Klf Nirmal Industries Pvt. Ltd vs Deputy Commissioner Of Income Tax

ID: F2J-C-2478 **Court:** Kerala High Court
Case: ITA NO. 45 OF 2026 **Date:** 2026-03-26

[Cites 0, Cited by 0] Kerala High Court Klf Nirmal Industries Pvt. Ltd vs Deputy Commissioner Of Income Tax on 26 March, 2026 Author: Devan Ramachandran Bench: Devan Ramachandran IN THE HIGH COURT OF KERALA AT ERNAKULAM PRESENT THE HONOURABLE MR. JUSTICE DEVAN RAMACHANDRAN & THE HONOURABLE MR.JUSTICE BASANT BALAJI THURSDAY, THE 26TH DAY OF MARCH 2026 / 5TH CHAITHRA, 1948 ITA NO. 45 OF 2026 AGAINST THE ORDER DATED 20.11.2025 IN ITA NO.733/COCH/2025 FOR THE ASSESSMENT YEAR 2021-22 ON THE FILES OF THE INCOME TAX APPELLATE TRIBUNAL, COCHIN BENCH. APPELLANT/APPELLANT/APPELLANT/ASSESSEE: KLF NIRMAL INDUSTRIES PVT. LTD., FATHER DISMAS ROAD, IRINJALAKUDA, THRISSUR, KERALA , [PAN AADCK4657],REPRESENTED BY MANAGING DIRECTOR, PIN - 680125 SMT.BINISHA BABY SHRI.ARAVIND SREEKUMAR SMT.SARITHA K.S. SHRI.ARAVIND RAJAGOPALAN MENON SHRI.ALEX T. THEVARCAD SHRI.ANIL D. NAIR (SR.) RESPONDENT/RESPONDENT/RESPONDENT/REVENUE: DEPUTY COMMISSIONER OF INCOME TAX, TRICHUR,AYAKAR BHAVAN, TRICHUR, KERALA, PIN - 680001 SHRI.G.KEERTHIVAS, ADDITIONAL STANDING COUNSEL, INCOME TAX DEPARTMENT SHRI.HARIKUMAR G. (GOPINATHAN NAIR), ADDITIONAL STANDING COUNSEL, INCOME TAX DEPARTMENT THIS INCOME TAX APPEAL HAVING COME UP FOR ADMISSION ON 26.03.2026, THE COURT ON THE SAME DAY DELIVERED THE FOLLOWING: 2026:KER:26822 ITA NO. 45 OF 2026 2 JUDGMENT Devan Ramachandran, J. The challenge before us is against Annexure E order of the Income Tax Appellate Tribunal (ITAT), Cochin Bench, in ITA No.733/COCH/2025.

2. The short question in controversy, is whether the learned Tribunal could have made a presumption of "bogus purchase" by the appellant; and then to have directed the Assessing Authority (AO) to apply the appropriate percentage of profit instead of making disallowance on ad hoc basis.

3. Sri.Anil D.Nair, learned senior counsel, instructed by Smt.Binisha Baby - appearing for the appellant, vehemently argued that, when the books of account of his client had not been rejected by the Assessing Officer, or by any other Authority, the learned Tribunal obtained no jurisdiction to hold that, even in the case of "bogus purchase", the profit element should be added to the taxable income; thus consequently remanding the matter to the Assessing Officer, to apply the appropriate "percentage of profit". He argued that this creates an untenable situation where, even when the books of account have not been disturbed, "bogus purchase" is presumed; and then the "percentage of profit" has 2026:KER:26822 ITA NO. 45 OF 2026 3 been ordered to be included in the taxable income of his client. He predicated that, therefore, the order of the learned Tribunal is in error; but conceded that if this Court is to make a full remand of the matter to the Assessing Officer, including on the question of the books of account, his client will not stand in the way.

4. Sri.Harikumar G. - learned standing counsel for the respondent, submitted that this is not a case where the books of account have been accepted by the Assessing Authority, but where they found that there were several documents and details ■ including purchase invoices and such others ■ which have been kept secret and not disclosed. He contended that, in such circumstances, all that the learned Tribunal could have done was to direct the profits of such purchases to be added to the taxable income; and that, this is all what it has done. He, however, acceded to the alternative suggestion that this Court order a full remand to the Assessing Officer, so that he can enter a fresh assessment, adverting to all relevant aspects, including all the books of account.

5. We have little doubt that Annexure E, as it presently stands, cannot find legal favour. We say as afore because, it is virtually conceded before us that the books of account of the 2026:KER:26822 ITA NO. 45 OF 2026 4 appellant have not been rejected, or set aside, as of now. In spite of it, the learned Tribunal says that, even in the case of "bogus purchases" - making it appear that there is a presumption of such - "the profit element embedded therein should be added to the taxable income" (sic). It then remanded the matter to the AO, to apply the "appropriate percentage of profit".

6. We are afraid that we cannot grant imprimatur to the afore course adopted by the learned Tribunal because, when a remand was ordered, including on the question whether there were "bogus purchases" or otherwise, it should have been left to the Assessing Officer to assess and evaluate it, based on all relevant and germane inputs, including the accounts, documents and other relevant aspects as are necessary.

7. In such perspective, we are without doubt that, instead of a limited remand, the learned Tribunal ought to have allowed the AO to reconsider the whole matter, adverting to the books of account of the appellant also. Resultantly, we allow this appeal and set aside Annexure E, to the extent to which it has remanded the matter to the AO for the purpose of applying the "appropriate percentage of profit"; consequently ordering that the remit shall be construed to be a full 2026:KER:26822 ITA NO. 45 OF 2026 5 remand on every aspect ■ including qua the books of account, allegations of bogus purchase, appropriate percentage of profit etc. ■ to be considered and decided by it, after affording necessary opportunities to either side - both of producing additional documents and of leading other appropriate evidence; thus culminating in an appropriate order, as expeditiously as is possible, but not later than six months from the date of receipt of a copy of this judgment. Sd/- DEVAN RAMACHANDRAN JUDGE Sd/- BASANT BALAJI JUDGE stu 2026:KER:26822 ITA NO. 45 OF 2026 6 APPENDIX OF ITA NO. 45 OF 2026 PETITIONER ANNEXURES Annexure A TRUE COPY OF THE ASSESSMENT ORDER DATED 27.12.2022 BEARING DIN ITBA/AST/S/143(3)/2022- 23/1048263537(1) Annexure B TRUE COPY OF THE APPEAL MEMORANDUMNO. NFAC/2020-2021/10200493 FILED BY THE APPELLANT BEFORE THE FIRST APPELLATE AUTHORITY Annexure C TRUE COPY OF THE ORDER UNDER SECTION 250 OF THE ACT DATED 19.08.2025 BEARING DIN ITBA/NFAC/S/250/2025-26/1079719986(1) Annexure D TRUE COPY OF THE APPEAL MEMORANDUM NO.ITA NO.733/COCH/2025 FILED BY THE APPELLANT BEFORE THE SECOND APPELLATE AUTHORITY Annexure E CERTIFIED COPY OF THE ORDER IN ITA NO.733/COCH/2025 OF THE SECOND APPELLATE AUTHORITY DATED 20.11.2025