

**आयकर अपीलीयअधिकरण, विशाखापटणम पीठ, विशाखापटणम**

IN THE INCOME TAX APPELLATE TRIBUNAL,  
VISAKHAPATNAM BENCH, VISAKHAPATNAM

**श्री दुव्वूरु आर एल रेड्डी, न्यायिक सदस्य एवं श्री एस बालाकृष्णन, लेखा सदस्य के समक्ष**

BEFORE SHRI DUVVURU RL REDDY, HON'BLE JUDICIAL MEMBER &  
SHRI S BALAKRISHNAN, HON'BLE ACCOUNTANT MEMBER

आयकर अपील सं./ I.T.A. No.231/Viz/2019

(निर्धारण वर्ष / Assessment Year:2015-16)

Smt. Bommana Durga Sasikala,  
Rajamahendravaram.

PAN: ADAPB 3030 C

(अपीलार्थी/ Appellant)

अपीलार्थी की ओर से/ Appellant by

प्रत्यार्थी की ओर से / Respondent by

Vs.

Income Tax Officer,  
Ward-1(2),

Rajamahendravaram.

(प्रत्यर्थी/ Respondent)

Sri GVN Hari

Sri Murthy Naik, CIT-DR

सुनवाई की तारीख / Date of Hearing

:

28/04/2022

घोषणा की तारीख/Date of

:

30/05/2022

Pronouncement

**ORDER**

**PER S. BALAKRISHNAN, Accountant Member :**

This appeal filed by the assessee against the order of the Ld. CIT(A), Rajamahendravaram in ITA No.10115/2017-18/CIT(A)/RJY, dated 1/3/2019 passed U/s. 143(3) r.w.s 250(6) of the Act for the AY 2015-16.

2. The assessee has raised the following grounds of appeal:

- “1. *The order of the Ld. CIT(A) is contrary to the facts and the law applicable to the facts of the case.*
2. *The Ld. CIT(A) is not justified in sustaining the addition of Rs.9,00,000/- made by the AO towards disallowance of cost of improvement claimed by the appellant while admitting the capital gains.*
3. *The Ld. CIT(A) is not justified in sustaining the addition of Rs. 1,41,55,276/- made by the AO towards alleged unexplained increase in capital.*
4. *The Ld. CIT(A) is not justified in sustaining the addition of Rs. 1,28,27,415/- made by the AO towards alleged unexplained increase in current liabilities.*
5. (a) *The Ld. CIT(A) ought to have appreciated that there is no nexus between the addition of Rs. 59,12,2938/- made by the Assessing Officer and the sources for cost of acquisition of the flats.*  
 (b) *The Ld. CIT(A) ought to have directed the AO to delete the addition of Rs. 59,12,398/- without imposing any condition regarding verification of sources for the cost of acquisition of the flats.*
6. *The Ld. CIT(A) ought to have directed the AO to delete the addition of Rs./ 1,43,365/- made by the AO towards disallowance of interest on housing loan claimed by the appellant.*
7. *Any other ground that may be urged at the time of appeal hearing.”*

3. Brief facts of the case are that the assessee is a proprietrix of three concerns apart from her individual status and filed her return of income for AY 2015-16 on 03/10/2015 declaring total income of Rs. 2,09,650/-. The assessee later revised her return

of income declaring the income of Rs.7,37,420/- on 6/1/2017. The case was selected for limited scrutiny under CASS to examine the following issues:

- a. Substantial increase in capital in a year.
- b. Large difference in cash in hand shown in balance sheet as per ROI and revised ROI.
- c. Whether revision of return is justified.
- d. Whether the share capital is genuine and from disclosed sources.

4. A show cause notice was issued by the Ld. AO on 21/12/2017 and the assessee submitted her response on 22/12/2017. After considering the submissions made by the assessee, the Assessing Officer passed the order U/s. 143(3) of the Act assessing the total income at Rs. 3,47,43,495/-. Aggrieved by the order of the Ld. AO, the assessee is in appeal before the Ld. CIT(A), Rajamahendravaram.

5. On appeal, the Ld. CIT(A) after considering the assessee's representative arguments and the submissions made by him, partly allowed the appeal. Aggrieved by the order of the Ld. CIT(A), the assessee is in appeal before us.

6. The Ld. AR argued that the revised return was filed only for the purpose of including the personal assets and liabilities of the assessee and thus there is an increase in capital, assets and also in liabilities. The Ld. AR also argued that the case was selected for limited scrutiny and the Ld. AO has gone beyond his jurisdiction and assessed the income of the assessee. The Ld. AR explained that the assessee inadvertently failed to furnish information relating to capital gains on sale of properties in the original return and hence filed the revised return disclosing the same. The Ld. AR also argued that the assessee filed her wealth tax return for the AY 2011-12 and cash balance of Rs 64,33,555/- has been disclosed in the wealth tax returns. The Ld. AR strongly objected in adding the difference in assets and liabilities to the income of the assessee. The Ld. AR opposed the additions of current liabilities in the income of the assessee is not in accordance with law as the case was selected for limited scrutiny purposes. The Ld. AR therefore pleaded that the assessee's appeal be restricted to the limited scrutiny for which it was selected under CASS.

Per contra, the Ld. DR vehemently opposed and questioned the intention of filing the revised return by the assessee by including the individual assets and liabilities of the assessee. Ld. DR also

pointed out that the assessee has never filed the individual balance sheet either in any of the previous years or during the subsequent Assessment Years. The Ld.DR supported the order of the authorities below.

7. We have heard both the parties and perused the materials available on record and the orders of the authorities below. We find merit in the argument by Ld.AR that since case was selected for limited scrutiny purposes, the AO has exceeded his jurisdiction beyond the items selected for limited scrutiny purposes. We also find merit in the argument of the Ld. DR that there is no valid reason for including the assessee's individual assets and liabilities in one assessment year without including the same in any of the earlier assessment years or subsequent assessment years. We also note from the order of the authorities below that the assessee's books of accounts have been audited for the three proprietary concerns.

8. In this background, with respect to Ground No.3 regarding the addition of Rs.1,41,55,276/- towards unexplained increase in capital, the Ld. AR's in his written submissions stated that the assessee had opening capital balance of Rs 1,08,82,131.13. The Ld AR also submitted that the increase in capital during the year

is Rs 32,73,145.19 only. The Ld. AR also stated that the assessee has received Rs. 35.70 lakhs during the year from LIC of India on maturity of policy which is added to the capital of the assessee, and hence there was no infusion of capital in cash by the assessee. We find force in the submissions of Ld.AR and since the source of increase in capital is demonstrated by Ld.AR, ground No 3 raised by the assessee is allowed.

11. With respect to ground No.2,4,5 and 6, the Ld.AR pleaded in his written submissions that these issues are outside the scope of limited scrutiny and hence assessment made by AO on these grounds is not in accordance with law. We find merit in the arguments of Ld.AR that since case was selected for limited scrutiny purposes, the AO has exceeded his jurisdiction beyond the items selected for limited scrutiny purposes. It is well settled principle that when a case is selected for limited scrutiny the AO is not permitted to travel beyond the scope of limited scrutiny. In the instant case we observe that AO has travelled beyond the scope of limited scrutiny without approval from appropriate authorities. We therefore find merit in the argument of the Ld. AR and therefore ground No.2,4,5 and 6 raised by the assessee are allowed. Ground No.1 and 7 are general in nature which do not require specific adjudication.

12. In the result, appeal of the assessee is allowed.

Pronounced in the open Court on the 30<sup>th</sup> May, 2022.

Sd/-

(दुव्वूरु आर.एल रेड्डी)

(DUVVURU RL REDDY)

न्यायिकसदस्य/JUDICIAL MEMBER

Sd/-

(एस बालाकृष्णन)

(S.BALAKRISHNAN)

लेखा सदस्य/ACCOUNTANT MEMBER

Dated : 30.05.2022

OKK - SPS

आदेश की प्रतिलिपि अग्रेषित/Copy of the order forwarded to:-

1. निर्धारिती/ The Assessee – Smt. Bommana Durga Sasikala, D.No. 25-1-18, Jayakrishnapuram, Rajamahendravaram.
2. राजस्व/The Revenue – Income Tax Officer, Ward-1(2), Aayakar Bhavan Annexe, Rajamahendravaram.
3. The Principal Commissioner of Income Tax, Rajamahendravaram.
4. आयकर आयुक्त (अपील)/ The Commissioner of Income Tax (Appeals),
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, विशाखापटणम/ DR, ITAT, Visakhapatnam
6. गार्ड फ़ाईल / Guard file

आदेशानुसार / BY ORDER

Sr. Private Secretary  
ITAT, Visakhapatnam