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: section 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 EXPERT COMMENTS

AKHB EXPERT COMMENTS — editorial analysis, distinct from the Court's findings.

The section 260A limit was applied to an evidentiary record — The Court did not reject the appeal merely because three authorities agreed. It identified customer denials, failed service, ambiguous explanations and predominantly cash ledger entries, and found neither absence of evidence nor demonstrated perversity. A substantial-question challenge must identify a legal defect in the findings, rather than ask for a fresh weighing of the same material.

The shifted onus required a specific response — Revenue's inquiries substantially discharged its initial burden on this record. The taxpayer then needed credible evidence connecting its asserted sales to the disputed customers; speculative explanations for denials and non-traceability were insufficient. This is a fact-sensitive evaluation, not a rule that every returned notice conclusively establishes a bogus transaction.

Cross-examination must be grounded in the procedural record — The Court found no record of a request made and refused and noted the taxpayer could have produced its claimed customers. The decision therefore does not establish that cross-examination is never relevant in tax proceedings. Its practical lesson is to preserve a clear request, the adverse material and the authority's response when such an objection is material.

Source: PDF p.3

SOURCE & VERIFICATION

Original judgment PDF (20260309_JHHC010100752016.pdf)

Reviewed from the complete 5-page official High Court judgment PDF (20260309_JHHC010100752016.pdf, SHA-256: 465f77dfe527c931619bdf8b59290af0587314938006408 83b15d25266a5ff92).

All 5 original pages read and visually inspected; all five panels audited.

Open cited source rendition

Primary source verified page-by-page (5 physical pages, 93,497 bytes, SHA-256: 465f77dfe527c931619bdf8b59290af0587314938006408 83b15d25266a5ff92). Cloud Google Drive File ID: 12KUTKuIC05zk1_VC6ucHg2PuBtihV2Fx (https://drive.google.com/file/d/12KUTKuIC05zk1_VC6ucHg2PuBtihV2Fx/view).

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 2026-10-21. Subsequent treatment has not been independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

PROFESSIONAL DISCLAIMER

General research information only; not legal or tax advice, a certified judgment or a substitute for the full order. Applicability depends on facts, assessment year, statutory version and jurisdiction. Subsequent treatment is unverified unless identified sources are expressly stated. Downloading does not create a professional engagement. Obtain case-specific advice before reliance.