आयकर अपीलीय अधिकरण, अहमदाबाद न्यायपीठ 'C' अहमदाबाद।
IN THE INCOME TAX APPELLATE TRIBUNAL
"C" BENCH, AHMEDABAD

BEFORE MS. SUCHITRA R. KAMBLE, JUDICIAL MEMBER
AND
MAKARAND V.MAHADEOKAR, ACCOUNTANT MEMBER

ITA No.1453/Ahd/2025
Asstt.Year : 2013-14

Krunal Ashokkumar Jethva D-32, Takshashila Orient Opp: Shyam Farm House Nikol Naroda Road Ahmedabad. PAN : AEJPJ 5659 M	Vs.	ITO, Ward-1(2)(3) Ahmedabad.

(Applicant)		**(Responent)**

Assessee by	:	Shri Ankit Chokshi, AR
Revenue by	:	Shri Umesh Kumar Agarwal Sr.DR.

सुनवाई की तारीख/**Date of Hearing : 17/11/2025**
घोषणा की तारीख /**Date of Pronouncement: 19/11/2025**

आदेश/O R D E R

PER MAKARAND V.MAHADEOKAR, AM:

This appeal by the assessee is directed against the order passed under section 250 of the Income Tax Act, 1961 [hereinafter referred to as "the Act"] by the Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi [hereinafter referred to as "the CIT"], dated 19.05.2025 for Assessment Year 2013-14. The said order arises from the reassessment order dated 25.03.2022 passed by the National Faceless Assessment Centre, Delhi [hereinafter referred to as "Assessing Officer or AO"], under section 147 read with section 144 and section 144B of the Act.

2. Facts of the Case:

2.1 The assessee, an individual, did not file any return of income for the previous year relevant to A.Y. 2013-14. On the basis of information uploaded on the Insight Portal, the case was flagged on the ground that during F.Y. 2012-13 the assessee had allegedly obtained accommodation entries of bogus Long Term Capital Gain in the scrip of M/s Frontline Business Solutions Pvt. Ltd. to the extent of Rs.1,25,79,787/- and was also a beneficiary of another accommodation entry of Rs.1,53,633/- routed through concerns controlled by one Shri Jignesh Shah and Shri Sanjay Shah.

2.2 The Assessing Officer recorded that search under section 132 was conducted on 11.09.2018 in the cases of Shri Jignesh Shah and Shri Sanjay Shah at Ahmedabad. According to the assessment order, the search resulted in seizure of unaccounted cash of about Rs.19.37 crores along with incriminating documents, secret Tally data and other digital records allegedly evidencing business of providing bogus LTCG, Short Term Capital Loss and other accommodation entries through various listed penny stock scrips, as well as routing and movement of cash through *angadias*. The Assessing Officer also referred to an investigation report and to actions taken by SEBI in respect of the scrip of M/s Frontline Business Solutions Pvt. Ltd. (later known as Inanna Fashion and Trends Ltd.), recording that SEBI had found large scale price rigging, self trades, synchronised trades and artificial increase in Last Traded Price, that the scrip exhibited abnormally low market capitalisation and thin fundamentals, and that a large number of beneficiaries had booked long term capital gains through these manipulated trades. It has been recorded that an accommodation entry operator arranges purchase and sale of shares of penny stock companies through synchronised trades, that cash is taken from beneficiaries and, after routing through a web of shell concerns and *angadias*, is returned in the form of cheque credits giving colour of genuine share transactions, and that for such services a fixed commission is charged.

2.3 The Assessing Officer reproduced the general characteristics of penny stock companies as per the investigation report, namely very low share price, very low market capitalisation, closely held shareholding in the hands of promoters directly or indirectly and absence of any substantial business activity. The Assessing officer in his order further set out an analysis of price and volume data of the scrip of M/s Frontline Business Solutions Pvt. Ltd. over a period, including date wise tables of trades indicating low historic prices, sudden and sharp price rise and abnormal volumes which, according to him, demonstrated systematic price rigging to provide bogus LTCG to selected beneficiaries. The Assessing Officer also referred to data compiled by the Investigation Wing showing that for F.Y. 2012-13 a large number of beneficiaries had allegedly obtained accommodation entries in the said scrip, and that in that list the assessee figured as a beneficiary for an amount of Rs.1,25,79,787/-.

2.4 The Assessing Officer in pursuance of the above information issued , notice under section 148 dated 30.03.2021 after obtaining requisite approval, followed by a series of notices under section 142(1) on 17.11.2021, 16.12.2021, 31.12.2021, 19.01.2022 and 21.02.2022, as well as show cause notice dated 14.03.2022.

2.5 According to the Assessing Officer, there was no response to the earlier notices and only meagre compliance later in the form of a bank account statement of State Bank of India, Navrangpura Branch, showing small cash deposits. In response to notices the assessee failed to furnish copy of return of income, complete bank statements, sources of income, copy of demat account, details of securities transactions and other requisitioned information. A further notice and questionnaire dated 21.02.2022 referred specifically to the alleged accommodation entries of Rs.1,25,79,787/- in the scrip of M/s Frontline Business Solutions Pvt. Ltd. and Rs. 1,53,633/- through Jignesh Shah and Sanjay Shah and called upon the assessee to explain the nature of these transactions, how they

were recorded in the books, whether they had been offered to tax, and to furnish ledger extracts of the concerned parties.

The assessee vide reply dated 24.02.2022 denied having received any accommodation entries from M/s Frontline Business Solutions Pvt. Ltd. or from Jignesh Shah and Sanjay Shah and claimed to have only done intraday trading in the scrip of Frontline Business Solutions Pvt. Ltd. resulting in a loss. The Assessing Officer did not accept this explanation. Relying on the investigation findings, SEBI adjudication order, analyses of price manipulation and volume, and the list of beneficiaries, he concluded that the assessee had in fact obtained an accommodation entry of Rs.1,25,79,787/- in the scrip of M/s Frontline Business Solutions Pvt. Ltd. and a further accommodation entry of Rs. 1,53,633/- through concerns controlled by Jignesh Shah and Sanjay Shah.

2.6 In the absence of satisfactory explanation and supporting evidences from the assessee, these amounts represented unexplained investment and unexplained credits. The Assessing Officer accordingly added Rs. 1,25,79,787/- and Rs. 1,53,633/- to the total income of the assessee treating the same as unexplained income assessable under section 68 of the Act and liable to tax at the rate prescribed in section 115BBE. On this basis, total income was determined at Rs. 1,29,13,331/- in the ex parte best judgment assessment framed under section 147 read with section 144 and section 144B.

2.7 The assessee carried the matter in appeal before the CIT(A). The assessee raised a series of legal and factual contentions. On the legal side, it was contended that the assessment framed under sections 147 r.w.s. 144 r.w.s. 144B was invalid for multiple reasons, namely that no jurisdictional notice under section 143(2) had been issued after filing of return in response to notice under section 148, that the statutory procedure contained in section 144B had not been complied with, and that the conditions for invoking section 144 were not satisfied since, according to the assessee, all

requisitions under section 142(1) as well as the show cause notice had been duly complied with.

2.8 On the merits of the addition of Rs.1,25,79,787/-, the assessee submitted before the Commissioner (Appeals) that he was regularly carrying on share trading activities in more than fifty scrips, including well-known companies such as IDFC, IFCI, IVRCL Infra, Karnataka Bank, LIC Housing, MTNL, Reliance Communications, Reliance Industries, Reliance Power and others, through registered stock brokers Swastika Investmart Ltd. and Bhansali Value Creations Pvt. Ltd. It was stated that proper contract notes, bills and ledgers had been issued by those brokers, that all transactions were routed through normal banking channels, that securities transaction tax had been duly paid and that detailed scrip wise profit and loss statements had been produced. In particular, with regard to M/s Frontline Business Solutions Pvt. Ltd., the assessee asserted that he had only carried out non delivery based intraday or speculative transactions aggregating to 82,756 shares, that no delivery was taken, and that on such speculative activity he had suffered loss of Rs.12,060/-. Reference was made to summaries of speculative losses and short-term capital losses, and to bank summaries showing total receipts of Rs.6,21,901/- and total payments of Rs.6,39,843/- in the year, in order to emphasise that no funds even remotely approaching Rs. 1,25,79,787/- had passed through the bank accounts. The assessee contended that he had not claimed any exempt LTCG or any set off of losses in the return and therefore there was no escapement of income and the question of any “accommodation entry” did not arise.

2.9 As regards the addition of Rs.1,53,633/-, the assessee contended that no loan or any other sum had been received during the year from any concern controlled by Jignesh Shah or Sanjay Shah. The assessee further contended that this was verifiable from the bank statements, and that the Assessing Officer had not supplied basic particulars such as the name of the concern, the bank account and the date of receipt.

2.10 A remand report was called for from the Assessing Officer by the CIT(A) on the submissions filed. The Assessing Officer, vide letter dated 23.08.2024, reiterated that the assessment had been completed under section 144 r.w.s. 147 with additions of Rs.1,25,79,787/- as "penny stock beneficiary" and Rs.1,53,633/- as "accommodation entries". He furnished a chronology of notices issued under sections 148 and 142(1) and recorded that there was either no response or only partial response to these notices. He reproduced Rule 46A and opined that the assessee had been given sufficient opportunity during the assessment proceedings, that the submissions now filed did not contain any additional evidence that had not been produced earlier, and that therefore no further comments were required. The assessee, in rejoinder dated 29.09.2024, pointed out that no application for admission of additional evidence had been made, that all documents filed before the Commissioner (Appeals) had also been furnished before the Assessing Officer, and that Rule 46A did not therefore arise.

2.11 After considering the assessment order, the material on record, the remand report and the written submissions, the CIT(A) held that the reassessment proceedings had been conducted by NFAC through the electronic platform as per the faceless scheme, that notices under section 148 and section 142(1) and show cause notices had been issued electronically, and that there was broad compliance with section 144B. It was further held that where assessment is completed under section 144 after reopening under section 147 on account of inadequate compliance, issuance of notice under section 143(2) is not mandatory, the primary jurisdictional requirement in reassessment being notice under section 148, which had been issued. The CIT(A) therefore rejected the procedural objections.

2.12 On the contention regarding wrongful invocation of section 144, it was observed by the CIT(A), that though some replies and documents were filed, critical queries relating to the nature of share transactions and

sources of credits remained unanswered or inadequately substantiated, and that partial and unsatisfactory compliance justified best judgment assessment.

2.13 On the merits of the addition of Rs.1,25,79,787/-, the CIT(A) placed emphasis on the investigation material, the abnormal and manipulated trading pattern in the scrip, the weak fundamentals of the company, the assessee's linkage with identified accommodation entry providers, and the absence of any cogent evidence from the assessee to explain the economic rationale of the transactions, and held that the assessee had failed to discharge the onus of establishing genuineness. The addition of Rs.1,25,79,787/- as unexplained investment in penny stock transactions was accordingly confirmed. Likewise, in respect of the addition of Rs.1,53,633/-, the CIT(A) held that the assessee had merely denied the transaction without furnishing corroborative evidence such as ledger accounts, detailed bank reconciliations or confirmations, that the information received from the Investigation Wing constituted tangible material, and that the onus under section 68 had not been discharged.

2.14 In conclusion, the CIT(A) held that all grounds of appeal were devoid of merit and dismissed the appeal, thereby sustaining the additions of Rs.1,25,79,787/- and Rs. 1,53,633/-.

3. Still dissatisfied, the assessee has preferred the present appeal before us and has raised the following grounds:

1. *Ld. CIT(A) has erred in law in upholding the validity of the Assessment Order passed by the Ao u/s 147 r.w.s.144 of the I.T. Act dated 25-03-2022 without issuing jurisdictional notice u/s 143(2) of the Act despite the fact that the appellant had filed return of income in response to the notice issued u/s 148 of the Act which is considered to be a return filed u/s 139 of the Act. It is a settled law that the non-issuance of jurisdictional notice u/s 143(2) of the Act is fatal to the reassessment order.*

   1.1 The AO, while computing assessed income on page no. 22 of the Assessment Order as well as in the separately attached computation sheet along with the Assessment Order, did consider the return of income filed by appellant in response to the notice issued u/s 148 of the Act and yet did not issue the jurisdictional notice u/s 143(2) which is against the sanction of law

and results in invalid assumption of jurisdiction by the AO. Ld. CIT(A) erred in law in not appreciating the said fact and upholding the validity of the said proceeding and assessment order.

2. *On the facts and circumstances of the case of your appellant, the A.O. has passed the order u/s. 147 r.w.s. 144 r.w.s. 144B of the Act by issuing notice u/s 148 of the Act without following procedure as prescribed under the E-Assessment Scheme and therefore order passed u/s. 147 r.w.s. 144B of the Act is void ab initio and bad in law and therefore liable to be quashed. Ld. CIT(A) erred in law and on facts in not appreciating and allowing the said ground of appeal.*

3. *On the facts and circumstances of the case of your appellant, the A.O. has passed the order u/s. 147 r.w.s. 144 r.w.s. 144B of the Act even though your appellant has furnished all the information called for vide notices u/s. 142(1) of the Act and also replied to show cause notice within the given time. Therefore, the order passed u/s. 147 r.w.s.144 r.w.s. 144B of the Act is void ab initio and bad in law and therefore liable to be quashed. Ld. CIT(A) erred in law and on facts in not appreciating and allowing the said ground of appeal.*

4. *Ld. CIT(A) erred in law and on facts in upholding the addition made by the AO of Rs. 1,25,79,787/- u/s 68 of the Act representing genuine share trading transaction in the scrip of M/s. Frontline Business Solutions Pvt. Ltd.*

5. *Ld. CIT(A) erred in law and on facts in not appreciating the fact that the appellant did not enter into any pecuniary transaction with Mr. Jignesh Shah and Sanjay Shah during the year under consideration and therefore, did not receive the amount of Rs. 1,53,633/- as alleged and the said fact was verifiable from the bank account statements. The sustainment of addition made by the AO was therefore invalid.*

6. *Ld. CIT(A) erred in law and on facts in not appreciating that the Assessment Order passed by the AO was in violation of principle of natural justice for various reasons such as ; (i) not allowing the opportunity of being heard through the video conferencing mode despite specific request made in this regard (ii) the details and information based on which proceeding was initiated and addition was made were not provided (iii) the cross examination of persons whose statements were relied upon against appellant was not provided.*

7. *Your appellant craves leave to add, alter, amend, and/or delete any grounds as mentioned above during the course of appeal hearing.*

4. During the course of hearing, the Authorised Representative for the assessee reiterated the factual background already placed on record and invited attention to the compilation filed in the form of a paper book. With reference to the statement of profit and loss account, contract notes issued by the registered brokers, ledger extracts of the trading accounts, and copies of bank statements, the Authorised Representative submitted that the assessee was regularly engaged in speculative and intraday trading in

various scrips, including the scrip of M/s Frontline Business Solutions Pvt. Ltd., and that the transactions were non delivery based and had resulted in a small speculative loss. It was contended that no delivery of shares was ever taken, no long term capital gain was booked and no receipt even remotely corresponding to the figure of Rs. 1,25,79,787/- or Rs. 1,53,633/- appeared in the bank accounts. The Authorised Representative submitted that the Assessing Officer had mechanically treated the assessee as a beneficiary of alleged accommodation entries without examining the contract notes and ledger positions which, according to the assessee, clearly established genuine speculative trading.

4.1 On the legal grounds, the Authorised Representative placed reliance on several judicial precedents to contend that the assessment framed under section 147 read with section 144 and section 144B is invalid in law for non-issuance of notice under section 143(2) after the assessee had filed a return of income in response to notice under section 148. It was argued that issuance of notice under section 143(2) is a mandatory jurisdictional requirement where the returned income is proposed to be scrutinised, and that absence of such notice vitiates the entire reassessment proceedings.

5. The Departmental Representative, supporting the orders of the lower authorities, submitted that the assessee had not filed any return of income under section 139 for the relevant assessment year, nor did he comply with repeated statutory notices issued during the reassessment proceedings. It was pointed out that despite service of notice issued under section 148 and 142(1), the assessee failed to furnish the return of income within the prescribed time and ultimately filed the return only on 17.03.2022, which was at the very fag end of the time barring period.

5.1 The DR submitted that the Assessing Officer was justified in completing the assessment under section 144 on account of the assessee's continuous noncompliance. It was further argued that since the assessee did not cooperate during the course of reassessment, the Assessing Officer did not consider such belated return and, therefore, did not refer to it in the

assessment order. According to the Departmental Representative, the Assessing Officer rightly adopted the total income as the basis for computation in the best judgment assessment.

6. We have carefully considered the rival submissions on the preliminary legal ground challenging the validity of the reassessment on account of alleged non issuance of notice under section 143(2) after filing of the return of income in response to notice issued under section 148. We have also perused the assessment record as reproduced in the orders of the Assessing Officer and the Commissioner of Income-tax (Appeals).

6.1 It is an undisputed position on record that the assessee did not file any return of income under section 139(1). The Assessing Officer initiated proceedings under section 147 and issued notice under section 148. The Assessing Officer issued statutory notices thereafter, but the assessee did not comply with the same. The assessee finally filed his return of income only on 17.03.2022, at a stage when the assessment was approaching the limitation date. The assessment order passed under section 144 does not make any reference to the said return. The Assessing Officer proceeded to frame the assessment under section 144 by estimating the income and also initiated penalties under sections 271F and 271(1)(b).

6.2 The assessee has taken a specific legal ground that the assessment is invalid due to absence of a notice under section 143(2) subsequent to the filing of the return of income in response to the notice under section 148. The assessee has relied upon judicial pronouncements laying down that the issuance of notice under section 143(2) is mandatory where a return has been furnished, and that omission to issue such notice renders the reassessment void.

6.3 We have considered the legal position. The settled judicial principle is that where a return is furnished in response to notice under section 148, the Assessing Officer must issue a notice under section 143(2) within the prescribed time, if the assessment is to be made under section 143(3) read

with section 147. However, the statutory requirement of notice under section 143(2) is attracted only where a return is furnished and is taken up for scrutiny assessment.

6.4 In the present case, the assessee filed the return only on 17.03.2022. The assessment was completed under section 144 due to continuous noncompliance. The assessee did not place the return before the Assessing Officer at any time prior to 17.03.2022, nor did he respond to any of the notices issued earlier. The Assessing Officer has completed the assessment under section 144 treating the assessee as non-compliant. In such a factual matrix, the principles governing a scrutiny assessment under section 143(3) do not strictly apply. The statutory framework permits the Assessing Officer to proceed under section 144 where the assessee fails to comply with notices issued during reassessment proceedings.

It is further pertinent that the assessee filed the return at the fag end of the assessment proceedings without participating in the reassessment process. The return so filed was not accompanied by any request or application seeking consideration of the same. The Assessing Officer, faced with a long history of non-cooperation, proceeded to finalize the best judgment assessment. The factual finding recorded by the CIT(A) reflects that repeated opportunities were granted to the assessee and yet no particulars were furnished.

6.5 On these facts, the assessee cannot derive support from judicial precedents which deal with situations where the assessee furnished a return in response to section 148 in a timely manner and the Assessing Officer proceeded to frame an assessment under section 143(3) without issuing notice under section 143(2). The essential factual requirement for applying those decisions is absent here. The assessee's conduct of persistent noncompliance, coupled with a belated filing of return on 17.03.2022, disentitles him from invoking the protective ratio of such decisions.

6.6 We, therefore, hold that the absence of notice under section 143(2) in the present case does not render the assessment invalid. The assessment has been framed under section 144, which statutorily empowers the Assessing Officer to complete the assessment to the best of his judgment when the assessee fails to furnish the return of income within the stipulated time or fails to comply with statutory notices. The belated return filed by the assessee on 17.03.2022 cannot, in the facts of this case, invalidate the jurisdiction already assumed under section 147 nor can it vitiate the completion of assessment under section 144.

In view of the foregoing discussion, the legal ground raised by the assessee challenging the validity of the assessment on account of non-issuance of notice under section 143(2) is rejected. The assessment is held to be valid in law.

6.7 Having disposed of the legal ground, we now proceed to examine the appeal on merits. We have carefully considered the rival submissions and perused the entire material placed in the paper book, including the statement of profit and loss account, the contract notes issued by registered brokers, the ledger extracts of the brokers, and the bank statements of the assessee. The undisputed position emerging from the record is that the assessee was engaged in non-delivery based, day to day speculative trading in shares, which falls within the ambit of section 43(5) of the Act.

6.8 The assessee has placed before us complete supporting documentation showing that the trades were carried out through regular brokers and that the payments for such trades were effected through banking channels. The bank statement, read conjointly with the broker ledgers, demonstrates that the assessee made cheque payments for meeting the margin and settlement obligations arising out of the speculative trades.

6.9 A further factual feature which surfaces from the ledger of Bhansali Value Creations Pvt. Ltd., placed at page numbers 477 and 485 to 486 of the paper book, is that between 28.02.2013 and 31.03.2013 there were cash

deposits in the bank account of the assessee which correspond to the payments made to the broker for carrying out speculative transactions. Neither the Assessing Officer nor the learned CIT(A) undertook any inquiry into the nature of these cash deposits or sought to ascertain whether the same had any bearing on the small addition of Rs. 1,53,633/-, which was characterised as an unexplained sum allegedly linked to concerns controlled by Shri Jignesh Shah or Shri Sanjay Shah. There is nothing on record to show that any tangible material was available with the Assessing Officer to support such a conclusion.

6.10 The addition of Rs.1,25,79,787/-, sought to be made with reference to the purchase value of the speculative trades, also does not withstand scrutiny. When the assessee has demonstrably undertaken speculative trades through recognised brokers and payments have been routed through the banking system, it was incumbent upon the Assessing Officer to examine the nature of the trades, the counterparty details, and the mechanics of execution before arriving at any adverse conclusion. No such exercise has been carried out. A mere reference to the quantum of purchases, without any inquiry into the economic rationale, the funding pattern, or the genuineness of the trades, cannot form the basis of an addition. The approach suffers from a clear absence of foundational facts and cannot be sustained as a reasoned quasi-judicial determination.

6.11 The cumulative effect of the above is that the additions have been made on the basis of conjectures without conducting even elementary inquiry. This is further fortified by the fact that the amount involved is small in the context of the overall trading activity. We find no material on record linking the assessee with any accommodation entry operator, nor is there any corroborative evidence to support the allegation that the amounts represent unexplained loans or any other sum.

6.12 In these circumstances and having regard to the limited magnitude of the additions and the complete absence of any meaningful investigation, we are of the view that sustaining the additions would not be justified. The

additions of Rs.1,53,633/- and Rs.25,79,787/-, to the extent sustained by the learned CIT(A), are therefore liable to be deleted.

6.13 Accordingly, the orders of the lower authorities on the merits of the additions are set aside, and the additions made by the Assessing Officer are directed to be deleted.

7. In the result, the legal ground relating to non-issuance of notice under section 143(2) is dismissed. On the merits of the additions, the appeal of the assessee is allowed, and the impugned additions are deleted.

In the result the appeal of the assessee is partly allowed.

Order pronounced in the Court on 19th November, 2025 at Ahmedabad.

Sd/-	Sd/-
(SUCHITRA R. KAMBLE)	**(MAKARAND V. MAHADEOKAR)**
JUDICIAL MEMBER	**ACCOUNTANT MEMBER**

Ahmedabad, dated 19/11/2025

vk*