INCOME TAX APPELLATE TRIBUNAL,
MUMBAI BENCHES, MUMBAI

BENCH: G

BEFORE HON'BLE NARENDER KUMAR CHOUDHRY, JUDICIAL MEMBER
AND HON'BLE RAKESH KUMAR LODHA, ACCOUNTANT MEMBER

<table>
<tr><td colspan="3">ITA No.4194/MUM/2026
निर्धारण वर्ष/Assmt. Year: 2012-13
Permanent Account Number: AEPPA 7508 E</td></tr>
<tr><td>Late Govindram Mathuradas Agarwal (Legal Heir and Son Sharad Govindram Agarwal)
B-1704, D.B. Woods,
Krishna Vatika Road,
Gokuldham, Goregaon (East),
Mumbai, Maharashtra - 400063</td><td rowspan="2">Vs.</td><td>Income Tax Officer-42(2)(1)
AO Number 91,
Range Code 432,
Kautilya Bhavan, Mumbai,
Maharashtra - 400051</td></tr>
<tr><td>(अपीलार्थी / Appellant)</td><td>(प्रत्यर्थी / Respondent)</td></tr>
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निर्धारिती द्वारा/Assessee represented by:	**Ms. Priyanka Jain, Ld. Adv. a/w. Shri Shobit Mishra, Ld. A.R.**
राजस्व द्वारा/Revenue represented by:	**Shri Rajgopal K. Parthasarathy, Ld. Sr. D.R.**

सुनवाई की तारीख / Date of conclusion of hearing:	**12.08.2026**
घोषणा की तारीख / Date of pronouncement:	**24.08.2026**

आदेश / ORDER

PER: NARENDER KUMAR CHOUDHRY, JUDICIAL MEMBER:

This appeal has been preferred by the Assessee against the order dated **10.04.2026**, impugned herein, passed by the National Faceless Appeal Centre (NFAC)/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. 2012-13**.

2. Brief facts relevant for adjudication of the instant appeal are that the case of the Assessee was reopened u/s **147** of the Act by recording reasons on the basis of information received from DDIT (Inv.), Unit-8(2), Mumbai, vide letter dated **27.03.2019**, to the effect that M/s Banas Finance Ltd., a penny-stock scrip listed on BSE, had been used for introducing unaccounted income in the form of exempt capital gains or short-term capital losses. It was further alleged that during search/survey proceedings, the said company was found to have been used for providing accommodation entries in the form of loans and that the Assessee, during the year under consideration, had also taken a loan of **Rs.87,00,000/-** from the said company.

3. Consequently, notice u/s 148 of the Act was issued on **29.03.2019**. In response thereto, the Assessee's son, being the legal heir of the deceased Assessee, filed a reply on the e-filing portal on **04.04.2019** along with the death certificate of the Assessee and a copy of the original ITR filed for the **A.Y. 2012-13**.

4. Thereafter, various statutory notices were issued, in response to which the legal heirs of the Assessee filed relevant submissions and documents, including:

(i) computation of income;
(ii) copy of Form 26AS;
(iii) copies of statements of all bank accounts of the Assessee;
(iv) loan confirmation from M/s Banas Finance Ltd.; and
(v) bank statement evidencing advancement of the said loan to the Assessee.

5. The aforesaid documents were verified and placed on record by the AO. Thereafter, the AO thereafter analyzed, inter alia, the financials and share-price movement of M/s Banas Finance Ltd., the modus operandi allegedly adopted in penny-stock transactions, the role of operators/promoters and exit providers, and the trade data. The AO, ultimately, on the basis of the findings of search/survey, inquiries conducted in the cases of brokers, operators and entry providers and the nature of the transaction, treated the unsecured loan of **Rs.87,00,000/-** as unexplained cash credit and made an addition u/s **68** of the Act.

6. We have given thoughtful consideration to the peculiar facts and circumstances. It is not in controversy that the Assessee had filed the aforesaid relevant documents before the AO, which were verified and placed on record.

7. Further, there is not even a whisper of any allegation against the Assessee qua manipulation or rigging of the shares of M/s Banas Finance Ltd. By filing the aforesaid documents, the Assessee had prima facie discharged the onus cast upon him u/s 68 of the Act. However, the AO, merely on the basis of general allegations against the lender arising from the investigation and the findings of search/survey and inquiries conducted in the cases of brokers, operators and entry providers, made the addition by sidelining the documentary evidence furnished by the Assessee, without bringing on record any substantive material establishing the Assessee's nexus with the alleged accommodation-entry activity.

8. We further observe that the loan was subsequently repaid to the lender through banking channel, as demonstrated by the Ld. Counsel by drawing our attention to the bank statement of Indian Bank and the specific entry dated 10.09.2012 for Rs.89,00,056/-. The repayment through banking channel further supports the genuineness of the loan transaction between the Assessee and M/s Banas Finance Ltd.

9. At this stage, it is relevant to refer to the judgment of the Hon'ble Jurisdictional High Court in **Pr. CIT Vs. Skylark Build**, Income Tax Appeal No. 616 of 2016, decided on 24.10.2018, wherein, while sustaining the deletion of the addition made u/s 68 of the Act, the Hon'ble High Court also noticed the subsequent repayment of the loans to the creditors as a relevant circumstance supporting the genuineness of the transactions.

10. Similarly, the Hon'ble Jurisdictional High Court in **Pr. CIT Vs. Veedhata Tower Pvt. Ltd.**, Income Tax Appeal No. 819 of 2015, decided on 17.04.2018, upheld the deletion of the addition u/s 68 of the Act where the lender had confirmed the transaction, requisite documentary evidence had been furnished and a substantial part of the loan had also been repaid through account-payee cheques.

11. Further, the Hon'ble Gujarat High Court in ***CIT Vs. Ayachi Chandrashekhar Narsangji***, Tax Appeal No. 992 of 2013, decided on 02.12.2013, sustained the deletion of the addition u/s 68 of the Act after noticing, inter alia, that the loan had been advanced through banking channel, the identity and creditworthiness of the lender and genuineness of the transaction stood established and the loan had subsequently been repaid, which repayment was accepted by the Department without further inquiry.

12. Thus, though repayment of a loan by itself may not be conclusive, however, where the Assessee has discharged the primary onus cast u/s 68 of the Act by furnishing relevant documentary evidence, subsequent repayment through banking channel constitutes an important corroborative circumstance supporting the genuineness of the transaction.

13. In the instant case, the loan of Rs.87,00,000/- was subsequently repaid through banking channel, which, coupled with the loan confirmation and bank statements already furnished and verified by the AO, further fortifies the genuineness of the transaction. In the absence of any substantive material establishing that the amount represented the Assessee's own unaccounted money routed through the lender, the addition u/s 68 of the Act cannot be sustained.

14. Thus, in view of the above findings, we are unable to sustain the addition made by the AO and affirmed by the Ld. Commissioner vide the impugned order. Accordingly, the addition is deleted.

15. As we have deleted the addition on merits, thus the other grounds raised by the Assessee, including the challenge to the reassessment proceedings on account of non-issuance of notice u/s **143(2)** of the Act, have been rendered academic and, therefore, are left open. In our view, adjudication of the same would be a futile exercise.

16. In the result, **the Assessee's appeal is allowed**.

Order pronounced in the open court on 24.08.2026.

Sd/-	**Sd/-**
RAKESH KUMAR LODHA	**NARENDER KUMAR CHOUDHRY**
ACCOUNTANT MEMBER	**JUDICIAL MEMBER**

(Tarun Kushwaha)
Sr. Private Secretary

Copy to: The Appellant
The Respondent
The CIT, Concerned, Mumbai
The DR Concerned Bench

//True Copy//

By Order

Dy/Asstt. Registrar, ITAT, Mumbai.