

**IN THE INCOME TAX APPELLATE TRIBUNAL
“B” BENCH, AHMEDABAD**

**BEFORE SMT. ANNAPURNA GUPTA, ACCOUNTANT MEMBER &
SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER**

I.T.A. No.284/Ahd/2026
(Assessment Year: 2014-15)

NIMP Healthcare Pvt. Ltd., 407/8-9-12, GIDC Estate, Panoli, Bharuch-394116	Vs.	Income Tax Officer, Ward-2(1)(3), Vadodara
[PAN No.AADCN9923D]		
(Appellant)	..	(Respondent)

Appellant by :	Shri Hitesh Shah, AR
Respondent by:	Shri Abhijit, Sr. DR

Date of Hearing	21.04.2026
Date of Pronouncement	15.05.2026

ORDER

PER SIDDHARTHA NAUTIYAL - JUDICIAL MEMBER:

This appeal has been filed by the Assessee against the order passed by the Ld. Commissioner of Income Tax (Appeals), (in short “Ld. CIT(A)”), ADDL/JCIT(A), Bhubaneswar vide order dated 26.11.2025 passed for A.Y. 2014-15.

2. The assessee has raised the following grounds of appeal:

“1. The learned Commissioner of Income Tax (Appeals) erred in law and on facts in passing a non-speaking, cryptic and mechanical order under section 250 of the Income-tax Act, 1961, in violation of section 250(6) of the Act.

2. The learned CIT(A) failed to adjudicate the grounds of appeal independently and merely confirmed the order of the Assessing Officer without application of mind.

3. The learned CIT(A) erred in confirming the addition of Rs.1,35,48,400/- under section 68 ignoring that the amounts represented share application money received through banking channels in earlier years.

4. The learned CIT(A) failed to consider documentary evidence such as confirmations, bank statements and journal entries placed on record.

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5. *The order passed is violative of principles of natural justice and liable to be set aside.*

6. *The appellant craves leave to add, amend or alter any ground at the time of hearing.”*

3. The brief facts of the case are that the assessee company, M/s. NIMP Healthcare Private Limited, is engaged in the business of manufacturing of chemicals and had filed its return of income for Assessment Year 2014-15 declaring total income at Nil after claiming business loss. The return of income was processed under section 143(1) of the Income-tax Act, 1961 ("the Act") and subsequently the case was selected for scrutiny assessment. During the course of assessment proceedings, notices under sections 143(2) and 142(1) of the Act were issued calling for various details and explanations. The Assessing Officer observed from the audit report and books of account that the assessee had accepted unsecured loans from various parties during the year. The Assessing Officer called upon the assessee to establish the identity, creditworthiness and genuineness of the unsecured loan creditors. A specific show cause notice was issued by the Assessing Officer requiring the assessee to explain the unsecured loan transactions and further opportunities were granted vide notices dated 27.10.2016 and 10.11.2016.

4. In response to the notices, the authorised representative of the assessee attended from time to time and furnished details and explanations. The assessee submitted ledger accounts, confirmations, income tax return acknowledgements and bank statements in respect of several lenders. The assessee also explained that in some cases share application money received in earlier years was converted into

unsecured loans during the relevant previous year and therefore the same did not represent fresh cash credits for the year under consideration. However, the Assessing Officer was not satisfied with the explanation furnished by the assessee. According to the Assessing Officer, the creditors did not possess sufficient financial capacity to justify advancement of loans and the assessee had failed to conclusively establish the genuineness and creditworthiness of the transactions. The Assessing Officer further observed that confirmations were not available in certain cases and according to him the evidences furnished were insufficient to discharge the burden cast upon the assessee under section 68 of the Act. Consequently, the Assessing Officer treated the unsecured loans aggregating to Rs.1,35,48,800/- as unexplained cash credits under section 68 of the Act and added the same to the total income of the assessee while framing the assessment under section 143(3) of the Act.

5. Aggrieved by the assessment order, the assessee preferred appeal before the Ld. CIT(A). Before the first CIT(Appeals), the assessee challenged the addition made under section 68 of the Act and contended that the Assessing Officer had ignored the detailed written submissions and evidences filed during the course of assessment proceedings. The assessee specifically relied upon the judgment of the Hon'ble Supreme Court in the case of CIT v. Orissa Corporation Pvt. Ltd. reported in 159 ITR 78, wherein it was held that once the assessee furnishes names, addresses and PAN details of creditors and the creditors are income tax assesseees, the initial burden stands discharged and thereafter the onus shifts upon the Revenue to make further enquiry. The assessee further relied upon various judicial precedents including Rohini Builders v.

DCIT, Sarogi Credit Corporation v. CIT and CIT v. Radiant Embroideries to contend that where transactions are routed through banking channels and supporting evidences are furnished, addition under section 68 cannot be sustained merely on suspicion or because creditors were not personally produced.

6. The assessee also submitted before the Ld. CIT(A) that there were typographical errors in the tax audit report and that a substantial portion of the amounts added by the Assessing Officer represented the **opening balances or conversion of share application money received in earlier years into unsecured loans**. The assessee submitted that such opening balances could not legally be brought to tax under section 68 of the Act in the current assessment year. The assessee explained that complete details including confirmations, PAN, income tax return acknowledgements and bank statements had already been furnished before the Assessing Officer and therefore the addition was made without proper appreciation of evidences.

7. The Ld. CIT(A), however, was not convinced with the submissions of the assessee. The CIT(Appeals) observed that despite repeated opportunities, the assessee failed to furnish satisfactory documents to establish the source and application of the unsecured loans and also failed to furnish annual reports and complete details regarding repayment of loans in subsequent years. The Ld. CIT(A) held that the Assessing Officer had recorded detailed reasons regarding lack of creditworthiness and genuineness of the creditors and according to the CIT(Appeals) the assessee had failed to produce documents which could pass the “test of prudence”. The Ld. CIT(A) further observed that

despite several opportunities, the assessee evaded furnishing certain called-for documents and therefore no interference was warranted with the assessment order. Accordingly, the addition of Rs.1,35,48,800/- made under section 68 of the Act was confirmed and the appeal of the assessee was dismissed.

8. The assessee is in appeal before us against the order passed by CIT(Appeals) dismissing the appeal of the assessee.

9. We have heard the rival submissions and carefully perused the material available on record including the assessment order, appellate order, paper book filed by the assessee and the written submissions placed before us. The solitary issue arising for consideration is whether the addition of Rs.1,35,48,800/- made under section 68 of the Act in respect of unsecured loans is legally sustainable on the facts of the present case.

10. At the outset, we observe that the Assessing Officer proceeded to make the impugned addition primarily on the ground that the assessee had allegedly failed to establish the identity, creditworthiness and genuineness of the unsecured loan creditors. However, on careful examination of the assessment records and documentary evidences furnished before the authorities below, we find that the conclusion arrived at by the Assessing Officer is not borne out from the material available on record. The assessee had, during the course of assessment proceedings itself, furnished substantial documentary evidences in support of the unsecured loan transactions. The assessee had produced copies of ledger accounts of the lenders, confirmations in several cases,

acknowledgements of income tax returns, PAN details, bank statements and details regarding amounts actually received during the year. The chart furnished before us by the learned counsel for the assessee clearly demonstrates the nature and extent of evidences furnished in respect of each creditor and the same materially establishes that the assessee had discharged the initial burden cast upon it under section 68 of the Act.

11. From the documentary evidences placed before us, we find that the identity of the parties stood conclusively proved and established. The creditors are identifiable individuals having valid PAN and are regular income tax assessees. Their income tax return acknowledgements were furnished before the Assessing Officer and the gross total income declared by them was also brought on record. Once the creditors are identifiable tax assessees borne on the records of the Income Tax Department itself, the primary requirement regarding proof of identity stands satisfied. It is well settled that the assessee is only required to establish the identity of the creditor and furnish primary evidences in support thereof. In the present case, the assessee has clearly discharged such obligation by furnishing PAN details, income tax return acknowledgements and confirmations wherever available.

12. We further find that the genuineness of the transactions was also sufficiently demonstrated by the assessee through banking records. The bank statements furnished before the Assessing Officer clearly establish that the transactions were routed through normal banking channels and were not mere accommodation book entries. The loan amounts were received through identifiable banking transactions and corresponding entries stood reflected in the books of account maintained by the

assessee. There is no finding recorded by the Assessing Officer that the bank statements furnished by the assessee were fabricated or manipulated. Further, there is no material brought on record to suggest circulation of funds or immediate cash deposits preceding issuance of cheques by the lenders. In absence of any adverse enquiry or contrary evidence, the genuineness of the loan transactions cannot be disbelieved merely on the basis of suspicion or generalized observations.

13. It is also observed that confirmations from several creditors were furnished before the lower authorities. In respect of certain parties where confirmations could not be furnished immediately, the assessee had nevertheless placed on record their PAN details, income tax return acknowledgements and bank statements. In our considered opinion, non-furnishing of confirmation in isolated cases by itself cannot be viewed in isolation so as to justify addition under section 68 of the Act when substantial documentary evidences establishing identity and genuineness were already available before the Assessing Officer. It is not the case of the Revenue that the creditors were fictitious or non-existent persons. In fact, all the parties were traceable income tax assesseees and their records were available with the Department itself.

14. We also find considerable merit in the submissions advanced by the assessee that the Assessing Officer has fundamentally erred in treating even opening balances and conversion entries as unexplained cash credits of the year under consideration. The material available on record clearly reveals that substantial amounts represented share application money received in earlier years which was merely reclassified as unsecured loans during the relevant previous year. Such

conversion entries do not partake the character of fresh cash credits during the year under consideration. It is a settled proposition of law that section 68 of the Act can be invoked only in respect of sums found credited during the relevant previous year and not in respect of opening balances brought forward from earlier years. Therefore, the very foundation of the addition suffers from serious factual as well as legal infirmity.

15. Particularly, on careful perusal of the individual loan accounts and the reconciliation chart furnished by the learned counsel for the assessee, we find that the additions made by the Assessing Officer suffer from serious factual inconsistencies and arithmetical discrepancies. In the case of Shri Haren Naginlal Baxi, it is observed that the Assessing Officer made addition of Rs.32,50,000/- whereas the actual fresh loan received during the year was only Rs.7,50,000/-. The balance amount represented conversion of share application money aggregating to Rs.25,00,000/- received in earlier years and merely reclassified during the year under consideration. Therefore, the substantial portion of the addition did not pertain to any fresh credit appearing during the relevant previous year and consequently could not have been brought within the ambit of section 68 of the Act for the year under appeal. Similarly, in the case of Shri Mahaveer Laxmichand Chopra, the Assessing Officer made addition of Rs.38,20,000/- whereas the closing balance itself stood only at Rs.32,20,000/-. The said closing balance comprised opening balance/share application money conversion of Rs.16,20,000/- and fresh loan received during the year of only Rs.16,00,000/-. Thus, even on factual appreciation of the account, the addition made by the Assessing Officer exceeded the actual balance

appearing in the books. This clearly demonstrates complete non-application of mind and lack of proper reconciliation while framing the assessment. In the case of Smt. Ragini Mukesh Baxi, the Assessing Officer treated the entire sum of Rs.26,18,000/- as unexplained cash credit despite the fact that the fresh amount received during the year was only Rs.9,65,000/- and the balance amount represented opening balance/share application money already existing from earlier periods. Therefore, addition of the entire closing balance in the current year was factually and legally unsustainable. Likewise, in the case of Smt. Nirmaladevi Chopra, the records clearly reveal that no fresh loan whatsoever was received during the relevant previous year. The amount of Rs.10,75,000/- represented opening balance brought forward from earlier years. Despite this undisputed factual position, the Assessing Officer proceeded to make addition of the entire amount under section 68 of the Act, ignoring the settled legal principle that opening balances cannot be taxed in the year under consideration. In the case of Shri Jignesh Vasantlal Shah, the Assessing Officer added the entire amount of Rs.10,85,800/- though the actual fresh loan received during the year was only Rs.5,85,800/- and the remaining amount represented opening balance already standing in the books. Thus, once again, the Assessing Officer failed to distinguish between opening balances and fresh credits during the year while invoking section 68. Similarly, in the case of Smt. Trupti B. Mehta, though the addition of Rs.17,00,000/- corresponded to the loan received during the year, the assessee had furnished supporting evidences including ledger account, confirmation, bank statement and income tax particulars of the creditor. Therefore, even in this case, the

addition was made despite availability of primary documentary evidences establishing identity and genuineness of the transaction.

16. The aforesaid factual analysis clearly reveals that the Assessing Officer proceeded mechanically by treating entire closing balances as unexplained cash credits without undertaking proper account reconciliation and without appreciating whether the amounts represented fresh credits during the year or merely opening balances and conversion entries from earlier years. Such an approach is contrary to the scheme of section 68 of the Act which applies only to sums credited during the relevant previous year. These glaring factual discrepancies materially weaken the very foundation of the impugned addition.

17. Another important aspect which cannot be overlooked is that once the assessee furnished primary evidences establishing identity of creditors, their income tax particulars and banking transactions, the onus shifted upon the Revenue to make further investigation if it still entertained doubts regarding the financial capacity of the lenders. However, from the assessment order it is evident that no independent enquiry was conducted by the Assessing Officer. No summons under section 131 of the Act appear to have been effectively pursued, nor was any enquiry made from the jurisdictional Assessing Officers of the creditors despite complete PAN details being available on record. The addition has therefore been sustained merely on presumptions and perceived inadequacy of income of the lenders without any substantive material to rebut the evidences furnished by the assessee.

18. The Hon'ble Gujarat High Court in the case of CIT v. Rohini Builders reported in 256 ITR 360 has categorically held that where the assessee furnishes PAN details, confirmations and bank statements of creditors, addition under section 68 cannot be sustained merely because the creditors were not personally produced before the Assessing Officer. Similarly, in CIT v. Ranchhod Jivabhai Nakhava reported in 208 Taxman 35, the Hon'ble jurisdictional High Court has held that once PAN details, confirmations and banking transactions are furnished and the Department does not carry out further enquiry, addition under section 68 becomes unsustainable in law. The ratio laid down in the aforesaid judgments squarely applies to the facts of the present case.

19. We also find that the Ld. CIT(A), while confirming the addition, has merely observed that the assessee failed to furnish documents which could pass the "test of prudence". However, the CIT(Appeals) has failed to specifically deal with the documentary evidences already furnished by the assessee and has not pointed out any falsity or infirmity in the same. The appellate order proceeds largely on general observations without recording any categorical finding as to why the evidences placed on record were not acceptable. In our considered opinion, once documentary evidences such as PAN, income tax returns, ledger accounts and bank statements are furnished, the same cannot be brushed aside without conducting proper verification or bringing adverse material on record.

20. Considering the entirety of facts and circumstances of the case, we are of the view that the assessee had sufficiently discharged the initial burden cast upon it under section 68 of the Act. The identity of

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the creditors stood established, the transactions were routed through banking channels, confirmations and income tax records of creditors were furnished and substantial portion of the addition itself pertained to opening balances or conversion entries which were outside the scope of section 68 for the year under consideration. In absence of any cogent adverse material brought on record by the Revenue, the impugned addition cannot be sustained merely on suspicion or conjectures.

21. Accordingly, the addition of Rs.1,35,48,800/- made under section 68 of the Act and sustained by the Ld. CIT(A) is directed to be deleted. The appeal of the assessee is therefore allowed.

22. In the result, the appeal of the assessee is allowed.

This Order pronounced in Open Court on	15/05/2026
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Sd/-
(ANNAPURNA GUPTA)
ACCOUNTANT MEMBER

Ahmedabad; Dated 15/05/2026

TANMAY, Sr. PS

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1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, अहमदाबाद / DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

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आयकर अपीलीय अधिकरण, अहमदाबाद / ITAT, Ahmedabad