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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

% ***Date of decision: 03rd November, 2026***

\# **CNR No. DLHC010218552026**

\+ W.P.(C) 6734/2026 CM APPL. 33097/2026 CM APPL. 33098/2026

HOME TEXTILES INDIA LIMITED .....Petitioner

Through: Mr. Anubhav Goel, Ms. Preeti Goel & Ms. Rashimi Mishra, Advs.

versus

THE COMMISSIONER OF INCOME TAX DELHI .....Respondent

Through: Mr. Shlok Chandra, SSC with Ms. Naincy Jain, JSC, Mr. Ujjwal Jain & Mr. Udit Dad, Advs.

CORAM:
HON'BLE MR. JUSTICE DINESH MEHTA
HON'BLE DR. JUSTICE ADITI CHOUDHARY

J U D G M E N T

REPORTABLE

DINESH MEHTA, J.*(ORAL)*

1. The present case portrays a rather surprising and shocking picture, where the Assessing Officer (*hereinafter referred to as 'AO'*) issued a notice under Section 148 of the Income Tax Act, 1961 (*hereinafter referred to as 'the Act of 1961'*) for alleged escapement of meagre income of Rs.28,975/-.

2. The allegation against the petitioner is that it is the recipient of an accommodation entry of Rs.28,975/- with one Sh. Rishu Bansal and his family.

3. The show-cause notice under Section 148A(1) of the Act of 1961 dated

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31.03.2025, whereby the proceedings against the petitioner were triggered, made a mention of a Tax Evasion Petition *(hereinafter referred to as 'TEP')* in the name of JSM Overseas wherein allegations have been made against Sh. Rishu Bansal and his whole family that they were involved in providing accommodation entries.

4. It was averred that the petitioner has been a beneficiary of a transaction to the tune of Rs.28,975/- made with Sh. Rishu Bansal and family. From perusal of the record it appears that though the TEP was initiated against JSM Overseas, but the proprietor of JSM Overseas (Sh. Rishu Bansal) is also the proprietor of Radha Krishna Industries, with whom the petitioner has transacted.

5. On receipt of the aforesaid notice, the petitioner filed a reply on 26.05.2025 stating that the aforesaid amount was not a bogus entry and that, as a matter of fact, the petitioner had sold cotton waste to M/S Radha Krishna Industries. In support of such assertion, the petitioner had produced invoice, bank statement, GST returns and stock register so also the fact that its books of account have been subjected to statutory audit under Section 44AB of the Act of 1961 by a qualified Chartered Accountant.

6. Surprisingly, the AO was not satisfied with the reply and brushed aside petitioner's objection and passed an order dated 30.06.2025 under Section 148A(3) of the Act of 1961, observing thus:

> *"3.* ***Analysis***
>
> *After careful examination of the assessee's submissions and all material available on record, the undersigned remains unsatisfied with the explanation for the following reasons:*
>
> *3.1* ***Nature of Allegation vs. Response***

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The core allegation concerns the assessee being a beneficiary of "accommodation entries from a family specifically identified through TEP and search action as providers of such entries. While the assessee demonstrates formal accounting compliance (recorded sales, bank receipts, GST filings), this does not address the substantive allegation regarding the commercial genuineness of these transactions. Accommodation entries typically maintain such formal compliance to create legitimacy.

3.2 ***Search Action Findings***

The search action specifically found the assessee to be "a beneficiary of transactions made with the above family who was involved in providing accommodation entries." This investigative finding suggests evidence beyond general ledger entries pointing to transaction non-genuineness. Mere documentation of recorded and banked transactions does not sufficiently counter specific findings from investigative action into accommodation entry networks.

3.3 ***Inadequate Response to Core Allegation***

The assessee's reply fails to address why transactions with a party explicitly identified as an accommodation entry provider should be considered genuine business transactions. No explanation is provided regarding:

- *Underlying commercial rationale*
- *Actual delivery of goods*
- *Independent verification of M/s. Radha Krishna Industries' nature*
- *Material evidence establishing genuine business transactions beyond accounting entries"*

7. Learned counsel for the petitioner argued that the impugned proceedings are not only baseless and without jurisdiction but are arbitrary also. In this regard, he submitted that respondent's allegation that the petitioner is a beneficiary of accommodation entry is absolutely baseless. He

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added that in spite of the fact that the petitioner had furnished satisfactory reply and relevant evidence such as stock register, invoice, bank statement showing the fact that the transaction had taken place through banking channel, the AO did not close the proceedings and chose to proceed against the petitioner by rejecting its defence.

8. It was argued by learned counsel for the petitioner that the AO is hell-bent to proceed against the petitioner and that the proceedings are nothing but abuse of power. He submitted that the order under Section 148A(3) of the Act of 1961 shows that the AO has decided to proceed against the petitioner for alleged evasion of a small sum of Rs.28,975/- and even if it is assumed that the petitioner had been a beneficiary of this accommodation entry, the Specified Authority (Additional Commissioner of Income Tax) ought not to have granted the approval to proceed against the petitioner.

9. Ms. Naincy Jain, learned Junior Standing Counsel appearing for the respondent, on the other hand, argued that getting or providing accommodation entries is a network of tax evasion which needs to be curbed. She submitted that the quantum of amount should not be a reason for this Court to quash the proceedings, more particularly when the provision of Section 148 of the Act of 1961 does not create any embargo on the power of the AO to initiate proceedings under Section 148 of the Act of 1961.

10. She submitted that the only fetter based on monetary limit on the AO's power is when it comes to limitation. She submitted that unless the escaped income is more than Rs.50 Lakhs, the AO cannot invoke extended period of limitation.

11. She further argued that the AO has given valid reasons for not agreeing with the petitioner's reply and unless the petitioner takes part in the

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reassessment proceedings, whether the petitioner's income has escaped assessment or not, cannot be ascertained.

12. She further argued that once the assessment is reopened, it is not only the amount of Rs. 28,975/- that shall be brought to tax, but also any other income which would be unearthed during the course of assessment and therefore the petitioner's contention that proceedings are arbitrary is untenable in law.

13. She submitted that the TEP followed by search at JSM Overseas constitutes an information and if the AO has proceeded on the basis of such information, that too after due verification, his action cannot be alleged to be arbitrary or without jurisdiction.

14. Heard learned counsel for the parties.

15. A perusal of the order under Section 148A(3) of the Act of 1961 reveals that the only finding recorded by the AO is that the assessee is a recipient of accommodation entry of **Rs.28,975/-** with Rishu Bansal and Family.

16. The assessee had furnished all possible explanations and evidence including the fact that the transaction had taken place through banking channel. The assessee had also produced copies of three invoices — No.4939 (Rs.8,120/-) dated 03.03.2021, No.4958 (Rs.8,505/-) dated 04.03.2021, No.4964 (Rs.12,350/-) dated 04.03.2021, bank statement, GST Return and audit report etc.

17. The petitioner's case is that the three invoices, aggregating Rs.28,975/-, were raised for the sale of cotton waste and the entries were made in its books of account and those transactions were reflected not only in the GST return for March 2021 but also declared in its return of income. The AO himself notes, at para 3.1 of the impugned order, that the petitioner has

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demonstrated recorded sales, bank receipts and GST filings. We fail to understand that when the amount has been received and admittedly shown as sales, how can any income be said to have escaped assessment qua such transactions?

18. We are of the view that even if, for the sake of argument, it is assumed that the petitioner's transaction with M/s Radha Krishna Industries was not satisfactorily explained, what is important to be considered is whether in the present factual backdrop, should the AO proceed to initiate reassessment proceedings against an assessee.

19. The assessee had disclosed business income of Rs.61,89,269/- from manufacture of cotton yarn and sale of cotton yarn/waste. The petitioner's turnover has been Rs.71,80,78,529/-. One fails to understand that why would an assessee having a turnover of Rs.71,80,78,529/- and showing total income of Rs.62,68,970/- have bogus sales of Rs.28,975/-, that too in three fragmented invoices of Rs.8,120/-, Rs.8,505/- and Rs.12,350/-?

20. Para No.3.3 of the AO's reasoning (reproduced in para no.6 above) clearly shows that the AO has treated the petitioner to be an evader simply because it had transacted with M/s Radha Krishna Industries, which happens to be an accommodation entry provider. Maybe M/s Radha Krishna Industries is an entry provider but it cannot, as a foregone conclusion, be said that every transaction with such concern is a bogus transaction.

21. We are not much concerned about the quantum involved; our concern is rather for the time and energy which the AO would be utilizing or spending for bringing to tax, the alleged escaped income because as of today the escaped income is Rs. 28,975/-.

22. We hardly find any substance in the argument of Ms. Naincy Jain,

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learned Junior Standing Counsel for the respondent that if the proceedings are allowed to continue, there may be other income which has escaped assessment and the AO may well bring that to tax.

23. The probability or possibility of unearthing any other income cannot be a reason to allow an AO to proceed with the matter, because as of today what is to be seen as the jurisdictional fact is, the income which has escaped assessment.

24. If that be so, the order under Section 148A(3) of the Act of 1961 should unequivocally record a finding about possibility of the assessee's involvement in more such bogus transactions or accommodation entries. In absence of such finding or material on record, the AO cannot be allowed to proceed on conjectures and surmises that he might bring to tax, more amount apart from this amount of Rs.28,975/- if he is allowed to initiate reassessment proceedings. For ready reference, Section 148A(3) of the Act of 1961 is reproduced hereunder:-

> *"Section 148A(3) - The Assessing Officer shall, on the basis of material available on record and taking into account the reply of the assessee furnished under sub-section (2), if any, pass an order with the prior approval of the specified authority determining whether or not it is a fit case to issue notice under section 148."*

25. Section 151 of the Act of 1961 requires prior approval of the Specified Authority, where it is required to record its satisfaction that it is a fit case to initiate proceedings under Section 148 of the Act of 1961. We would like to add here that the legislature has provided a check over the power of the AO by way of Section 151 of the Act of 1961. The approval is not a mechanical act; it requires judicious application so also practical and pragmatic approach. The

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AO should not be allowed to initiate the proceedings, simply because the proceedings can be initiated. The Specified Authority should have examined the material on record and applied his mind that why should the proceedings be allowed to be initiated against an assessee who has filed return declaring income of Rs.62,68,970/- and why would it have bogus sale of Rs.28,975/- when it has a turnover of Rs.71,80,78,529/-.

26. According to us, the Specified Authority, while granting the approval was required to examine this aspect as well, and that is where its application of mind is necessary. This is where, the Specified Authority should use its experience and wisdom to decide as to whether it should deploy its resources, time and energy on taxing a meagre sum of Rs. 28,975/- or it should rather utilize this time for public service or for bringing other big evaders within tax net or ensuring that other time-barring assessments are completed.

27. The reopening in the instant case may be lawful, but whether the case is 'fit' is a qualitative judgment that the AO and the specified authority must actually make. The approval by the higher officer/Specified Authority is a safeguard, and not an empty formality. Hon'ble the Supreme Court in Chhugamal Rajpal v. S.P. Chaliha, reported in (1971) 1 SCC 453, held that the sanctioning authority must itself be satisfied on the material that it is a fit case; the safeguards cannot be treated as a matter of form. The same principle should govern the satisfaction required under Section 148A(3) of the Act of 1961 and the approval of the Specified Authority under Section 151. Because the language used in Section 148A(3), which requires satisfaction of the specified authority about the case being a 'fit case', equally applies to the authority prescribed under Section 151.

28. We find that firstly, the AO has failed to objectively consider

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petitioner's reply and erred in passing the order dated 30.06.2025 and thereafter, the Additional Commissioner-Specified Authority has wrongly permitted the proceedings to be undertaken without appreciating the facts and law in their true perspective. If the proceedings in the case are allowed to continue, they would lead to harassment to the petitioner on the one hand and be without jurisdiction and bad for want of application of mind on the other.

29. The writ petition is, therefore, allowed.

30. The impugned order dated 30.06.2025 passed under Section 148A(3) of the Act of 1961 and corresponding notice dated 30.06.2025 issued under Section 148 and all proceedings in furtherance thereof are hereby quashed.

31. Pending applications also stand disposed of.

DINESH MEHTA
(JUDGE)

ADITI CHOUDHARY
(JUDGE)

NOVEMBER 3, 2026/*sid*

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