR 161 (SC)*** and ***Sumati Dayal v. CIT, 214 ITR 801 (SC)***.

18. We have heard the rival contentions, perused the material available on record and carefully examined the assessment order, the order of the learned CIT(A) and the written submissions filed by the parties.

19. The addition under section 68 was made primarily on the basis of the report of the DDIT (Investigation), Kolkata, and statements recorded during collateral inquiries, particularly the statement of Shri Ankit Jain.

20. It is an admitted position that a copy of the statement of Shri Ankit Jain was never furnished to the assessee during the assessment proceedings, nor was any opportunity of cross-examination afforded to the assessee despite a specific request. It is settled law, as laid down by the Hon'ble Supreme Court in ***Andaman Timber Industries v. CCE, 281 CTR 241 (SC)***, that where an adjudicating authority relies upon statements of third parties against an assessee, failure to afford an opportunity of cross-examination, where specifically sought, amounts to a violation of the principles of natural justice.

21. On merits, section 68 of the Act requires the assessee to satisfactorily explain the nature and source of a credit appearing in its books of account. In the present case, the assessee has placed on record PAN details, corporate identity details and Master Data of the lenders, ITR acknowledgements and audited financial statements of M/s Bhuvneshwari Vyapaar Pvt. Ltd. and M/s Saransh Construction Pvt. Ltd., loan confirmations and mutual ledger accounts, as well as the respective bank statements of the lender entities

demonstrating that the transactions were routed through regular banking channels by way of RTGS/cheques.

22. A perusal of the ledger accounts shows that, in the case of M/s Saransh Construction Pvt. Ltd., the assessee received Rs.5,10,00,000/- during the year and repaid Rs.4,30,00,000/- during the same year through banking channels, leaving a balance of Rs.80,00,000/-, which was also repaid in the immediately succeeding year. Similarly, the loan of Rs.2,80,00,000/- received from M/s Bhuvneshwari Vyapaar Pvt. Ltd. was duly reflected in the books of account and was subsequently squared up in full.

23. We further find that the AO has not brought any independent material on record to disprove the documentary evidence furnished by the assessee. No summons under section 131 of the Act were issued to the lenders to verify or rebut the confirmations and financial statements placed on record. The Hon'ble jurisdictional High Court of Bombay in ***PCIT v. Paradise Inland Shipping Pvt. Ltd., 400 ITR 439 (Bom)***, has held that where the assessee furnishes the identity and PAN of the creditor, bank statements and confirmations, the initial burden cast upon the assessee under section 68 stands discharged and the Revenue is required to undertake further inquiry if it seeks to disprove the transaction.

24. The decision of the Hon'ble Supreme Court in ***NRA Iron & Steel Pvt. Ltd.***, relied upon by the Revenue, is distinguishable on facts. In that case, the lender companies were found to be non-existent at their given addresses and had failed to respond to summons issued by the Department. No such facts have been established in the present case.

25. In the facts and circumstances of the present case, we are of the considered view that the assessee has discharged the primary burden cast upon it under section 68 by furnishing adequate documentary evidence establishing the identity of the creditors, genuineness of the transactions and financial particulars of the lenders. Further, the adverse material relied upon by the AO was not subjected to the test of cross-examination despite the specific request made by the assessee.

26. Accordingly, the addition of Rs.3,60,00,000/- made under section 68 of the Act cannot be sustained and is hereby deleted. Ground No. 3 is accordingly allowed.

27. Ground No. 4 relates to the addition of Rs.1,25,22,146/- made by estimating GP at 5% on the remaining bank credits of Rs.25,04,42,922/-.

28. The AO noted gross credit entries aggregating to Rs.28,64,42,922/- in the bank accounts of the assessee. After excluding the amount of Rs.3,60,00,000/- assessed under section 68, the AO treated the balance amount of Rs.25,04,42,922/- as undisclosed business turnover and estimated GP thereon at 5%.

29. It is a well-settled principle that gross bank deposits or credits cannot, merely on that account, be treated as business turnover of an assessee. Bank accounts may contain various types of transactions, including capital receipts, loan receipts and repayments, inter-bank transfers, internal fund transfers and redemption or maturity proceeds of investments.

30. In the present case, the assessee has explained that the credits appearing in its bank accounts comprised, inter alia, loan receipts and

repayments relating to M/s Saransh Construction Pvt. Ltd. and M/s Bhuvneshwari Vyapaar Pvt. Ltd., redemption of mutual fund investments, maturity proceeds of fixed deposits, and inter-bank and internal fund transfers.

31. We find that the Revenue has not brought any specific material on record to establish that the assessee had undertaken undisclosed sales of goods or rendered undisclosed commercial services corresponding to the amount of Rs.25,04,42,922/-. The mere fact that the bank accounts reflected credits, in the absence of any evidence establishing their revenue character, cannot justify treating the entire amount as business turnover.

32. The action of the AO in first treating the gross bank credits as turnover, deducting the amount added under section 68 and thereafter estimating GP at 5% on the balance amount is, therefore, not supported by any specific evidence of undisclosed sales or business receipts. Estimation of profit necessarily presupposes the existence of an underlying business activity and cannot be made in the abstract merely on the basis of aggregate banking transactions.

33. The reliance placed by the learned CIT(A) on the decision of the Hon'ble Supreme Court in ***Kachwala Gems v. JCIT, 288 ITR 10 (SC)*** is misplaced on the facts of the present case. In ***Kachwala Gems***, the assessee was admittedly carrying on an active gems and jewellery trading business and the estimation of income arose in the context of defects in the books of account and trading results. In the present case, no undisclosed trading or commercial activity corresponding to the alleged turnover has been established by the Revenue.

34. In the absence of any material demonstrating that the remaining bank credits represented undisclosed business turnover, the addition of Rs.1,25,22,146/- made by estimating GP at 5% cannot be sustained. The same is accordingly deleted. Ground No. 4 is allowed.

35. Grounds Nos. 1 and 2 of the original grounds of appeal challenge the validity of the reopening under section 147 and the rejection of the books of account/completion of assessment under section 144 of the Act. The additional grounds challenge the validity of the approval under section 151 and the applicability of section 153C of the Act.

36. Since we have already deleted the substantive additions made under section 68 and on account of GP estimation, no further tax liability survives in respect of the issues forming the subject matter of the present appeal. In these circumstances, the legal and procedural grounds do not require adjudication and are rendered academic.

37. Accordingly, Grounds Nos. 1 and 2 of the original grounds of appeal and Additional Grounds Nos. 1 and 2 are dismissed as infructuous.

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

Order pronounced in the open court on **02.11.2026**.

Sd/-	**Sd/-**
BIJAYANANDA PRUSETH	**SANDEEP GOSAIN**
ACCOUNTANT MEMBER	**JUDICIAL MEMBER**

Mumbai
Dated: **02.11.2026**

RY-SrPS

Copy to:

1	**M/S. EVA SPORTING ASPIRATIONS PRIVATE LIMITED, F-2/203, POONAM KUNJ, POONAM NAGAR ,MAHAKALI ROAD CAVES ANDHERI EAST, MUMBAI 400093 ,MAHARASHTRA, MUMBAI-400093, MAHARASHTRA**
2	**INCOME TAX OFFICER, WARD 9(2)(1), MUMBAI, AAYAKAR BHAWAN, MAHARSHI KARVE ROAD, NEW MARINE LINES, CHURCHGATE, MUMBAI 400020, MUMBAI-400020, MAHARASHTRA**
3	THE PCIT / CIT,
4	THE D.R., ITAT, MUMBAI BENCH
5	GUARD FILE

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