

**INCOME TAX APPELLATE TRIBUNAL,
MUMBAI BENCHES, MUMBAI**

BENCH: D

**BEFORE HON'BLE NARENDER KUMAR CHOUDHRY, JUDICIAL MEMBER
AND HON'BLE PRABHASH SHANKAR, ACCOUNTANT MEMBER**

ITA 8779/MUM/2025		
निर्धारण वर्ष/Assmt. Year: 2014-2015)		
MRIDUL SHASHIKANT KHANDELWAL B- 1802, VASANT VALLEY, DINDOSHI BUS DEPOT IVY TOWER, MALAD EAST MUMBAI-400097, MAHARASHTRA	Vs.	PCIT (CENTRAL) MUMBAI-1 ROOM NO. 1001, 10TH FLOOR, PRATISHTHA BHAVAN OLD CGO ANNEXE, MAHARISHI KARVE ROAD, MUMBAI-400020, MAHARASHTRA
(अपीलार्थी Appellant)		(प्रत्यर्थी Respondent)
Permanent Account Number of Assessee:		APXPK6187J
निर्धारिती द्वारा/Assessee represented by:	Ms. Ananya kapoor a/w Soumya Singh & Sumit Lalchandani, Ld. A.Rs.	
राजस्व द्वारा/Revenue represented by:	Shri Umashankar Prasad, Ld. CIT D.R.	

सुनवाई की तारीख / Date of conclusion of hearing:	18.03.2026
घोषणा की तारीख / Date of pronouncement:	15.06.2026

आदेश / ORDER

PER NARENDER KUMAR CHOUDHRY, JUDICIAL MEMBER:

This appeal has been preferred by the Assessee against the order dated **11.12.2025**, impugned herein, passed by the Ld. Commissioner of Income Tax (Appeals) (in short Ld. Commissioner) u/s 250 of the Income Tax Act, 1961 (in short 'the Act') for the A.Y. 2014-15.



2. In this case, the Assessee declared a total income of **₹1,08,700/-** by filing the return of income on **29.07.2014** under Section **139(1)** of the Act. Subsequently, a search action under Section **132** of the Act was conducted on 18.10.2019 in the cases of the Alankit Group, wherein certain documents were recovered from the laptop of Shri Sunil Kumar Gupta, an associate of Shri Alok Agrawal of the Alankit Group. Pursuant to the search, a satisfaction note regarding incriminating material pertaining to the Assessee was recorded, and accordingly, a notice under Section **153C** of the Act was issued to the Assessee on **26.09.2022**, calling for the return of income for the assessment year under consideration. In response thereto, the Assessee filed the return of income on **19.10.2022** declaring a total income of **₹10,88,700/-**. Thereafter, notices under Sections 143(2) and 142(1) of the Act, along with questionnaires, were issued on **02.11.2022, 08.12.2022, and 01.06.2023**. The Assessee duly responded to the said notices.

3. The Assessing Officer (hereinafter referred to as the "AO") ultimately accepted the returned income of **₹10,88,700/-** without making any addition.

4. However, upon perusal of the assessment order and the seized material, the Learned Principal Commissioner of Income Tax (hereinafter referred to as the "Ld. PCIT") observed that the Assessee had allegedly entered into transactions through various beneficiary entities with share entities controlled by Shri Alok Agrawal against unaccounted cash or



otherwise for obtaining accommodation entries, as reflected in the seized material, which read as under:

Name of the beneficiary	F.Y.	Transaction done with	Amount debited to beneficiary	Amount credit to beneficiary
Mrudul Khandelwal	2012-13	Alka Agarwal		2,80,000/-
	2013-14	Alok Agarwal & Sons HUF		2,00,000/-
		Alok K Agarwal		5,100/-
	2018-19	Ankit Agarwal	7,610/-	
	2012-13	EFL	55,75,425/-	
	2013-14	EFL	94,56,445/-	

5. The Ld. PCIT further observed that the AO completed the assessment without making any addition and accepted the returned income of **₹10,88,700/-**, thereby allegedly failing to examine the aforesaid issues in accordance with the applicable and binding statutory provisions. According to the Ld. PCIT, these matters remained unverified. Consequently, in exercise of powers under Section 263 of the Act, a show-cause notice dated **14.08.2025** was issued to the Assessee requiring him to explain **"as to why the assessment order should not be treated as erroneous and prejudicial to the interests of the Revenue"**.

6. Though the Assessee initially did not file any reply to the show-cause notice, however he subsequently furnished written submissions along with



annexures in response to the notice dated 30.10.2025, inter alia, contending as under:

1. Absence of DIN on the satisfaction note and assessment order in violation of CBDT Circular No. 19/2019 dated 14.08.2019, rendering the invocation of Section 263 unsustainable.
2. Failure of the AO to record a valid satisfaction note as mandated under Section 153C of the Act, as no finding was recorded that the alleged information had any bearing on the total income of the Assessee.
3. Invalidity of proceedings under Section 263 owing to an illegal and consolidated satisfaction note under Section 153C.
4. Detailed enquiries had already been conducted during the assessment proceedings; therefore, invocation of Section 263 was unwarranted.
5. No addition or revision can be sustained solely on the basis of a retracted statement.

7. The Ld. PCIT though considered the aforesaid submissions but found the same as unacceptable and held that the enquiries and investigations required to be carried out by the AO had not been adequately conducted, thereby attracting the provisions of Explanation 2 to Section 263 of the Act, more or less holding as under:

“The assessment was completed in a routine and cursory manner without conducting any enquiry on vital information received. Thus, it can be inferred that the impugned order of assessment passed by the AO for this AY 2014-15 dated 16.03.2024 appears to meet both conditions- stipulated by Explanation 2 to Section 263 cited as below:

“Explanation-2 - For the purposes of this section, it is hereby declared that an order passed by the Assessing Officer shall be deemed to be erroneous in so far as it is prejudicial to the interests of the revenue, if, in the opinion of the Principal Commissioner or Commissioner;

(a) the order is passed without making inquiries or verification which should have been made;

(b) the order is passed allowing any relief without inquiring into the claim;

(c) the order has not been made in accordance with any order/direction or instruction issued by the Board under section 119; or



(d) the order has not been passed in accordance with any decision which is prejudicial to the assessee, rendered by the jurisdictional High Court or Supreme Court in the case of the assessee or any other person.”

10. The provisions of Section 263 read with Explanation 2 show the assessment order passed by the Assessing Officer falls within this clause as the AO has omitted to examine thoroughly and include the material facts and particulars after carrying out inquiries and verifications as they ought to have been carried out. The order of assessment passed by the A.O. is thus erroneous and prejudicial to the interests of revenue for these reasons. Therefore, action u/s 263 of the Act is considered necessary.”

8. The Ld. PCIT on the aforesaid analyzations, ultimately held the assessment order dated 16.03.2024 passed under Section 143(3) read with Section 153C of the Act to be erroneous and prejudicial to the interests of the Revenue. Accordingly, the Ld. PCIT set aside the assessment order and directed the AO to complete the assessment de novo after conducting necessary enquiries and verifications on all issues involved, including those specifically identified, and after affording adequate opportunity of being heard to the Assessee.

9. The Assessee thus being aggrieved by the aforesaid order, has preferred the present appeal.

10. We have heard the parties and perused the material available on record. It is observed that during the proceedings under Section 153C, the AO initially issued a notice under Section **143(2) dated 02.11.2022** to the Assessee, who in response, submitted a letter dated **10.11.2022** along with the computation of income and requested copies of the computation sheet, recorded statements, and other search-related evidences, pertaining to his case, arising from the Alankit Group search.



11. Thereafter, the AO issued another notice dated **08.12.2022** under **Section 142(1)**, inter alia, calling for information and explanations regarding transactions allegedly undertaken with M/s Alankit Limited during the relevant assessment year, along with supporting documents.

12. In response thereto, the Assessee furnished a detailed reply dated **20.12.2022** along with various documents and specifically stated that he had not entered into any transaction with M/s Alankit Ltd.

13. Subsequently, the AO issued another notice dated **10.01.2023** under Section 142(1) along with annexures requiring the Assessee to explain transactions allegedly pertaining to him and his family members, along with supporting documentary evidence, based on data recovered from the laptop of Shri Sunil Kumar Gupta.

14. The Assessee in response to the aforesaid notice as well, filed a reply dated **20.01.2023** along with relevant documents and contended that he had never dealt with Shri Sunil Kumar Gupta and was therefore unable to comment upon the audited accounts maintained by him. The Assessee also requested an opportunity to cross-examine Shri Sunil Kumar Gupta to obtain clarity regarding the allegations made. Further, explanations were furnished regarding the ledger accounts relied upon by the AO.

15. Thereafter, further notices dated **27.02.2023** and **01.06.2023**, along with questionnaires and annexures, were also issued seeking various details, including explanations regarding the incriminating material seized



during the search on the Alankit Group, ledger accounts maintained in Tally, and details relating to capital gains arising from the sale of shares. The Assessee furnished replies dated **10.03.2023** and **07.06.2023** respectively, along with supporting documents. Thereafter various other statutory notices were also issued, which were also duly responded to by the Assessee.

16. From the foregoing sequence of events, it becomes evident that the AO examined the issues arising out of the search and seizure action conducted in the Alankit Group cases and the alleged transactions undertaken during the relevant assessment year with Shri Alok Agrawal & Sons (HUF) and Shri Alok K. Agrawal amounting to **₹ 2,00,000/- and ₹ 5,100/-** respectively. And upon such examination, ultimately made no addition. Therefore, it cannot be said that the AO failed to conduct any enquiry, so as to render the assessment order erroneous and prejudicial to the interests of the Revenue.

17. Though it is true that the AO did not elaborate upon the details of the enquiries conducted in the assessment order. However, that by itself cannot justify invocation of Section 263 of the Act. In this regard, we consider it appropriate to refer to the principles laid down by the Hon'ble Delhi High Court in *CIT v. Sunbeam Auto Ltd.* [332 ITR 167 (Del.)], wherein it was held that a distinction exists between "lack of enquiry" and "inadequate enquiry." Where enquiries have in fact been conducted, even if considered inadequate, the Commissioner cannot invoke Section 263 merely because



he holds a different opinion. The power under Section 263 can be exercised only in cases, where there is a complete lack of enquiry.

18. Thus, as held by the Hon'ble Delhi High Court in *Sunbeam Auto Ltd.* (supra), once it is established that the AO applied his mind to the issue and conducted enquiries, but somehow did not give any reason while allowing the expenditure, then the mere fact that the Commissioner considers such enquiries inadequate, does not confer jurisdiction under Section 263 of the Act. For brevity and ready reference, the conclusion drawn by the Hon'ble High Court is reproduced as under:

"The submission of the revenue was that while passing the assessment order, the Assessing Officer did not consider the aspect specifically whether the expenditure in question was revenue or capital expenditure. That argument predicated on the assessment order, which apparently did not give any reason while allowing the entire expenditure as revenue expenditure. However, that, by itself, would not be indicative of the fact that the Assessing Officer had not applied his mind to the issue. There are judgments galore laying down the principle that the Assessing Officer in the assessment order is not required to give detailed reasons in respect of each and every item of deduction, etc. Therefore, one has to see from the record as to whether there was application of mind before allowing the expenditure in question as revenue expenditure. One has to keep in mind the distinction between 'lack of inquiry' and 'inadequate inquiry'. If there was any inquiry, even inadequate, that would not, by itself, give occasion to the Commissioner to pass orders under [section 263](#) merely because he has different opinion in the matter. It is only in cases of 'lack of inquiry' that such a course of action would be open.

In the instant case, the Assessing Officer had called for explanation on items in question from the assessee and the assessee had furnished his explanation. Said fact was even taken note of by the Commissioner himself in his order. "



19. We further observe that the Coordinate Bench of the Tribunal, while dealing with the Assessee's cases for A.Ys. 2018-19 and 2020-21 involving similar assessment orders and revisionary proceedings under Section 263, had also held that assumption of jurisdiction under Section 263 was unjustified.

20. Thus, in view of the foregoing analysis, we are of the considered opinion that the assessment order cannot be regarded as erroneous and prejudicial to the interests of the Revenue, as the AO had duly conducted enquiries as per his own wisdom, experience, and fashion, which ultimately resulted into making 'no addition'. Furthermore, we observe that the assessment order was neither passed without making the enquiries or verifications that ought to have been made, nor was any relief allowed without proper examination of the claim. It has also not been shown that the assessment order was passed in violation of any order, direction, or instruction issued by the Board under Section 119 of the Act, or contrary to any decision rendered by the jurisdictional High Court or the Supreme Court that is prejudicial to the Assessee, whether in the case of the Assessee or any other person. Accordingly, the assessment order does not attract the provisions of Section 263 of the Act. Consequently, the impugned order passed under Section 263 of the Act is unsustainable and is hereby quashed.



21. In the result, the appeal filed by the Assessee is allowed.

Order pronounced in the open court on 15.06.2026.

Sd/-

**PRABHASH SHANKAR
ACCOUNTANT MEMBER**

**(Tarun Kushwaha)
Sr. Private Secretary**

Sd/-

**NARENDER KUMAR
CHOUDHRY
JUDICIAL MEMBER**

Copy to:

1	MRIDUL SHASHIKANT KHANDELWAL, B- 1802, VASANT VALLEY, DINDOSHI BUS DEPOT IVY TOWER, MALAD EAST MUMBAI,, MUMBAI-400097, MAHARASHTRA
2	PCIT (CENTRAL) MUMBAI-1, ROOM NO. 1001, 10TH FLOOR, PRATISHTHA BHAVAN OLD CGO ANNEXE, MAHARISHI KARVE ROAD, MUMBAI, MUMBAI-400020, MAHARASHTRA
3	THE PCIT / CIT,
4	THE D.R., ITAT, MUMBAI BENCH
5	GUARD FILE

TRUE COPY

**ASSISTANT REGISTRAR /
SR. PRIVATE SECRETARY
I.T.A.T., MUMBAI**