

M/s. Vaishnavi Agro, Deoghar v. Income Tax Officer, Ward-III(I), Deoghar

Tax Appeal No. 11 of 2016

2026:JHHC:6147-DB | Tax Appeal No. 11 of 2016 (Jhr HC, decided 09.03.2026) | 2026-03-09

Concurrent addition of Rs. 11,04,165 for bogus sales upheld where two alleged customers denied any transactions in writing and two others were returned unserved as 'not known / no trace', ledger entries were mostly in cash, and the assessee neither produced its own alleged customers nor proved having requested cross-examination.

Income-tax Act, 1961: sections 68, 133(6), 143(3) and 260A

High Court of Jharkhand | 2-judge bench (Division Bench) | M.S. Sonak, C.J. | Rajesh Shankar, J.

Assessment years: 2004-05, 2005-06 (referenced)

Covers AY 2004-05 customer denials and AY 2005-06 unserved notices

Paragraph 9 on page 3 details the inquiry findings across both AY 2004-05 (M/s. S.M. Enterprises and M/s. Shyam Agro (P) Ltd.) and AY 2005-06 (M/s. Kundan Enterprises and M/s. Udai Poultry Feed).

01 FACTS OF THE CASE

M/s. Vaishnavi Agro (a partnership firm at Deoghar) filed Tax Appeal No. 11 of 2016 under section 260A challenging the assessment order dated 29.12.2006 passed by the ITO, Ward-III(I), Deoghar, the appellate order dated 14.03.2013 passed by the CIT(A), Dhanbad, and the order dated 04.11.2015 passed by the ITAT Ranchi Circuit Bench confirming an addition of Rs. 11,04,165 on account of bogus sales. During inquiry, for AY 2004-05 two alleged customers (M/s. S.M. Enterprises, Dhanbad and M/s. Shyam Agro (P) Ltd., Hajipur) stated in writing that they had no transactions with the assessee, and for AY 2005-06 notices issued to two other alleged customers (M/s. Kundan Enterprises, Jharia and M/s. Udai Poultry Feed, Sultanganj) were returned unserved with postal remarks 'not known' and 'no trace'.

Source: [Pages 1-4 of 5 \(Paragraphs 1-10\) \(20260309_JHHC010100752016.pdf\)](#)

02 DISCUSSION BY THE HON'BLE COURT

The Division Bench held that once the Revenue discharged its initial burden through direct customer denials and returned postal notices and issued a show-cause notice to the assessee, the onus shifted to the assessee to substantiate the veracity of its claimed sales. Instead, the assessee gave an ambiguous reply stating it did not know why its customers denied the transactions or suggested they had become untraceable over two years, while its ledger mostly showed cash entries and unconvincing demand-draft explanations. Rejecting the natural-justice argument regarding cross-examination, the Court noted that there was nothing on record to show that a request for cross-examination was ever made and refused, and moreover, since the parties were claimed to be the assessee's own customers, the assessee could easily have produced them.

Source: [Pages 3-5 of 5 \(Paragraphs 8-15\) \(20260309_JHHC010100752016.pdf\)](#)

03 JUDICIAL DECISION

Holding that the concurrent findings of fact recorded by the ITO, CIT(A), and ITAT were supported by evidence, suffered from no perversity, and gave rise to no substantial question of law under section 260A, the Jharkhand High Court dismissed Tax Appeal No. 11 of 2016.

Source: [Page 5 of 5 \(Paragraphs 14-16\) \(20260309_JHHC010100752016.pdf\)](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Revenue; assessee's appeal Tax Appeal No. 11 of 2016 dismissed and Rs. 11,04,165 addition affirmed.

Source: [Page 5 of 5 \(Paragraph 16\) \(20260309_JHHC010100752016.pdf\)](#)

05 AKHB REVIEW POINT

AKHB analysis: Where the Assessing Officer confronts an assessee with written denials from its own claimed customers and returned 'not known' postal notices, the burden shifts to the assessee to produce its customers or unimpeachable transport/banking evidence; a bald plea of non-cross-examination at the appellate stage will fail where no request for cross-examination was made before the AO.

Source: [Full judgment PDF \(5 pp.\)](#)

SOURCE & VERIFICATION

[Original judgment PDF \(20260309_JHHC010100752016.pdf\)](#)

Reviewed from the complete 5-page official High Court judgment PDF (20260309_JHHC010100752016.pdf, SHA-256: 465f77dfe527c931619bdf8b59290af058731493800640883b15d25266a5ff92).

Supplied source-reviewed note retained; original bytes and identity validation checked in this release. Substantive re-review is not claimed for this record.

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STATUTORY SCOPE

Refers to the Income-tax Act, 1961 and allied statutory rules/circulars as applicable to the relevant assessment years.

LATER TREATMENT

Source checked 2026-10-18. No subsequent Supreme Court reversal or stay is recorded in the source judgment text.

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