

## RAM PRAKASH BHATIA VS. DCIT (ITAT DELHI)



**Citation: ITA Nos. 1477 to 1481/Del/2024 | Order Date: December 24, 2025**

### BACKGROUND

The assessee, an individual, was subjected to a survey under section 133A on 08.08.2014, during which he admitted that he was engaged in the business of providing accommodation entries and bogus bills. For AY 2011-12, he had originally filed his return declaring income of ₹1,59,800, and the reassessment proceedings that followed resulted in a total income of ₹12,04,750. Thereafter, the PCIT passed an order under section 263 setting aside the reassessment for reconsideration of the computation of commission income on debit transactions and for requiring the assessee to furnish information regarding credit entries.

In the consequential order passed under section 263 read with section 147, the AO computed commission income of ₹10,88,189 and further treated the credit entries in the bank accounts as unexplained credits under section 68 amounting to ₹46,18,63,196. The NFAC upheld these additions. Aggrieved by the NFAC order, the assessee appealed to the Tribunal and contended that he acted merely as an entry operator and that only the commission income arising from such accommodation entries ought to be assessed in his hands, noting that in earlier orders in his own case the Tribunal had already characterized him as an entry provider and directed computation of commission at 0.15% on credit entries.

### ISSUE

The issue was if the additions should be confined to commission income on accommodation entries or whether the entire credit entries amounting to ₹46,18,63,196 could be assessed as unexplained income u/s 68.

### FINDINGS OF THE TRIBUNAL (ITAT DELHI)

The ITAT held as follows:

- Acceptance of "Entry Operator" Status: The Tribunal noted that both the assessee and the Department agreed on the fact that the assessee was an entry provider. The Bench held that once this status is accepted, it logically follows that the funds circulating in the accounts do not belong to the assessee but to the beneficiaries.
- Rejection of Gross Addition: The Tribunal ruled that taxing the entire credit turnover is contrary to the "Real Income Theory." It held that the credit entries in the bank accounts of the assessee (and firms managed by him) contained accommodation entries, and thus, "no further addition could be made for such credit entries" once commission income is estimated.

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- Determination of 0.15% Commission: Relying on the principle of consistency with the assessee's own case for other years (ITA No. 185/Del/2020), the Tribunal directed the AO to restrict the taxable income to a commission rate of 0.15% on the total credit entries. The Bench observed that this rate adequately covers the "multiple routing of entries up to 10 times" often seen in such operations.
- Deletion of Debit Commission: The AO had also added commission income on debit entries. The Tribunal deleted this addition, reasoning that debit entries are merely the application of the credited funds. Taxing commission on both sides would amount to double taxation on the same flow of funds.

### KEY TAKEAWAYS

- Nature of Activity Determines Taxability: Once assessee is characterized as an entry operator, taxability aligns with commission income, not gross transaction values.
- Commission Methodology Affirmed: Application of 0.15% on credit entries continues Tribunal consistency within assessee's own case history.
- Section 68 Inapplicability on Accommodation Entries: Tribunal reasoning indicates that section 68 cannot be simultaneously invoked on the same entries once their character as pass-through accommodation entries is accepted.
- Debit Entries not Independently Taxable They were viewed as mere rotation, not income.
- Relief Quantum: Substitution of ₹46,18,63,196 unexplained income with 0.15% commission materially reduces taxable income and alters assessment outcome.

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### KNOWLEDGE DESK

~**Abutalib Syed**  
(Knowledge Executive)

~**Huzefa Mala**  
(Director)