

IN THE INCOME TAX APPELLATE TRIBUNAL
PATNA BENCH, PATNA
(VIRTUAL HEARING AT KOLKATA)

SHRI LAXMI PRASAD SAHU, ACCOUNTANT MEMBER
SHRI YOGESH KUMAR US, JUDICIAL MEMBER

ITA No. 228/PAT/2026
Assessment Year : 2023-2024

Reeshav Automobiles, Hero Motorcorp Showroom Chhapra, Patna Highway, Sherpur, Ghegta, Saran, Bihar - 841301 [PAN: AAUFR7002F]	Vs.	Income Tax Officer, Ward 2(2), Chapra, Income Tax Office, Meetha Bazar, Chapra - 841301
APPELLANT		RESPONDENT

Assessee by	:	Shri Manish Rastogi, Adv.
Revenue by	:	Shri Bharat Bhushan Garg, CIT-DR

Date of hearing	:	02.07.2026
Date of Pronouncement	:	19.08.2026

ORDER

PER LAXMI PRASAD SAHU, ACCOUNTANT MEMBER

This is an appeal filed by the assessee against the order passed u/s 250 of the Income Tax Act, 1961 (hereinafter referred to as “the Act”) by National Faceless Appeal Centre (NFAC), Delhi (hereinafter referred to as the “Ld. CIT(A)”, dated 17.03.2026, DIN & order No. ITBA/NFAC/S/250/2025-26/1087482904(1) on the following grounds of appeal:

1. For that the National Faceless Appeal Centre (NFAC), Delhi, [the NFAC] erred on facts and in law in dismissing the appeal filed by the assessee, vide order passed under section 250 of the Income Tax Act, 1961, ('the Act'), dated 17-03-2026.

2. For that the NFAC erred in confirming the assessment order passed by the Income Tax Officer, Ward 2(2), Chapra, ('the AO'), assessing the assessee under section 143(3) read with section 1448 of the Act, vide order dated 04-03-2025 at an income of Rs 92,31,54,679/- as against the returned income of Rs. 56,69,490/-, breakup of which is as below;

Sl. No.	Particulars	Amount (Rs)	Amount (Rs)
i.	Returned Income		
ii.	Additions Made		5669490
a.	Alleged addition of Rs 86,22,18,204/- made under section 69A of the Act in respect of amount deposited in State Bank of India.	862218204	
b.	Alleged addition of Rs 2,18,09,380/- made under section 69A of the Act in respect of amount deposited in Axis Bank account.	21809380	
iii.	c. Alleged addition of Rs 3,25,22,905/- made on account of low profit.	32522905	
iv.	d. Alleged addition of Rs 9,34,700/- made under section 68 of the Act in respect of unexplained cash credit.		917485189
v.	Net assessed income. (i+ii)	934700	923154679

3. For that the learned NFAC has erred in the facts and circumstances of the case in confirming the action of the AO in making addition of Rs 86,22,18,204/- in respect of alleged amount deposited in State Bank of India account under section 69A of the Act, which is wrong, illegal and unjustified.

4. For that the learned NFAC has erred in the facts and circumstances of the case in confirming the action of the AO in making addition of Rs 2,18,09,380/- in respect of alleged amount deposited in Axis Bank account under section 69A of the Act, which is wrong, illegal and unjustified.

5. For that the learned NFAC has erred in the facts and circumstances of the case in confirming the action of the AO in making addition of Rs 3,25,22,905/- in respect of alleged low profit, which is wrong, illegal and unjustified.

6. For that the learned NFAC has erred in the facts and circumstances of the case in confirming the action of the AO in making addition of Rs 9,34,700/- in respect of alleged unexplained cash credit under section 68 of the Act, which is wrong, illegal and unjustified.

7. For that the learned NFAC has erred in the facts and circumstances of the case in confirming the action of the AO in arbitrarily passing the order without allowing proper opportunity of being heard, which is wrong, illegal and unjustified.

8. That the whole order passed by the NFAC is bad in facts and law.

2. Briefly stated the facts of the case are that the assessee is engaged in the business of automobile dealership and operates a Hero Motor Car show room located at Chapra, Patna Highway, Sherpur, Ghaghata, Saran, Bihar. The assessee filed return of income on 27.10.2023 declaring total income of Rs. 56,69,490/-. The return was processed u/s 143(1) of the Act on 28.10.2023. Subsequently, the case was selected for scrutiny through CASS mechanism primarily to examine under certain risk parameters including low net profit and high liabilities shown in the financial statements. The scrutiny selection was mainly triggered on the grounds that the assessee had reported comparatively low net profit in relation to the total revenue from operations. The assessee had declared business activities under specific business code, profit margins appeared and unusually low when compared with the scale of business operations. This raised suspicion that expenses might have been inflated to suppress taxable income. Additionally, the balance sheet of the assessee reflected relatively high liabilities when compared to the reported income and receipts. The genuineness and source of such liabilities required verification. The statutory notices were issued to the assessee u/s 143(2) of the Act dated 19.06.2024 requiring to assessee to furnish details and explanations by 04.07.2024. Subsequently, notices u/s 142(1) of the Act were issued on different dates including 18.10.2024, 12.12.2024, 24.12.2024 and 30.12.2024 calling upon the assessee to submit the required information and documentary evidence within the stipulated

time for certain expenses, notices remained entirely uncomplied with. The centralised communication was also sent through speed post, which was confirmed to have been delivered to the assessee at the address, but even thereafter the assessee did not furnish the required explanation and documents in a satisfactory manner, the assessee has failed to discharge the onus cast upon it to explain the nature and source of the credits, deposits and financial discrepancies noticed. During the course of assessment proceedings repeated non-compliance with statutory notices and failure to produce paper books and supporting documents. Further, strengthen the inference drawn by the department after considering the return income of Rs. 56,69,490/- the total assessed income was computed at Rs. 92,31,54,679/- as per computation table in the assessment order. The assessment was thus finalised u/s 143(3) of the Act r.w.s. 144B of the Act on 04.03.2025 determining the taxable income after incorporating the additions made adjustment the additions made primarily to the unexplained bank credits, unexplained cash deposits, estimated business income on account of low profits and accommodation entry received from insurance company. During the course of assessment proceedings repeated opportunities were given to the assessee and the assessee furnished reply on 21.12.2024 on 28.12.2024. On perusal of the submission, it was noticed that the assessee has maintained books of account and transactions made as under:

Reply The details are provided below :-

S. N o.	Name and PAN of the lender	Opening balance as on 01-04-2022	Addition during the year	Repayment during the year	Closing balance as on 31-03-2023	Purpose/ utilization of loan amount.	Rate at which interest has been paid	Amount of interest paid/incurred during the year	whether tax deducted at source, if TDS not deducted, reason for the same	Amount of TDS deducted	Bank account no. in which loan received
1.	Reeshav Roy- CWPPR1321A	Nil	7500000	0.00	7578904	Business	0	0.00	N.A	N.A	39767141453
2.	Bhushan Automobiles Pvt. Ltd.- AACB7936R	65981	29048818	9441360	19560751	Business	0	0.00	N.A	N.A	39767141453
3.	ICICI Corporate Credit Card	N.A	N.A	N.A	670933.83	Business (Insurance)	0	0.00	N.A	N.A	N.A

8.1 Please furnish copy of ledger account of each lender for the year under consideration.

Reply : The Ledger Copy of Mr. Reeshav Roy and M/s Bhushan Automobiles Private Limited is attached.

Assessee filed his return of income for A.Y. 2023-24 on 27.10.2023 declaring total income of Rs. 56,69,490/-. During the year, the assessee is doing business as **authorized** dealer of Hero MotoCorp Ltd for sale of two wheeler vehicles, Spares and Service of the two wheeler vehicles of Hero Moto Corp Ltd. The assessee has just provided computation of income, details of bank accounts alongwith bank account statements but replies regarding the queries raised in the notices u/s 142(1) have not been furnished by the assessee.

(i) Addition on account of cash deposit/credits in the SBI:-

Further from the perusal of bank account statements of accounts maintained with the SBI, the debit credit position is as under:-

Name of the bank	Bank account	Debit amount	Credit amount
State Bank of India	38866404779	2,42,62,683/-	2,44,07,428/-
State Bank of India (limit a/c)	9767141453	76,41,61,511/-	75,64,37,504/-
Drawing power			

6,50,00,000/-			
State Bank of India	36455755334	71,27,11,680/-	70,88,84,212/-
		150,11,35,874/-	148,97,29,144/-

From the perusal of bank account No:9767141453, which is limit account, the drawing power of which is Rs.6,50,00,000/-. From the perusal of P&L account for the A.Y.2023-24, it is seen that revenue from operation is Rs.50,46,61,126/-. Further from the perusal of balance sheet, there is increase in capital contribution by the partners of Rs.1,14,36,468/- and increase in short term borrowing by an amount of Rs.4,64,13,346/-.

Keeping in the view the above facts, the credits in the bank accounts on account of business activities can be as under:-

revenue from operation	50,46,61,126/-
Capital contribution by the partners	1,14,36,468/-
Short term borrowing during the year	4,64,13,346/-
Credit limit in bank	6,50,00,000/-
Total	62,75,10,940/-

3. On perusal of the bank account No. 9767141453 which is a CC account (limit account No.), the Drawing Power (DP) is of Rs. 6,50,00,000/-. From perusal of the Profit & Loss Account it was seen that the revenue from operation is Rs. 50,46,61,126/-, further on perusal of balance sheet it was seen that there is increase in capital contribution by partners of Rs. 1,14,36,468/-. And increase in short term borrowing by amounting to Rs. 4,64,13,346/-, accordingly the total bank credit on account of business activities included at Rs. 62,75,10,970/-. The AO further observed that there is total credit in

bank accounts of Rs. 148,97,29,144/- including cash deposits of Rs. 14,37,03,305/-, the assessee did not furnish any reply for the excess credited in the bank account by Rs. 86,22,18,204/- (Rs. 148,97,29,144/-) (-) Rs. 62,75,10,940/- the differences were treated as unexplained investment u/s 69A of the Act and proposed addition was made.

4. Further, the AO noted that there is cash deposit in Axis bank account of Rs. 2,18,09,380/- the bank statements is placed at paper book page No. 1 to 28 and 1 to 38 but in the absence of supporting documents the entire cash deposits amount of Rs. 2,18,09,380/- were proposed to treat as unexplained money u/s 69A of the Act. Further, the AO noticed that the assessee has not filed reply in respect of purchase/sales made during the year with supporting documents. Further, no supporting documents have been provided in respect of the expenses claimed in the ITR, as per and audit report, the assessee has shown net profit of Rs. 74,69,489/- which is 1.49% of the turnover as reflected in the ITR, the assessee is doing business as authorised dealer of Hero Motor Car Ltd. for sale of two wheeler vehicles, spares and services of the two wheeler vehicles of Hero Motor Group Limited. In this business, the net profit margin is generally in the range of 10 to 15% but the assessee just reflected net profit at 1.49% means the assessee is not maintaining books of accounts properly. Accordingly, the AO invoked section 145(3) of the Act and wanted to apply section

144 of the Act and noted that the books of accounts needs to be rejected as per the provision of section 145(3) of the Act and assessment needs to be finalised based on the materials available on record, as per the manner provided u/s 144 of the Act . So to be very fair and genuine to complete the assessment proceeding the net profit of the assessee was considered @8% of the turnover. Accordingly, he computed net profit at Rs. 3,99,92,394/- and whatever earlier disposal by the assessee of Rs.74,69,489/-, the credit was given and difference of Rs. 3,25,22,905/- was proposed to be added as business income.

5. The AO further noted that as per list provided by the Investigation Wing, the assessee is one of the beneficiary, the assessee has acted as dealership/intermediaries during the FY 2022-23 and the assessee has received accommodation entry of Rs. 9,34,700/- from Tata General Insurance Company. During the search and seizure action u/s 132 of the Act on Middle Layer Business Entities (MLBEs) of insurance sector was conducted on 30.11.2022, the Investigation Unit-1 and Unit-5, Mumbai under the names Wings Brand Group and Ajay Mehta Group respectively at 37 entities MLBEs were covered during search operation and 32 insurance companies were covered as part of post search verification. During the search action, it reveal that these MLBEs have acted merely as pass-through entities and transferred the additional commission (also called as Overriding commission-ORC), over and above the IRDA limit to insurance intermediaries/agents, Master Policy

holders or their nominees. The MLBEs shown the payments received from insurance companies under the head business promotion, marketing expenses, advertisement expense etc. and have further debited expenses under the different heads to transfer the commission over and above the IRDAI limit to the end beneficiaries. The MLBEs acted as payment facilitator and passed on the amount received from insurance companies to nominees of insurance intermediaries and agents and he referred to search statements. Accordingly, commission received by the assessee from Tata AIG General Insurance Company Ltd. of Rs. 9,34,700/- were treated as unexplained credit u/s 68 of the Act. The AO incorporating the above facts and show cause notice was issued on 19.02.2025 and time was granted to reply of the show cause notice by 25.02.2025 but till the date of finalisation of assessment order, the assessee did not file any reply and AO completed the assessment order on 04.03.2025 assessing the income at Rs. 92,31,54,679/-u/s 143(3) r.w.s. 144B of the Act.

6. Aggrieved from the above order, the assessee filed appeal before the Ld.CIT(A). During the course of first appellate proceedings, the assessee filed detailed written submissions and the Ld.CIT(A) also issued various notices and called for details on different dates as per section 250 of the Act. The Ld. CIT(A) asked the details about all the issues raised by the AO which is evident from the notice dated 25.12.2025 which is placed on paper boo at page number 49 to 53 as

the questionnaire raised on different points by the Ld. CIT(A) issued u/s 250 of the Act and the assessee replied of the entire issues raised by the Ld.CIT(A) which is placed at paper book at page number 54 to 64 in addition to the Ld. CIT(A) also issued various notices which were complied by the assessee on 08.09.2025 bearing acknowledgment No. 619625191080925. During the course of first appellate proceeding, the assessee furnished reply on different dates too. The assessee also furnished complete ledger account of the expenses detail of purchase and sales cash book , bank book. During the course of first appellate proceeding, the assessee also furnished bank reconciliation statement and certificate issued by the Bank Officer for interbank transfer of funds, the Ld. CIT(A) after going through the entire documents submitted by the assessee , dismissed the appeal of the assessee.

7. Aggrieved from the above order, the assessee filed appeal before the ITAT.

8. The Ld. Counsel strongly reiterated the submissions made before the lower authorities on different dates and the assessee counsel further submitted that the complete details of the reconciliation of the bank statement/bank transaction were furnished before the AO as per the questionnaire issued by the AO u/s 142(1) of the Act dated 16.11.2025 which is placed at paper book No. 77 to 84. Further, on detail submission were made on 24.11.2025 before the AO assessment unit details at page number 1 to 1472 of the paper book containing entire

bank statement, purchase/sales and details of other income, creditors having more than balance of Rs. 5,00,000/- capital receipts not forming part of the turnover transaction, the details of the evidence is available at page number 85 of paper book. During the course of first appellate proceeding before the Ld. CIT(A), various detail and documents were submitted, the AO is not justified to apply section 145(3) of the Act the books of accounts are audited and the figures reported in the financial statements have been accepted which is part and parcel of the Form No. 3CD and 3CB, the AO has accepted the Form No. 3CD and 3CB, the entire closing balance for the year were carried forward in the following year. He strongly objected that the AO has violated the principle of natural justice/ SOP framed by the CBDT for completing the assessment by the NFAC. The AO has issued show cause notice on 19.02.2025 and time was allowed by 25.02.2025. However, the assessment order was passed on 04.03.2025. He further submitted that the profit estimation made by AO is arbitrarily higher side as per the various precedents of the Hon'ble Courts/tribunals judgements, in case of estimation of profit past records of the assessee should have been seen/considered while estimating the profit for the impugned assessment year. However, the AO has without going into the any specific comparables arbitrarily estimated 8% profit. A comparative chart was also produced. Further, detailed written submission made for the AY 2024-25 in response to notice u/s 142(1) of the Act dated 19.01.2026 and 22.01.2026 and further written submission were made

on 07.02.2026. In response to notice u/s 142(1) dated 31.07.2026 reference dated 31.01.2026. He further submitted on the similar set of facts the AO for assessment year 2024-25 (in subsequent assessment year) has accepted the returned income filed by the assessee where the net profit was 1.91% and he also referred to the details of net profit earned from AY 2020-21 and submitted that after filing return of income, the return was processed u/s 143(1) of the Act and no any assessment is pending for the previous assessment years with the income tax department it clearly shows that earlier book results declared by the assessee have already been accepted. Accordingly, in the impugned assessment year similarly not furnishing complete details as required by the AO for want of not granting sufficient time to respond the SCN , estimating of profit @ 8% is unjustified and needs to be deleted and book result as shown by the assessee should have been accepted. He further submitted that the complete bank reconciliation were furnished vide submission dated 24.11.2025 which is placed at paper boon at page number 77, the assessee furnished reply on 24.12.2024 and 28.12.2024. Further, in respect of cash deposit in Axis bank account, the Ld. AR submitted that the entire sales and services of accessories are deposited in the Axis Bank Account. The cash deposits are entered into the cash book and the entire deposit of figures are tallied and turnover was declared against the received of sales of spare parts and services which has been accepted. Once the assessee's turnover has been accepted by the AO, no further addition can be made

u/s 69A of the Act on the cash receipts and which was deposited in the bank account and the transaction in the Axis bank account through cheques/electronic transfers have been accepted. The withdrawals have been accepted. Further, in respect of internet bank transfer the complete reconciliations were filed and bank transactions are reported excess over the turnover because of the internet bank transfer in the account maintained with the State Bank of India. The concerned Branch Manger has certified it is placed on record and the Ld. CIT(A) has not pointed out any adverse on this point. Further, in respect of insurance commission received from Tata AIG General Insurance Company Ltd. this is the commission received for insurance facilities provided to the vehicle buyers and it is the commission received as per the agreement between the insurance company and the assessee. Merely because of the insurance commission is in excess as norms fixed by IRDAI is not basis for making addition the payment received are genuine and therefore, there should not be any doubt on the payment received from the Tata AIG General Insurance Company Ltd. and the same receipts have been declared by the assessee as income which is also accepted by the AO so it is a double taxation which is not permitted in the income tax proceeding and genuineness of transactions have not been doubted merely because of the search conducted in MLBEs is not sacrosanct for making addition. In support of the entire arguments, the assessee filed written synopsis which is as under:

**BEFORE THE HON'BLE INCOME-TAX APPELLATE TRIBUNAL,
PATNA BENCH, PATNA.**

In the matter of : **Reeshav Automobiles**
PAN : **AAUFR7002F**
Assessment year : **2023-24**
Appeal No. : **ITA 228/Pat/2026**

Written Submission

Briefly stated facts:

1. The assessee a partnership firm derives income from business of running authorized dealer of two wheelers manufactured by Hero MotoCorp Ltd. The furtherance of business run by the assessee involves sale and aftersales servicing of the two wheelers manufactured by Hero MotoCorp Ltd.
2. Assessment for the assessment year was completed under section 143(3) read with section 144B of the Income Tax Act'1961. ('the Act'), vide order dated 04-03-2025 by the Assessment Unit, Income Tax Department, ('the AU'), , copy of the order placed at page 31-47 of the Appeal Memo, assessing the appellant at an income of Rs. 92,31,54,679/-, as against the returned income of Rs 56,69,490/-, after making addition of Rs. 92,31,54,679/- under various heads as detailed under:

Sl. No.	Particulars	Amount (Rs.)	Amount (Rs.)
1.	Returned income		
2.	Additions made in the impugned assessment order		5669490
a.	Alleged unexplained credits in SBI added under section 69A of the Act.	862218204	
b.	Alleged unexplained cash deposits in Axis Bank added under section 69A of the Act.	21809380	
c.	Estimated income on the allegation of low profits.	32522905	
d.	Alleged accommodation entry received from Tata AIG General Insurance Company.	934700	917485189
3.	Net assessed income		923154679

3. Being aggrieved with the aforesaid assessment the assessee preferred an appeal before the National Face Less Appeal Centre, Delhi, (the NFAC), which has been dismissed vide order dated 17-03-2026, copy of the impugned order placed at page 09-23 of the Appeal Memo.

4. Explanation of the assessee in respect of each of the additions made by the AU and that confirmed by the NFAC is as under;

a. Alleged unexplained credits in SBI added under section 69A of the Act Rs 86,22,18,204 -

5. Kind perusal of page 8 of the assessment order, placed at page 39 of the appeal memo, would envisage that addition of Rs 86,22,18,204/- has been made on the ground that the deposits in the bank accounts are in excess of the sources available with the assessee, working of which is as under;

Sl. No.	Particulars	Amount (Rs)	Amount (Rs)	Page number of Assessment Order
i.	Total deposits in bank account numbers 38866404779, 39767141453 and 36455755334 with the State Bank of India.		1489729144	8 at 39 of appeal memo
ii.	Sources of deposits			
a.	Turnover reported by the assessee.	504661126		
b.	Increase in capital contribution by partners.	11436468		
c.	Increase in Short Term Borrowings.	46413346		
d.	Credit Limit in bank.	65000000	627510940	
iii.	Difference (i-ii) added as unexplained investment under section 69A of the Act.		862218204	

6. While making the addition it has been alleged by the AU that the assessee did not furnish reply to the show cause notice dated 19-02-2025, ('the SCN'), copy of which is placed at page 1239 to 1251 of the Paper Book-B, containing the documents submitted before the NFAC, ('the PB-B'). It is in this regard regretfully submitted the reply of the show cause notice could not be submitted within the due date as very short time was allowed by the AU to submit the documents.

Kind perusal of the SCN would envisage that the date of issue of the SCN was 19-02-2025 and the date of compliance was fixed on 25-02-2025, which is less than seven days the period prescribed by the **Faceless Assessment Standard Operating Procedure (SOP) at Clause N.1.3.**

It is in this regard further respectfully submitted that the addition has been made arbitrarily without applying common sense, as the AU has failed to appreciate that the bank deposits contain interbank transfers, collection of indirect taxes etc. It is further respectfully submitted that copy of the bank statements was available on the portal of the assessee and no steps were taken by the AU to go into the bank transactions. It would kindly be appreciated that had the bank transactions been verified by the AU they would have noticed the interbank transfers.

7. Before the NFAC the assessee submitted a detailed submission on various dates copy placed at page 01-69 of the Paper Book – A, (the PB-A'). Based on the supporting documents it was submitted before the NFAC that the bank deposits of the assessee consisted of three items as detailed under;

- i. Turnover returned by the assessee;
- ii. Capital receipts and
- iii. Receipts not forming part of the turnover.

4

8. Reconciliation of the turnover submitted before the NFAC is as under;

Reconciliation of Bank Credits with Turnover							
Sl. No.	Particulars	SBI-38866 404779	SBI-36455 755334	SBI-39767 141453	Axis 918020-108032585	TOTAL	Reference
A.	Total Credits in the Bank Accounts						Bank Statement as per Annexure-XII
		24407428	710583131	756437504	25117271	1516545335	
B.	Less: Capital Receipts						
	i. Inter-bank transfer		114000000	674135150		788135150	Supporting documents as per annexure III, IV, V(a,b,c) and VI
	ii. Transfer from Sister Concerns		29252131	41700000		70952131	
	iii. Capital Introduced		5000000			5000000	
C.	Less: Transfers not forming part of turnover						
	i. GST collected by the Assessee and remitted to Govt					139853540	Supporting documents as per annexure VIII, IX, X and XI
	ii. Registration Amount Collection & Deposited in Govt Account					27451008	
	iii. Insurance Amount Collected from Customers and Deposited to Insurance Co.					24204825	
D.	Total Bank Credits (Other than turnover (B+C))					1055596654	
E.	Net credit in the bank account forming part of the turnover (A-D)					460948681	
F.	Turnover Returned by the Assessee					504661126	

9. Item wise explanation submitted to the NFAC in respect of the items other than turnover credited to the bank account of the assessee is as under;

- i. Interbank transfer Rs 78,81,35,150/- - It is in this regard respectfully submitted that kind perusal of the bank statement would envisage that funds has been transferred from one bank account to another. In support of the same copy of ledger account copy of the interbank transfers from one account to another is enclosed and is marked as annexure -IV (Page No 49-55), of the PB-B. Apart from above a certificate from bank certifying the interbank transfers is enclosed and is marked as annexure -III (Page no 48) of PB-B.
- ii. Funds transferred from sister concerns Rs 7,09,52,131/- - Confirmation of accounts from the sister concerns is enclosed, kind perusal of which would envisage that the total amount received from the sister concerns comes to Rs 7,09,52,131/- and is marked in annexure-V (V.a, V.b and V.c) (Page no 56 to 82) of PB-B.

- iii. Capital introduced by the partner Rs 50,00,000/- - Confirmation of account alongwith relevant page of the account in support of the capital introduced is enclosed and is marked as annexure-VI (Page No 83) of PB-B, apart from above copy of the ITRs for the last three of Mrs. Renu Roy is enclosed as annexure-VII (Page No 84-86) of PB-B.
- iv. GST collected by the assessee Rs 13,98,53,540/- - It is in this regard respectfully submitted that the assessee follows GST exclusive method for accounting of the GST. In this process the assessee credits the GST collected from the customers directly to the GST account and the GST liability is set off by the Input tax credit debits the payment of the differential amount made on account of GST, in support copy of the ledger account is enclosed and is marked as annexure VIII (Page No 87-395) of PB-B, to substantiate payment of GST being made by the assessee, copy of GST Annual Return for the AY 2023-24 is also enclosed and is marked as annexure -IX (Page No. 396-404) of PB-B.
- v. Registration charges collected from the customers Rs 2,74,51,008/- - Likewise the registration charges collected from the customers is credited to the ledger account and the amount paid is debited to the said ledger account, which at the end of the years is squared off, copy of the ledger is enclosed and is marked as annexure-X (Page No 405-420) of PB-B.

It would kindly be appreciated that the assessee is under the Motor Vehicles Act, 1988, to ensure the registration and insurance of the vehicles before the delivery of the vehicle sold by it.

- vi. Insurance charges collected from the customers Rs 2,42,04,825/- - Likewise, the insurance charges under a statutory obligation is also collected from the

customers and is paid for the insurance charges, in support ledger account is enclosed and is marked as annexure-XI (Page No. 421-509), of PB-B.

10. Drawing strength from the reconciliation as aforesaid it was submitted that the total credits in the bank accounts would come down to Rs 46,09,48,691/- and as against that the turnover returned by the assessee as taken note by the AU is Rs 50,46,61,126/-.
11. It was further submitted that all the bank accounts under reference are disclosed bank accounts and are duly reflected in the audited balance sheet reconciliation of which is as under;

A. Cash at Bank			
Sl. No.	Name of Bank / Account Number	Balance as on 31.03.2023	Remarks
i.	Axis Bank A/c No – 918020108032585	505348.73 Dr	Balance as per the bank statement, which is simultaneously being filed alongwith the submission and is placed at annexure XII.
ii.	State Bank of India A/c No. 36455755334	9969991.87 Dr	
iii.	State Bank of India A/c No. 38866404779	308384.47 Dr	
iv.	Grand Total (Bank Balance)	10783725.07 Dr	
v.	Balance as per Balance Sheet	10783725.07 Dr	Note No. 21 of the set of audited Balance Sheet.
B. Cash Credit Account (Secured Loan) with Bank			
Sl. No.	Name of Bank / Account Number	Balance as on 31.03.2023	Remarks
i.	State Bank of India (CC) – 39767141453	41412141.59 Cr	Balance as per the bank statement which is subject to bank reconciliation due to clearance of Cheque No. 495144 cleared on 21-04-2023 for Rs. 10878750/-.
ii.	Grand Total	41412141.59 Cr	
iii.	Balance as per Balance Sheet	52290891.59 Cr	Note No. 6 of the set of audited Balance Sheet.

12. Based on the above reconciliation it was prayed that the addition of Rs 86,22,18,204/- made on account of unexplained deposits in the bank account under section 69A of the Act may kindly be deleted appreciating the fact that all the bank accounts are disclosed bank accounts and the deposits are fully covered out of the turn over returned by the assessee.

13. The NFAC has upheld the decision of the AU in making the addition of Rs 86,22,18,204/- holding that the assessee has not furnished the requisite details before the AU and has also not furnished the complete supporting evidence during the appellate proceedings to conclusively establish the correctness of the reconciliation statement submitted by the assessee, relevant portion of the order in verbatim is reproduced as under;

“ Page 9, at page 17 of the appeal memo

6.2.6. The submissions made by the appellant during the appellate proceedings primarily revolve around reconciliation statements and explanations regarding interbank transfers, capital receipts, GST collections and other transactions. However, it is observed that these explanations were not furnished before the Ld. AO during the course of assessment proceedings despite repeated statutory notices issued under section 142(1) of the Act. The appellant has also not furnished complete supporting evidence during the appellate proceedings to conclusively establish the correctness of the reconciliation statements now sought to be relied upon.

.....”

14. It is in this regard respectfully submitted that kind perusal of the submissions made before the NFAC as reiterated above would envisage that out of the total deposit of Rs 151,65,45,335/- the major deposit of Rs 78,81,35,150/- is of the nature of interbank transfers, which is supported by the ledger account of interbank transfers placed at page 49-55 of the PB-B submitted before the NFAC and the transactions can easily be verified from the bank statements copy placed at page 510 to 1251 of the PB-B, which is also supported by the certificate from bank placed at page 48 of the PB-B.

Likewise, supporting documents in respect of each of the items have been filed by the assessee description in brief of each of the items has been given in the explanation submitted before the NFAC.

Kind perusal of the explanation and the supporting documents would envisage that conclusive documents in support of the transactions have been submitted by the assessee which conclusively proves the nature of receipt.

15. It is in this regard further respectfully submitted that assessment of the subsequent assessment year has been completed under section 143(3) read with section 144B of the Act, copy placed at page 70-72 of the PB-A, kind perusal of the order would envisage that the deposits in same bank accounts were examined and the sources of the deposits were accepted, copy of the notices issued during the course of assessment and the submissions made by the assessee is placed at page 73-99 of the PB-A.
16. Kind perusal of the notices issued by the NFAC and the submission filed by the assessee would envisage that voluminous details were called upon by the NFAC and detailed explanations was submitted by the assessee which were examined in detail by the NFAC, copy placed at page 01 to 69 of the PB-A. Kind perusal of the impugned order would envisage that the NFAC has neither paid any heed to the submission filed by the assessee nor has controverted the submissions made by the assessee and has simply dismissed the appeal filed by the assessee.
17. In view of the foregoing, it is humbly prayed that the addition of Rs 86,22,18,204/- made arbitrarily by the AU by treating the deposits in bank accounts as unexplained money under section 69A of the Act and arbitrarily confirmed by the NFAC may kindly be ordered to be deleted.
 - b. **Alleged unexplained cash deposits of Rs 2,18,09,380/- in Axis Bank added under section 69A of the Act -**
18. Kind perusal of page 8 of the assessment order, placed at page 39-40 of the appeal memo, would envisage that addition of Rs 2,18,09,380/- has been made on the

ground that the assessee has not explained the source of deposits in the said bank account.

19. Placing reliance on the reconciliation of the deposits made in the preceding paragraph 8, it was submitted before the NFAC that the deposits in this bank account is covered by the sources of receipts as explained by the assessee.
20. Kind perusal of the impugned order passed by the NFAC would envisage that vide common order the NFAC has upheld the addition made in respect of the deposits in this bank account also.
21. Reiterating the submission made above it is humbly prayed that the addition made may kindly be deleted appreciating the fact that the deposits in the bank account are covered out of the receipts as reconciled by the assessee and the deposits in this bank account has also been verified in the assessment of the subsequent year and no adverse inference has been drawn in this regard.

c. Addition of Rs 3,25,22,905/- made by estimating income @8% of the gross receipts.

22. Kind perusal of page 9 of the assessment order, placed at page 40-41 of the appeal memo, would envisage that addition of Rs 3,25,22,905/- has been made by estimating income of the assessment year under consideration @8% of the gross receipts.
23. While making the estimation of income the AU has vaguely alleged that the profit ratio of dealers of Hero Moto Corp Ltd is generally in the range of 10-15%. Kind perusal of the assessment order would envisage that no basis has been assigned for giving the profit ratio of 10-15%.

24. Relying upon the past assessments brief details of which is as under, it was submitted to the NFAC that there is no basis for the estimation @8% of the gross turnover;

Sl. No.	Assessment year	Gross Turnover	Net Profit before partners salary and interest	Net Profit (%)	Section under which assessment completed
i.	2020-21	429369493	2254345	0.52%	143(1)
ii.	2021-22	495163205	4650627	1.17%	143(1)
iii.	2022-23	521572750	8852351	1.69%	143(1)
iv.	2023-24	504661126	7469489	1.49%	Current
v.	2024-25	537550602	10317949	1.91%	143(3)/144B

25. Placing reliance on the various decisions of the Hon'ble Courts it was submitted respect of best judgment assessments there is an element of guesswork but such guess work has to be on the basis of some definite material reasons on record. It is also well settled that in cases of best judgment past records are the guiding factors. Kind attention in this regard was drawn to the decision of the Hon'ble Jurisdictional High Court, delivered in the case of Shree Ambikaji Rice Mills vs CIT, reported in 192 ITR 189, wherein, it has been held that where the AO resorts to the best judgment he has to it is obligatory on his part to disclose the basis for the same and the AO is not allowed to act on mere suspicion, surmises and conjunctures. If no legally acceptable basis could be traced out in the order making the best judgment or determining the estimated income, then in law such determination of income cannot be sustained. It has further been held by the Hon'ble Court as under;

"6. Any presumption of the nature envisaged by the ITO will be contrary to the maxim *omnia praesumuntur rite et sollemniter a se* acts (all acts are presumed to have been rightly and regularly done).

26. Attention in this regard was further drawn to the another recent decision of the Hon'ble Jurisdictional High Court, delivered in the case of Prasad Construction &

Co. vs CIT, reported in 2017, 388 ITR 579 (Pat HC), wherein, it has been held that the past records of the assessee are the guiding factor for estimation of income in best judgment assessments. To the same effect are the decisions as detailed under;

- i. ACIT vs Id Mohd Nizamuddin, reported in 2014, 65 SOT 143 (Jaipur Trib);
- ii. Vishnu Prasad Maharwal vs DCIT, reported in 2014, 162 TTJ 18 (Jaipur Trib),
- iii. ITO vs Kundanmal Surana, reported in 2004, 3 SOT 632 (Jodh Trib) and
- iv. Krishna Kumar Singhania vs DCIT 2018 TaxPub(DT)0200 Kol Trib.

27. Kind perusal of the impugned order would envisage that NFAC has upheld the action of the AU in estimating the net income of the assessee at 8% of the gross receipts on the ground that the assessee has failed to produce complete books of accounts and relevant supporting evidence.
28. Kind perusal of the impugned order would envisage that the NFAC has not paid any heed to the submissions made by the assessee and has simply proceeded to confirm the estimation of income which has no basis. Apart from above it was submitted before the NFAC that the books of accounts of the assessee has vaguely been rejected without specifying the defects in the books of accounts reliance in this regard was drawn to the decision of the Hon'ble Delhi High Court delivered in the case of **PCT Vs Forum Sales Pvt Ltd**, reported in, **[2024] 160 taxmann.com 93 (Delhi)**, wherein, after relying upon the various case laws it was held by the Hon'ble Court that the income of the assessee cannot be estimated under section 144 of the Act without rejecting the books accounts upon fulfilment of the conditions as laid down in section 145(3) of the Act, relevant portion of the decision in verbatim is reproduced as under;

"19. A plain reading of the aforementioned provisions would indicate that the AO wields an authority to make additions on the basis of estimation of income upon fulfillment of the conditions mentioned in Section 145(3) of the Act. Once the AO is satisfied about the existence of irregularities in the books of account as per Section 145(3) of the Act, it shall proceed in the

manner provided under section 144 of the Act. At this juncture, what needs consideration is the question whether such an addition must be made only after the rejection of the books of account by the AO.

20. The Division Bench of the High Court of Bombay in the case of *Pr. CIT v. Swananda Properties (P.) Ltd.* [2019] 111 taxmann.com 94/267 Taxman 429/2019 SCC OnLine Bom 13359, had an occasion to consider the said question and the same was accordingly answered as under:-

"11. We note that the books of account of the respondent were rejected by the Commissioner of Income-tax (Appeals) under section 145(3) of the Act. However, the Tribunal found in the impugned order that the invocation of section 145(3) of the Act is unjustified as no defect was noted in the books of account to disregard the same. We note that the Commissioner of Income-tax (Appeals) in his order while rejecting the books of account does not specify the defect in the record. The basis of the rejection appears to be best judgment of assessment done by him. *The rejection of the books should precede the best judgment assessment.* On facts, the Revenue has not been able to show any defect in the respondent's records which would warrant rejection of the books and making a best judgment assessment. Thus, on facts the view taken by the Tribunal is a possible view. Therefore, no substantial question of law arises. Thus not entertained."

[Emphasis supplied]

21. The Division Bench of the Karnataka High Court in the case of *CIT v. Anil Kumar & Co.* [2016] 67 taxmann.com 278/386 ITR 702/2016 SCC OnLine Kar 8512, has held that in cases where the Revenue had failed to reject the books of account and proceeded to an estimation of income without framing the assessment under Section 144 of the Act, such an action is unsustainable as per law. The relevant paragraph of the said decision is reproduced as under:-

"11. Insofar as the estimation of gross profit made by the Assessing Officer modified by the Commissioner of Income-tax (Appeals), the Tribunal has rightly held that when the books of account of the assessee had not been rejected and assessment having not been framed under section 144 of the Income-tax Act the said authorities were in error in resorting to an estimation of income and such exercise undertaken by them was not sustainable. Section 145(3) of the Act lays down that the Assessing Officer can proceed to make assessment to the best of his judgment under section 144 of the Act only in the event of not being satisfied with the correctness of the accounts produced by the assessee. In the instant case the Assessing Officer has not rejected the books of account of the assessee. To put it differently the Assessing Officer has not made out a case that conditions laid down in section 145(3) of the Act are satisfied for rejection of the books of account. Thus, when the books of account are maintained by the assessee in accordance with the system of accounting, in the regular course of his business, the same would form the basis for computation of income. *In the instant case it is noticed that neither the Assessing Officer nor the Commissioner of Income-tax (Appeals) have rejected the books of account maintained by the assessee in the course of the business. As such the Tribunal has rightly rejected or set aside the partial addition made by the Assessing Officer for arriving at gross profit and sustained by the Commissioner of Income-tax (Appeals) and rightly held that the entire addition made by the Assessing Officer was liable to be deleted. The said finding is based on sound appreciation of facts and it does not give rise for framing substantial question of law.*"

[Emphasis supplied]

22. In another case of *Pr. CIT v. Marg Ltd.* [2017] 84 taxmann.com 52/249 Taxman 521/396 ITR 580 (Mad.)/2017 SCC OnLine Mad 37852, the Division Bench of the High Court of Madras

has held that the rejection of books of account is *sine qua non* before the AO proceeds to make his own assessment. Paragraph 4(c) of the said decision is reproduced as under:-

"4(c). Therefore, it is sine qua non that the Assessing Officer to come to a conclusion that the books of account maintained by the assessee are incorrect, incomplete or unreliable and reject the books of account before the proceeding to make his own assessment. In the instant case, there is no reference in the assessment order of the Assessing Officer regarding rejection of books of account."

[Emphasis supplied]

23. In the case of *CIT v. Gian Chand Labour Contractors* [2008] 167 Taxman 265/[2009] 316 ITR 127 (Punj. & Har.)/2007 SCC OnLine P&H 1577, the Division Bench of the High Court of Punjab and Haryana while taking a similar view, has held as follows:-

"8. Section 29 of the Act prescribes that the income referred to in section 28 which is assessable under the head "Profits and gains of business or profession" shall be computed in accordance with the provisions contained in sections 30 to 43A of the Act. Section 145 of the Act provides for computation of income under section 29 on the basis of books of account and the method of accounting regularly followed by the assessee. However, where the Assessing Officer is not satisfied with the correctness or completeness of the said books, he may reject the same and estimate the income to the best of his judgment in accordance with the provisions of section 144 of the Act. When an estimate is made to the best judgment of an Assessing Officer, he substitutes the income that is to be computed under section 29 of the Act. Once the best judgment assessment is made by fixing a rate of net profit, the assessee's claim for deduction on account of expenses cannot be deemed to have been ignored. The net profit rate is applied after taking into consideration all factors and it accounts for all the deductions which are referred to under section 29 and are deemed to have been taken into consideration while making such an estimate."

[Emphasis supplied]

24. The series of judgments referred to hereinabove clearly **allude to the settled position of law that the books of account have to be necessarily rejected before the AO proceeds to the best judgment assessment upon fulfilment of conditions mentioned in the Act.** The underlying rationale behind such an action is to meet the standards of correct computation of accounts for the purpose of a more transparent and precise assessment of income. Therefore, any pick and choose method of rejecting certain entries from the books of account while accepting other, without an appropriate justification, is arbitrary and may lead to an incomplete, unreasonable and erroneous computation of income of an assessee.

....."

29. Attention in this regard was further drawn to the decision of the Hon'ble Income tax Appellate Tribunal, Kolkata Bench, Kolkata, delivered in the case of **Bulu Ghosh vs ITO**, delivered in ITA 729/Kol/2023, dated 18-10-2023, wherein, it has been held by the Hon'ble Tribunal that the income cannot be estimated without validly rejecting the books of accounts in accordance to section 145(3) of the Act, relevant portion of the decision in verbatim is reproduced as under;

"6. We have heard the rival contentions and perused the material placed on record. In the present case, assessee has filed duly audited balance sheet along with P & L A/c before the AO at the

time of framing of assessment order. However such books of accounts were never rejected by the AO in accordance with law and even the AO as well as Id. CIT(A) has not given any findings on the issue. For estimating the profit without rejecting books of account Hon'ble Rajasthan High Court in the case of CIT vs Maharaja Shree Umaid Mills Ltd. (supra) has held that

"The other question about the fall in gross profit rate cannot be looked into in this case because the Inspecting Assistant Commissioner has not rejected the books of accounts of the assessee and without making this as a base, it could not be said that the expenditure had been inflated which is a question of fact and in view of the findings of commission which is confirmed by the tribunal, the same cannot be allowed."

Respectfully following the judgement of CIT vs Maharaja Shree Umaid Mills Ltd. (supra) based on the discussion on facts recorded herein above. The contentions of assessee in ground no. 3 is hereby allowed and direct the AO to delete the addition made in the hands of assessee. Ground no. 1, 2 & 4 are being general in nature does not require any adjudication and consequential in nature.

-"
30. It is in this regard respectfully submitted that to the same effect is the decision of the Hon'ble Income tax Appellate Tribunal, Hyderabad Bench, delivered in the case of **Meena Jewellers Extension (P.) Ltd. Vs ACIT**, reported in, [2025] 171 taxmann.com 55 (Hyderabad - Trib.), wherein, it has been held by the Hon'ble Tribunal that before going for best judgment assessment under section 144 of the Act, the Assessing Officer needs to reject books of account of assessee with valid reason and unless Assessing Officer rejects books of account with valid reasons, he cannot resort to estimation of profit even in case of best judgment assessment. To the same effect is another decision of the Hon'ble Chandigarh Tribunal delivered in the case of **ACIT vs Vishal Paper Industries Pvt Ltd**, reported in 93 ITR(Trib) 41.
 31. Kind perusal of the impugned order would envisage that the NFAC has neither paid any heed nor controverted the submission filed by the assessee and has simply upheld the decision of the assessing officer in invoking the provisions of section 145(3) of the Act and arbitrarily estimating the income of the assessee.
 32. It is in this regard respectfully submitted that proper books of accounts have been submitted maintained by the assessee in the regular course of business that has

been subjected to audit under section 44AB of the Act by a qualified Chartered Accounts and no defects has been pointed out in the tax audit report. It in this regard further respectfully submitted that the assessee is an old Income Tax assessee being assessed to tax for the last more than a decade and the returned income has always been accepted in the past. It would further gratuitously be appreciated that the returned income of the assessee has also been accepted in the subsequent assessment year in regular assessment under section 143(3) read with section 144B of the Act. Kind perusal of the records would envisage that the profit ratio returned by the assessee is also in accordance to that returned by the assessee in the assessment year under consideration.

33. In view of the foregoing it is humbly prayed that the addition of Rs 3,25,22,905/- made by the AU by estimating income may kindly be ordered to be deleted appreciating the fact that proper books of accounts has been maintained by the assessee and printout of the relevant portion has been submitted before the NFAC and no defects has been pointed out in the books of accounts by the authorities below.

d. Addition of Rs 9,34,700/- made under section 68 of the Act on the allegation that accommodation entry has been received from Tata AIG General Insurance Company.

34. Kind perusal of page 10 of the assessment order, placed at running page 41 of the appeal memo would envisage that it has been alleged that during the course of search and seizure operation conducted under section 132 of the Act on the Middle Layer Business Entities ('MLBEs'), revealed that additional commission over and above the limits prescribed by the IRDAI limit were passed on to the Insurance Intermediaries.

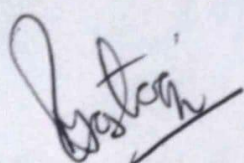
35. On the basis of the aforesaid information, it has been alleged that the assessee has received an amount of Rs 9,34,700/- from Tata AIG General Insurance Company which is unexplained cash credits under section 68 of the Act and proceeded to make addition under section 68 of the Act.
36. Before the NFAC it was submitted that the amount received from Tata AIG General Insurance Company is included in the returned income and is credited to the Profit and Loss account under the head other income in note number 25, ledger account.
37. Kind perusal of the impugned order would envisage that the NFAC has not paid any heed to the submission of the assessee and has simply proceeded to dismiss the appeal filed by the assessee.
38. It is in this regard respectfully submitted that the total amount received from Tata AIG is supported by the deduction of tax at source and duly reflected in the form 26AS and accordingly the receipts are included in the Profit and Loss Account.
39. It would, thus, gratuitously be appreciated that the amount is duly recorded in the books of accounts and has been offered for taxation in the return of income, as such, it is respectfully submitted that there is no concealment of income to warrant initiation of the reassessment proceedings.
40. It is in this regard further respectfully submitted that kind perusal of the assessment order would envisage that it is an undisputed fact that the alleged payment has been received as an overriding commission from the insurance companies for furtherance of business, as such, is a business receipt. Attention in

this regard is drawn to the recent decision of the Hon'ble Income Tax Appellate Tribunal, Kolkata Bench, delivered in the case of National Insurance Company Ltd vs DCIT, reported in 183 Taxmann.com 535, wherein, it has been held by the Hon'ble Tribunal that the payments made in excess of the limits prescribed under IRDA regulations is an allowable expenses and would not constitute to be an illegal payment for it to be disallowable under section 37(1) of the Act. It is in this regard further respectfully submitted from 01-04-2023, the limits for the payment of commission to insurance intermediary has also been withdrawn by the IRDAI.

41. It would, thus, gratuitously be appreciated that the receipts cannot be treated as unexplained credit as defined in section 68 of the Act, as the same is undisputedly a business receipt received from the insurance companies in the furtherance of business.
42. It would further kindly be appreciated that the receipts are duly recorded in the books of accounts, as such, again addition of the same under section 68 of the Act would amount to double taxation.
43. It is in this regard respectfully submitted that the amount received by the assessee in violation of the limits prescribed under IRDAI cannot be held to be accommodation entry in the hands of the assessee.
44. In view of the foregoing it is humbly prayed that the addition of Rs 9,34,700/- made under section 68 of the Act on the allegation that the amount received in excess of the limits prescribed by the IRDA may kindly be deleted appreciating the fact that the income has already been offered for taxation by the assessee.

In view of the foregoing it is humbly prayed that the appeal filed by the appellant may kindly be allowed and the additions made may kindly be deleted.

And for this the assessee shall ever pray.



(Manish Rastogi, Advocate)
Dated : 28-06-2026
Place : Patna.

9. On the other hand, the Ld. DR strongly relied on the order of lower authorities and he submitted that during the course of assessment proceedings the assessee did not comply the notice issued by the AO, he should have filed documentary evidences in support of the financial figures shown in the audit report. The assessee also did not explain the excess transaction over the turnover reported in its bank account for more than Crores of Rupees. The assessee should have explained the reasons for transacting in the bank account for the interbank transfer. Further, in respect of rejection of books of the account, the assessee has not submitted the documents in support of its claim, therefore, it is good grounds to reject books of accounts and estimating the profit and he justified the rejection of the books of account excluding the profit @ 8%. He further submitted that the assessee got excess

insurance commission which is more than norms fixed by the IRDAI, It was discovered because of the search conducted in 37 parties.

10. In the rejoinder, the Ld. Counsel reiterated the earlier submission and submitted that the assessment has been completed u/s 143(3) r.w.s. 144B of the Act it shows that the AO was satisfied from the documents submitted, therefore, estimation made by the AO against the income declared by the assessee is not correct.

11. Considering the rival submissions and perusing the entire materials available on records and order of authorities below. We noted that after filing the return of income the CPC processed the return u/s 143(1) of the Act without making any addition and later on the case was selected for scrutiny on the ground that the low net profit shown by the certain specific business and high liabilities as compared to low profit. During the course of assessment proceedings, the AO issued notice u/s 142(1) of the Act on different dates, the assessee reply only on two dates on 24.12.2024 and on 28.12.2024, the AO after considering the submissions calculated the excess deposits in bank account over the turnover reported for Rs. 86,22,18,204/- and AO considering reasons for selection of scrutiny and for want of submission of books of accounts and evidences in support of its financial results rejected the books of accounts as per section 145(3) of the Act and estimated the profit @ 8% on its turnover. The AO further made addition on the cash deposit in the Axis bank account and the AO has made addition u/s 68 for

insurance commission received which is disclosed in the financial results under the head other income Note No. 25 of the financial statements. On going through the submission made before the Id. CIT(A) and submissions before us towards addition of Rs. 86,22,18,204/- the assessee has given complete reconciliation (noted supra) and complete statement were also produced along with cash book and ledger. Considering the explanation submitted by the assessee on this point and certificate issued by Bank Officer dated 13.08.2025 which is also placed in the paper book at page No 48 for Rs. 78,81,35,150/-. Since, the bank has also certified that the assessee has transacted with bank as interbank transfer and financial transaction are reconciled and lower authorities have not examined. Therefore, we are remitting this issue back to the file of AO for fresh examination with reconciliation statement noted supra considering the figures of Rs. 148,97,29,144/- in the bank accounts of the assessee. The differences noted by the AO of RS. 86,22,18,204/- is because of inter bank transactions and other transactions carried out by the assessee through bank accounts and it requires verifications/reconciliations. The Id. Counsel has also furnished reconciliation in his written submission noted supra. AS per the certificate issued by bank Chief Manager SBI Hajipur the amount of Rs. 78,81,35,150/- are inter bank transfers and the AO has to verify these inter bank transfers and reconciliation noted supra and decide the issue as per law after giving reasonable opportunity of being heard

and the assessee will provide requisite informations as required. Accordingly, this ground is allowed for statistical purposes.

12. Further, in respect of estimation made by the AO, we noted that during the course of assessment proceeding, the assessee has not complete reply the notice issued by the AO u/s 142(1) of the Act. However, the AO has invoked section 145(3) of the Act and estimated net profit but he has accepted the other figures reported in the audit report. The assessee has produced books of accounts during the appellate proceedings and various copy of ledgers were also produced before the authorities below which is evident from the submissions and questioner issued by the AO and Id. CIT (A). The assess is maintaining double accounting system, in double accounting system if one transaction is completed or entered in the books of accounts then the other corresponding transaction is reflected . The financial statement is tallied and there is no any defect pointed out. We also gone through the entire submissions made during the first appellate proceedings, the assessee has replied all the questionnaire issued by the Ld. First Appellate authority. We noted that the past results has been shown by the assessee from the written submission at paragraph number 24, the assessee has earned profit as under:

Sl. No.	Assessment year	Gross Turnover	Net Profit before partners salary and interest	Net Profit (%)	Section under which assessment completed
i.	2020-21	429369493	2254345	0.52%	143(1)
ii.	2021-22	495163205	4650627	1.17%	143(1)
iii.	2022-23	521572750	8852351	1.69%	143(1)
iv.	2023-24	504661126	7469489	1.49%	Current
v.	2024-25	537550602	10317949	1.91%	143(3)/144B

13. On going through the financial results for the previous three assessment years, the department has accepted the returned income of the assessee u/s 143(1) of the Act and has informed by the Ld. Counsel that no any assessment is pending for any of the previous year and there is no much variation compared to the previous assessment years. The assessee has incurred financial cost as per Note No. 28 for Rs.86,98,487.61 is also major factor for reducing the profit of the assessee. In the subsequent AY2024-25 the AO has accepted the book result on the similar set of facts and the entire closing balance for the AY 2023-24 has been accepted as opening balance in the following AY 2024-25. The turnover for the year has been accepted which is major source of operational revenue and major expenses has been paid through banking channel and there is no proof for money received back by the assessee. We found substance on the submissions of the Ld. Counsel noted supra. The AO rejected the books of accounts, without pointing out any specific defects merely for not producing the complete documents as per notice issued u/s 142(1), however before the Ld.

CIT(A) the assessee complied and he has also not pointed out any deficiencies.

13.1. We also noted that before finalising the assessment as per the SOP framed by the Income-tax Department for completing the assessment through NFAC, the AO has not granted sufficient time to give reply of the show cause notice, the assessee should have granted at least minimum 7 days time to reply of the SCN. The SCN was issued on 19.02.2025 and time was granted to the assessee by 25.02.2025. Accordingly, time was granted for 6 days only which is also violation of principle of natural justice, as per submission of the Id. Counsel if the AO had granted sufficient time to give reply of the SCN, the assessee would have been able to reply of the SCN for want of not granting sufficient time the rejection of the books of accounts is not correct. The AO passed order on 04.03.2025. The Ld. Counsel for the assessee has relied on various judgments incorporated in his written submission is applicable in the present facts of the case of the assessee. Accordingly, we allow the grounds of the appeal and deleted the addition made by the AO towards low profit and book result declared by the assessee is accepted.

14. Further, in respect of addition of cash deposit made in Axis Bank account of Rs. 2,18,09,380/-. We gone through the submissions made by the Ld. Counsel that these deposits are out of sale of spare parts and sales of services have been deposited in the Axis Bank account No.

918020108032585, these are receipts through cash which are completely recorded in the books of account produced before us and same is also produced before the Ld. CIT(A) and there is no any defect pointed out by the Ld. CIT(A). He has co-terminus power of the AO and the same has been offered as income in its financial statements. Accordingly, it is double taxation in the hands of the assessee which is not permitted in the income tax provisions. Once the entire transactions are recorded in the books of accounts and source is explained , it should not be considered as unexplained investment and we also noted from the bank statement placed at paper book No. 1 to 228 and 1 to 1238 there is a frequent cash deposit entries are appearing as debit entries are also there. The AO has not doubted on the debit/ credit entries and in many instances there are other credit entries which are also part and parcel of the turnover of the sales of spare parts/ accessories and services on which the assessee has paid GST . Therefore, it is clear that the source is explained and accordingly, no addition can be made u/s 69A of the Act. Accordingly, this addition is also deleted.

15. Further, in respect of insurance commission of Rs. 9,34,700/- received from the Tata AIG General Insurance Company Ltd. has been treated as cash credit u/s 68 of the Act this receipts have been offered as income by the assessee and AO has made addition observing that the insurance companies has paid over and above the norms fixed by

the IRDAI, the assessee received commission as per the agreement and received from Tata AIG General Insurance there should not be any doubt for treating this amount as unexplained cash credit and it is double taxation in the hands of the assessee too. This issue has been decided by the co-ordinate bench of the ITAT Kolkata Bench reported in National Insurance Co. Ltd. Vs DCIT reported in 183 taxmann.com 535 (Kolkata- Trib.) wherein the similar issue has been discussed in detail. Accordingly, this addition is also deleted and this addition was merely made on the basis of search carried out on the different MLBEs but the assessee is received payment and produced the evidences. Therefore, it is not treated as explained credit and has been treated as revenue income. Accordingly, this addition is also deleted.

16. To sum up:- Ground No. 3 is partly allowed for statistical purposes. Ground No. 4, 5, 6 and 7 are allowed.

17. In the result, appeal of the assessee is partly allowed.

Order pronounced on 19.08.2026.

Sd/-

(Yogesh Kumar US)
Judicial Member

Sd/-

(Laxmi Prasad Sahu)
Accountant Member

Dated: 19.08.2026
AK, Sr. P.S.

Copy of the order forwarded to:

1. Appellant
2. Respondent
3. Pr. CIT
4. CIT(A)
5. CIT(DR)

//True copy//

By order

Deputy Registrar, Kolkata Benches