

**INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH "G": NEW DELHI
BEFORE SHRI C. N. PRASAD, JUDICIAL MEMBER
AND
SHRI M. BALAGANESH, ACCOUNTANT MEMBER**

ITA No. 1746/Del/2025
(Assessment Year: 2022)

JCIT, (OSD), Delhi (Appellant)	Vs.	Manish Vij, A-1, 134, 1 st Floor, SK Enclave, South West Delhi (Respondent)
PAN: AAGPV7555H		

Assessee by :	Shri Salil Aggarwal, Adv Shri Shailesh Gupta, CA Shri Shankar, Adv
Revenue by:	Shri Mahesh Kumar, CIT (DR)
Date of Hearing	19/08/2025
Date of pronouncement	14/11/2025

O R D E R

PER M. BALAGANESH, A. M.:

1. The appeal in ITA No.1746/Del/2025 for AY 2022, arises out of the order of the National Faceless Appeal Centre (NFAC), Delhi [hereinafter referred to as 'Id. CIT(A)', in short] in Appeal No. ITBA/NFAC/S/250/2024-25/1072345400(1) dated 20.01.2025 against the order of assessment passed u/s 143(3) r.w.s. 144B of the Income-tax Act, 1961 (hereinafter referred to as 'the Act') dated 22.03.2024 by the Assessing Officer, NFeAC, Delhi (hereinafter referred to as 'Id. AO').
2. The only issue to be decided in this appeal of the revenue is as to whether the Id CIT(A) was justified in deleting the addition on account of short-term capital gains as per provisions of Section 50CA of the Act arising out of transfer of shares of Cash Grail (P) Ltd (CGPL).

3. We have heard the rival submissions and perused the material available on record. The assessee is an individual and investor in start-up company styled as CGPL. The assessee is engaged in the business of trading of shares in derivative Segment (F&O) of capital market. The assessee during the year earned income from house property, income from business, income from capital gains and income from other sources. The return of income for AY 2022-23 was filed by the assessee on 04.11.2022 declaring total income of Rs. 32,71,14,870/- . During the year under consideration, the assessee transferred 801 shares held by him in CGPL to Vun Internet Partners on 22.04.2021 at a sale consideration of Rs. 54,960 per share. The short term capital gain arising on sale of these shares were duly reflected in the return of income filed by the assessee. To support the transfer price, the assessee submitted a valuation report obtained from Independent Chartered Accountants wherein, the value of shares of CGPL was worked out at Rs. 54,959.62 per share as on 20.04.2021 in accordance with Rule 11UA of the Income Tax Rules by adopting Net Asset Value (NAV) method.

4. The assessee on 15.02.2022 sold 595 shares of CGPL of Rs. 7,29,938/- per share to M/s Nepean Investments Trust –II on the basis of valuation report obtained from a merchant banker dated 14.02.2022 who had determined the fair market value of shares of CGPL as on 31.12.2021 to be Rs. 7,29,938/ shares by adopting Discounted Cash Flow (DCF) method.

5. The Id AO observed that within a gap of 11 months, the assessee was able to sell the 2nd lot of 595 shares at much higher value in February 2022. Accordingly, the Id AO substituted the sale consideration on first tranche of sale of 801 shares of CGPL with Rs. 7,12,664/ shares as against Rs. 54,960/ share. Vide letters dated 13.03.2024 and 18.03.2024, the assessee explained the reasons for difference in fair market value of shares between 22.04.2021 and 15.02.2022 and also justified the increase in fair market value of share of CGPL by duly explaining the complete profile of CGPL, its nature of business, global economic scenario and its outlook of start-up vis-a-vis investments thereon. In the said letter the assessee also brought on record that subsequent to the

transfer of 801 shares on 22.04.2021, the CGPL has raised funds from venture capital firm and from foreign investors substantially which changed NAV of CGPL drastically. The assessee also placed on record the various media reports published in newspaper with regard to raising of funds by CGPL from venture capital firms and also from foreign investors. In the said letter, the assessee also submitted before the Id AO that assessee, being an entrepreneur in the start-up industry, since over 23 years, had build several large companies as a founder and brought great respect to the country and industry. The assessee further vide letter dated 06.03.2024 also submitted before the Id AO as to why the two methods i.e. DCF Vs. NAV were adopted in two different valuation reports along with copies of the relevant valuation report.

6. The Id AO however did not heed to the aforesaid contentions of the assessee and proceeded to make an addition of Rs. 52,68,21,209/- u/s 48 read with Section 50CA of the Act on account of alleged notional sale consideration assumed by the Id AO for the first sale of 801 shares and completed the assessment u/s 143(3) read with Section 144B of the Act dated 22.03.2024.

7. Before the Id CIT(A), the assessee reiterated the entire contentions that were raised before the Id AO and submitted that no defects whatsoever were found by the Id AO in the two valuation reports submitted for different tranches of sale of shares of CGPL. The assessee reiterated before the Id CIT(A) that 595 shares were sold on 15.02.2022 after a gap of 10 months from the first sale. At this time, CGPL had already raised investments from venture capital firm and from foreign investors which warranted the valuation to be obtained by adopting DCF method as it is one of the prevalent method in foreign market and also one of the recognized methods in Rule 11UA of the Income Tax Rules. Further, new investors of CGPL were willing to buy the shares at the desired share price worked out using DCF method by an independent merchant banker seeing the scope of growth of CGPL. It was submitted that both NAV and DCF are prescribed methods under Rule 11UA of the Income Tax Rules. It was also submitted that choice of usage of method of valuation of shares i.e. NAV or DCF

always vested with the assessee, which cannot be tinkered by the Id AO without pointing out any defect in the said valuation of obtaining a valuation report from a third party expert. The assessee also placed reliance on the following discussion in support of its contentions:-

- a. Decision of Hon'ble Himachal Pradesh High Court in the case of PCIT Vs. I.A. Hydro Energy Pvt Ltd reported 163 taxmann.com 408.
- b. Decision of Delhi Tribunal in the case of Caddie Hotels Pvt. Ltd Vs. PCIT reported in 153 taxmann.com 524.
- c. Decision of the Hon'ble Delhi High Court in the case of PCIT Vs. Cinestaan Entertainment Pvt Ltd reported in 433 ITR 82.
- d. Decision of Delhi Tribunal in the case of DCIT Vs. Hometrial Buildtech Pvt. Ltd reported in 204 ITD 154.
- e. Decision of Hon'ble Delhi High Court in the case of Agra Portfolio India Ltd Vs. PCIT reported in 464 ITR 348.
- f. Decision of Delhi Tribunal in the case of BITO-Lagertechnik Bittmann GmbH Vs. ACIT in ITA 2440/Del/2023
- g. Decision of Delhi Tribunal in the case of ACIT Vs. Lifestyle Propbuild Pvt. Ltd reported in 155 taxmann.com 338.

8. Further, it was submitted that assessee along with representative of CGPL and along with valuers who valued shares on 22.04.2021 and 14.02.2022 had appeared before the Id AO during e-hearing and explained in detail the reasons for valuation of shares as per NAV and DCF method on two different dates. Both valuers duly justified the valuation of shares using NAV and DCF method on two different dates and no adverse inferences were drawn by the Id AO thereon. It was submitted that the Id AO in the assessment order proceeded on wrong facts by not considering the various replies filed by the assessee, wherein the assessee had categorically explained the circumstances to

obtain two valuation reports from independent experts with regard to sale of shares on two different dates. The assessee as well as two valuers had independently explained the rationale behind getting the shares valued using two different methods. The entire burden that needs to be discharged by the assessee had been duly discharged in the instant case by furnishing the requisite documents, evidences and explanations. It was submitted that the Ld AO had not conducted any enquiry with the buyer and had even failed to bring any material on record to prove that anything over and above the declared sale price was received by the assessee. Further the revenue as well as the reserves and surplus as on 31-03-2021 and 31-03-2022 speak volumes about the growth of the company i.e. CGPL which is as under:-

Date	Reserves (Rs in lakhs)	Revenue (Rs in lakhs)
31-03-2021	10289.29	3570.18
31-03-2022	61489.37	40510.37

9. The Ld CITA duly appreciated the aforesaid contentions of the assessee and deleted the addition made by the Ld AO by observing as under:-

"6.5 The submissions of the appellant are perused. Rule 11UA read with rule 11UA gives the option to assessee to follow either NAV method or DCF method for determining fair market value of unlisted shares as on the date on which the shares of an unlisted company are transferred. The language of said rules places a choice upon assessee to follow either of the two methods. Further, when the assessee follows either of the method for first sale of unlisted shares during a year, the said rule does not restrict the assessee to use same method for all the subsequent sale of unlisted shares on different dates. The rule only requires the assessee to obtain a valuation report as on the date on which unlisted shares are transferred. Hence, if the unlisted shares are sold multiple occasions on different dates, the assessee has to obtain multiple valuation reports, each as on the date of said transfer. In each occasion, the valuation of unlisted shares in terms of rule 11UA can be determined by assessee as per either NAV Method or as per DCF Method and there is no bar on the assessee to use different methods in same AY on sale of same company's unlisted shares. Once value of shares had been determined by adopting any of two methods, i.e. NAV or DCF, then such value shall be deemed to be FMV of unlisted shares and AO cannot question the same. AO is bound to follow same unless, the AO shows mistake/errors in the

said method adopted by the assessee by bringing cogent material on record. On this regard, reliance is placed on the decision of the Hon'ble ITAT, Mumbai vide its order dated 19.01.2022 in the case of Credtalpha Alternative Investment Advisors (P.) Ltd Vs DCIT. The relevant portion of the judgement is reproduced as under:

"18. Thus, the fair market value of the share shall be higher of the value as determined in accordance with the provisions of rule 11UA or any other method, which can be substantiated by the assessee before the Assessing Officer. For the purpose of determining fair market value' of unquoted shares provisions of rule 11UA (2) applies which gives an option to the assessee to either value the shares as per prescribed formula given in clause (a) or clause (b) which provides for the determination of the fair market value based on discounted cash flow method as valued by a merchant banker or a chartered accountant (till 24th of May 2018). In the present case the assessee has valued the shares according to one of the 'options' available to assessee by adopting discounted cash flow method. Therefore, such an option given to the assessee cannot be withdrawn or taken away by the learned Assessing Officer by adopting different method of valuation i.e. net asset value method. The method of valuation is always the option of the assessee. The learned Assessing Officer is authorised to examine whether assessee has adopted one of the available options properly or not. In the present case, the learned Assessing Officer has thrust upon the assessee, net asset value method rejecting discounted figures from the projected figures. It is an established fact that discounted cash flow method is always based on future projections adopting certain parameters such as expected generation of cash flow, the discounted rate of return and cost of capital. In hindsight, on availability of the actual figures, if the future projections are not met, it cannot be said that the projections were wrong. To prove that the projections were unreliable, the learned Assessing Officer must examine how the valuation has been done. In a case future cash flow projections do not meet the actual figures, rejection of discounted cash flow method is not proper. If projected future cash flow and actual result matches, such situation would always be rare. For projecting the future cash flow certain assumptions are required to be made, there needs to be tested and then such exemptions becomes the base of estimation of such projected future cash flows. If there are no assumptions, there cannot be an estimate of future projected cash flows and then discounted cash flow method becomes redundant. For exercise of valuation, assumption made by the valuer and information available at the time of the valuation date are relevant. As the exercise of valuation must be viewed as on the date of the valuation looking forward and cannot be reviewed in retrospect. Further, the valuation is always made based on review of historical data and projected financial information provided by the management. Further report of expert will always include limitation and responsibilities but that does not make his report incorrect. Of course, if there are errors in the working of projected cash flow, estimating the projected revenue and projected expenditure as well as in adoption of cost of equity and discount factor, the learned Assessing Officer is within his right to correct it after questioning the same to the

assessee. The learned Assessing Officer can also question the basic assumptions made by the valuer. If they are unreasonable or not based on historical data coupled with the management expectation, the learned Assessing Officer has every right to question it and adjust the valuation so derived at. However, if he does not find any error in those workings, he could not have rejected the same. Further the reasons given by the learned Assessing Officer that the net asset value method and the discounted cash flow method for valuation of the shares of the company gives a wide variation between them we do not find any reason to find fault with the assessee in such cases. Both these methods have different approaches and mythologies therefore there are bound to be differences, but it does not give any authority to the learned Assessing Officer to pick and choose one of the method and make the addition. It is the assessee who has to exercise one of the options available under the provisions of the law for valuing the shares. The learned Assessing Officer needs to examine that method. Naturally, if the discounted cash flow method and net asset value method gives the same result, where there would have been the need to prescribe the two methods in the law. In view of above facts, we do not find any infirmity in the order of the learned CIT - An in deleting the addition of Rs. 69,000,000 made by the learned Assessing Officer u/s. 56(2) (viib) of the Act. Accordingly, ground numbers 3 and 4 of the appeal of the learned Assessing Officer are dismissed.

19. In the result, appeal of the learned Assessing Officer is dismissed."

6.6 In the present case, the appellant has sold 595 shares at Rs.7,29,938/- per share on 15.02.2022 and 801 shares at Rs. 54,960/- per share on 22.04.2021. As required under Rule 11UAA rs 11UA of Income Tax Rules, 1962, the appellant had obtained valuation report from AARK & Co. LLP, Chartered Accountants, determining the value of shares at Rs.54,960/- per share as on 20.04.2021 using NAV method and valuation report from Share India Capital Services Put Id determining value of shares at Rs.7,12,664/- per share as on 31.12.2021 as per DCF method. During the assessment proceedings, the AO rejected the valuation of shares at Rs.54,960/- per share on 22.04.2021 and substituted the aforesaid value of 801 shares with Rs.7,12,664/-per share, by holding that obtained two different valuation report from two different valuers who used different methods. However, as mentioned above the AO cannot question the method adopted by the assessee and AO is bound to follow same unless he shows mistake in the method adopted by the assessee. The AO did not demonstrate that the methodology adopted by the appellate is not correct. The AO had simply rejected valuation report filed by assessee without mentioning as to what was found incorrect in the valuation reports submitted by the assessee. The appellant adopted a recognized method of valuation and AO has not brought on record any facts which show that the appellant adopted a demonstrably wrong approach, or that the method of valuation was made on a wholly erroneous basis, or that it committed a mistake which goes to the root of the valuation process. In view of the above facts and circumstances, I am of the opinion that the appellant has followed the prescribed procedure for determining the valuation of unlisted shares of Cashgrail (P) Ltd. As on 22.04.2021 & 15.02.2022 and declared the corresponding capital gains in the return of income.

Therefore, the addition u/s 50CA of Rs.52,68,21,209/- is deleted and the ground nos 1, 2, 3 & 4 are treated as allowed."

10. The Id AR before us reiterated the aforesaid submissions made before the lower authorities and heavily relied on the order of the Id CITA. Per Contra, the Id DR vehemently relied on the order of the Id AO. We find that none of the aforesaid observations and findings of the Id CITA were controverted by the revenue before us by bringing any contrary evidences on record. We find that the Id CITA had passed an elaborate order duly considering and appreciating all the contentions of the assessee. Hence we do not find any infirmity in the order of the Id CITA. Accordingly, the grounds raised by the revenue are dismissed.

11. In the result, the appeal of the revenue is dismissed.

Order pronounced in the open court on 14/11/2025.

-Sd/-

(C. N. PRASAD)
JUDICIAL MEMBER

-Sd/-

(M. BALAGANESH)
ACCOUNTANT MEMBER

Dated: 14/11/2025
A K Keot

Copy forwarded to

1. Applicant
2. Respondent
3. CIT
4. CIT (A)
5. DR:ITAT

ASSISTANT REGISTRAR
ITAT, New Delhi