

**IN THE INCOME TAX APPELLATE TRIBUNAL, 'D' BENCH
MUMBAI**

**BEFORE: SHRI AMIT SHUKLA, JUDICIAL MEMBER
&
SHRI ARUN KHODPIA, ACCOUNTANT MEMBER**

**ITA No.1458/Mum/2025 to 1460/Mum/2025
(Assessment Year :2014-15 to 2016-17)**

&

**ITA No.1478/Mum/2025
(Assessment Year: 2013-14)**

Income Tax Officer- 4(3)(1), Mumbai	Vs.	M/s. Rajat Diamond Exim Pvt. Ltd., 101, 6/2493, Prasad Building, Limbu Sheri Mahidharpura Surat, Gujarat
PAN/GIR No.AAECR0706R		
(Appellant)	..	(Respondent)

**ITA No.1527/Mum/2025 to 1529/Mum/2025
(Assessment Year :2014-15 to 2016-17)**

M/s. Rajat Diamond Exim Pvt. Ltd., 101, 6/2493, Prasad Building, Limbu Sheri Mahidharpura Surat, Gujarat	Vs.	Income Tax Officer-4(3)(1), Mumbai
PAN/GIR No.AAECR0706R		
(Appellant)	..	(Respondent)

Assessee by	None
Revenue by	Shri Annavarani Kosuri, Sr. AR
Date of Hearing	22/12/2025
Date of Pronouncement	23/12/2025

आदेश / O R D E R**PER BENCH:**

These cross appeals, preferred by the assessee as well as by the Revenue, arise from the separate but inter-connected orders passed by the learned Commissioner of Income Tax (Appeals) dated 31 December 2024, pertaining to assessment years 2013–14 to 2016–17, whereby assessments framed under section 147 read with section 144 of the Income Tax Act, 1961 were partly sustained. Since the issues involved are common in substance, rooted in an identical factual matrix, and arise from a uniform pattern of assessment, all the appeals were heard together and are being disposed of by this consolidated order, both in the interest of judicial economy and to ensure consistency in adjudication. For the sake of convenience, the facts are drawn primarily from assessment year 2013–14, which shall serve as the lead year, and the findings recorded herein shall apply mutatis mutandis to the remaining years as well.

2. At the threshold, it is noted that though the assessee had been represented during the earlier stages of hearing, on the date when the matters were finally called out for hearing, none appeared on behalf of the assessee. No adjournment application was moved, nor was any explanation tendered for the absence. In these circumstances, and having regard to the fact that the issues involved are largely legal and arise from the material already available on record, the appeals filed by the assessee are being adjudicated on merits after hearing the

learned Departmental Representative and after a careful examination of the records.

3. The assessee is engaged in the business of trading and processing of diamonds. For assessment year 2013-14, a return of income was duly filed and the assessment was originally completed under section 143(3) of the Act. Subsequently, based on information received from the Investigation Wing pursuant to search and seizure proceedings conducted in the case of Praveen Jain and certain group concerns, it was alleged that the said group was engaged in providing accommodation entries through a network of shell and paper entities. On the basis of such information, the Assessing Officer formed a belief that income chargeable to tax had escaped assessment, resulting in the reopening of the completed assessment under section 147.

4. During the course of reassessment proceedings, the Assessing Officer observed that the assessee had claimed purchases of rough diamonds from certain entities which, according to the information received, were alleged to be accommodation entry providers. The Assessing Officer called upon the assessee to substantiate the genuineness of such purchases by producing primary evidences, including purchase invoices, delivery challans, quantitative stock records, details of opening and closing stock, manufacturing records, reconciliation of purchases with sales, and other allied documents ordinarily maintained in the regular course of business. According to the Assessing Officer, the assessee

failed to furnish satisfactory evidence to conclusively establish the genuineness of the purchases and the actual movement of goods, leading him to draw an adverse inference that the transactions were merely accommodation entries and not genuine purchases.

5. It is pertinent to note that in assessment year 2013–14, the Assessing Officer himself, while harbouring doubts about the genuineness of the purchases, did not proceed to disallow the entire purchase amount, but instead chose to estimate the profit element embedded in such purchases by applying a gross profit rate of six percent. However, in the subsequent assessment years, the approach adopted by the Assessing Officer underwent a marked shift. In those years, the entire purchases were disallowed in certain cases, and in addition, the corresponding sales were also treated as bogus and brought to tax under section 68 of the Act, primarily on the ground that the parties failed to respond to notices issued under section 133(6) and that the assessee could not fully discharge the onus of establishing the identity, creditworthiness, and genuineness of the counterparties.

6. In appeal, the learned Commissioner (Appeals), after an exhaustive examination of the material on record, recorded a categorical finding that the sales corresponding to the alleged bogus purchases were duly recorded in the books of account and formed part of the declared turnover of the assessee. He further observed that once such sales are reflected on the credit side of the profit and loss account and have been

accepted as part of the gross receipts, it would be legally impermissible to treat the same receipts again as unexplained cash credits under section 68 of the Act. At the same time, the learned Commissioner (Appeals) also noted that the assessee had not been able to fully and satisfactorily establish the genuineness of the purchases, thereby justifying an estimation of profit embedded in such transactions rather than acceptance of the declared results at face value.

7. The learned Commissioner (Appeals), therefore, adopted a balanced approach consistent with settled jurisprudence by estimating the profit element involved in the alleged non-genuine transactions. He applied a uniform gross profit rate of six percent on the aggregate value of the alleged bogus purchases and, wherever applicable, on the alleged bogus sales, thereby restricting the additions to a reasonable estimate of income while deleting the balance additions made by the Assessing Officer. This approach was further reinforced by his observation that the assessee had disclosed substantial turnover and that the profits declared, though admittedly low, could not be altogether ignored or brushed aside.

8. For a holistic appreciation of the assessee's business operations and financial results, the learned Commissioner (Appeals) has referred to a comparative chart reflecting sales, purchases, closing stock, and operating profit for the relevant assessment years. Since the said chart is required to be reproduced in tabular form in its entirety, it is left blank here to be incorporated in the final order:

	AY 2013-14	AY 2014-15	AY 2015-16
Total sales	180,11,58,214	241,77,20,650	54,51,19,872
Closing Stock	1,65,90,525	27,20,875	0
Total purchases	182,35,95,420	240,61,55,209	56,13,84,275
Profit before interest, taxes and depreciation	3,74,679	3,87,221	4,05,703

9. We have given our anxious consideration to the rival positions and have carefully perused the orders of the authorities below along with the material placed on record. It emerges with clarity that in assessment year 2013-14, the Assessing Officer himself accepted the principle that even where purchases are found to be non-genuine, the appropriate course is not to disallow the entire purchase amount, but to bring to tax only the profit element embedded therein. The deviation from this principle in subsequent years, without any significant distinguishing facts, renders the approach of the Assessing Officer internally inconsistent.

10. It is well-settled in law that once sales have been recorded in the books of account, credited to the profit and loss account, and included in the declared turnover, the same receipts cannot be subjected to tax once again under section 68 merely because the corresponding parties did not respond to statutory notices or the assessee could not conclusively establish every link in the chain of transactions. The acceptance of sales necessarily implies the acceptance of corresponding purchases to the extent of the quantity and

value reflected in the trading results, and in such circumstances, the scope of addition is confined only to the estimation of profit embedded in such transactions.

11. At the same time, it cannot be overlooked that the assessee failed to fully substantiate the genuineness of the purchases by producing cogent and contemporaneous evidence and by conclusively establishing the identity and capacity of the suppliers. The surrounding circumstances, viewed cumulatively, do indicate that the purchases were routed through accommodation bills with a view to suppress the true gross profit. In such a factual scenario, estimation of income by applying a reasonable gross profit rate is not only permissible but is the most fair and pragmatic approach, striking a balance between safeguarding the interests of the Revenue and avoiding arbitrary or excessive additions.

12. Having regard to the nature of the assessee's business, the prevailing industry margins, and the consistent approach adopted by the learned Commissioner (Appeals) across all the assessment years under consideration, we find no infirmity in the application of a gross profit rate of six percent on the alleged non-genuine transactions. The estimation so made is reasonable, judicious, and firmly anchored in established principles of tax jurisprudence.

13. Accordingly, we find no reason to interfere with the well-reasoned orders passed by the learned Commissioner (Appeals) for assessment years 2013-14, 2014-15, 2015-16,

and 2016–17. Consequently, the appeals filed by the assessee as well as those filed by the Revenue are devoid of merit and stand dismissed.

14. In the result, all the appeals filed by the assessee and the Revenue are dismissed.

Order pronounced on 23rd December, 2025.

Sd/-
(ARUN KHODPIA)
ACCOUNTANT MEMBER
Mumbai; Dated 23/12/2025
KARUNA, sr.ps

Sd/-
(AMIT SHUKLA)
JUDICIAL MEMBER

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent.
3. CIT
4. DR, ITAT, Mumbai
5. Guard file.

//True Copy//

BY ORDER,

(Asstt. Registrar)
ITAT, Mumbai