IN THE INCOME TAX APPELLATE TRIBUNAL
"B" BENCH, DELHI

BEFORE SHRI ANUBHAV SHARMA, JUDICIAL MEMBER & SHRI MANISH AGARWAL, ACCOUNTANT MEMBER

ITA No.383/Del/2025
(Assessment Year:2021-22)

ACIT Delhi-110002	Vs.	Payal Garg, H. No. 03, Sector 19 I Block, Pocket A, Rohini, Delhi 110085
स्थायीलेखासं./जीआइआरसं./PAN/GIR No: AGJPG 9417 E		
Appellant	..	Respondent

CO No.281/Del/2025
(Arising out ofITA No.383/Del/2025)
(Assessment Year:2021-22)

Payal Garg, H. No. 03, Sector 19 I Block, Pocket A Rohini, Delhi 110085	Vs.	ACIT Delhi-110002
स्थायीलेखासं./जीआइआरसं./PAN/GIR No: AGJPG 9417 E		
Appellant	..	Respondent

Appellant by :	Sh. Ajay Wadhwa, Adv, Ms. Bharati Sharma, Adv & Sh. Yatish Sharma, Adv

Respondent by :	Ms. Indu Bala Saini, Sr. DR

Date of Hearing	20.01.2026
Date of Pronouncement	23.01.2026

O R D E R

PER ANUBHAV SHARMA, JM:

This appeal and cross objection are preferred by the revenue and the assessee respectively, against the order dated 22.10.2024 of the National Faceless Appeal Centre (NFAC), Delhi (hereinafter referred to as the First Appellate Authority or 'the ld. FAA' for short) in DIN & Order No: ITBA/NFAC/SM/250/2024-25/1069854251(1) arising out of the order dated 29.12.2022 u/s 143(3) of the Income Tax Act, 1961 (hereinafter referred to as 'the Act').

2. On hearing both the sides we find that the assessee runs a proprietorship concern under the name and style of "M/s. Satya International" which is engaged in the business of trading in wire and wire mesh. Assessee's return was taken up for scrutiny on the issue that assessee had made substantial purchase from suppliers who are either Non-Filers or has filed non-business ITR or reflected substantial lower turnover in ITR.

3. After taking the response of assessee, Assessing Officer disallowed the purchase aggregating to Rs.4,51,90,010/- from the six suppliers treating them as bogus and added the same u/s. 69C read with Section 115BDE of the Act. However, the Ld. First Appellate Authority was satisfied with genuineness of purchases and deleted the addition for which the revenue is in appeal and cross-objections have also been filed by the assessee.

4. At the outset, it comes up that the cross-objections have been filed with the delay of 70 days for which an application for condonation of delay has been filed and as the delay is not of a substantial period, the delay is condoned and cross-objections are admitted for hearing.

5. Learned Counsel has stressed on the cross-objection raised submitting that the additions could not have been made u/s. 69C of the Act at all, is assessee had reflected the purchase in books of accounts and payments were made for the purchase through banking transactions reflected in the books of accounts which are duly audited and have been accepted in the assessment.

6. Learned Counsel relied on decision of **Hon'ble Delhi High Court** in **Commissioner of Income Tax-V Vs. M/s. Radhika Krishan ITA No.692 of 2009** order dated 30.04.2010 to contend that the focus of Section 69C of

the Act is on 'the source of such expenditure' and not on the 'authenticity of the expenditure' itself. As for completeness, we reproduce para 5 and 6 herein below:-

> *"5. Insofar as the first aspect of the matter is concerned, we find that Section 69C clearly stipulates that where, in any financial year, the assessee has incurred an expenditure and he offers no explanation about 'the source of such expenditure or part there of', or the explanation, if it is offered by him, is not, in the opinion of the Assessing Officer, satisfactory, the amount covered by such expenditure or part thereof, as the case may be, may be deemed to be the income of the assessee for such financial year.* ***Thus, the focus of Section 69C is on the "source" of such expenditure and not on the authenticity of the expenditure itself.*** *It is an admitted position that the expenditure was shown by the assessee in its regular books of accounts and it is because of this reason that the Income-tax Appellate Tribunal had observed:-*
>
> > *"As the expenditure was accounted in the regular books, the source is obviously explained. The provisions of Section 69C are not applicable as there was no unaccounted expenditure."*
> >
> > *(underlining added)*
>
> *6. What the Assessing Officer attempted to do was to go into the authenticity of the expenditure and he returned a finding that the expenditure was not authenticated by vouchers and consequently, he added the said expenditure as unexplained expenditure under Section 69C. We are in agreement with the observations and findings of the Commissioner of Income-tax (Appeals) as well as that of the Income-tax Appellate Tribunal that this is not a case which falls under Section 69C. Clearly, Section 69C refers to the 'source of the expenditure' and not to the expenditure itself. Consequently, the Assessing Officer was clearly wrong in treating the said expenditure as unexplained expenditure under Section 69C of the said Act and the lower appellate authorities were right in their conclusions in deleting the said additions."*

7. Ld. DR on the contrary, has submitted that the question involved is of genuineness of the source.

8. We find no force in the contention of Ld. DR in relying the order of Ld. Assessing Officer in invoking the Section 69C of the Act. The twin requirement of section 69C of the Act is that AO should find some

'expenditure' of which 'source' is unexplained. It can be observed from the assessment order that in Para 4.3.4 Assessing Officer has observed that because of lack of information given by the assessee with regard to genuineness of purchase, what emerges is that assessee has raised bills only and no stock has been received physically. Assessing Officer alleges this malpractice has been done to reduce the margin of profits. In para 4.4.1 Assessing Officer observes that notices u/s 133(6) of the Act were not duly responded and there were insufficient verifications. Therefore in para 4.4.2 Assessing Officer observes that the purchases are proposed to be treated as 'unexplained expenditure' under the provisions of Section 69C of the Act for which assessee was show caused for the variation.

9. Then, we find that, thereafter, the assessee by reply dated 24.12.2022 had provided all the relevant information including ITR in GSTR returns of vendors, transportation bills, stock register, details of godown for storage of goods. Therefore, Assessing Officer accepted the plea with regard to five vendors and rejected for six holding that purchases are bogus, but nowhere in raises concern with regard to financials including stock register, sales, cash flow etc.

10. Thus it is apparent AO was examining 'unexplained expenditure' only but not the source of expenditure. There is no dispute with regard to the expenditure being made from the books of accounts with regard to purchase forming part of the assessee and that leaves us with only conclusion to be drawn that the source of expenditure was not unexplained and genuineness of transactions was doubted not the source of transaction, thus judgment relied by the ld. Counsel is squarly applicable.

11. The cross objections are sustained and the same are allowed. Consequently, with the appeal of the revenue is dismissed.

Order pronounced in the open court on 23.01.2026

Sd/-	Sd/-
(Manish Agarwal)	(Anubhav Sharma)
ACCOUNTANT MEMBER	JUDICIAL MEMBER

Dated 23.01.2026
Mittali, Sr. PS

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR
ITAT NEW DELHI