

आयकर अपीलीयअधिकरण, विशाखापटणम SMC पीठ, विशाखापटणम  
IN THE INCOME TAX APPELLATE TRIBUNAL,  
VISAKHAPATNAM SMC BENCH, VISAKHAPATNAM

श्री दुव्वूरु आर एल रेड्डी, न्यायिक सदस्य के समक्ष

BEFORE SHRI DUVVURU RL REDDY, HON'BLE JUDICIAL MEMBER

आयकर अपील सं./ I.T.A. No.326/Viz/2024  
(निर्धारण वर्ष / Assessment Year : 2016-17)

Siddireddy Veera Venkata  
Satyanarayana Murthy,  
Kadiyam Mandal,  
East Godavari District,  
Andhra Pradesh-533126.  
PAN: BPAPS5187Q

(अपीलार्थी/ Appellant)

अपीलार्थी की ओर से/ Appellant by

प्रत्यार्थी की ओर से / Respondent by

Vs. The Income Tax Officer,  
Ward-2(3),  
Rajahmundry.

(प्रत्यर्थी/ Respondent)

Sri GVN Hari, AR

Dr. Aparna, Villuri, Sr. AR

सुनवाई की तारीख / Date of Hearing

घोषणा की तारीख/Date of  
Pronouncement

: 08/10/2024

: 23/10/2024

ORDER

PER DUVVURU RL REDDY, Judicial Member :

This appeal filed by the assessee is against the order of the Ld. Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi ["Ld. CIT(A)-NFAC"] in DIN & Order No. ITBA/NFAC/S/250/2024-25/1066050625(1), dated 26/06/2024 arising out of the order passed U/s. 143(3) of the Income Tax Act, 1961 ["the Act"] for the AY 2016-17.

2. Briefly stated the facts of the case are that the assessee is an individual deriving income from Nursery in the name and style of Adilakshmi Nursery, filed his return of income for the AY 2016-17 on 12/04/2017 declaring total income of Rs. NIL. In the return, the assessee claimed a loss of Rs. 3,603/- and also claimed net agricultural income of Rs. 26,51,178/- as exempt. The case of the assessee was selected for limited scrutiny under CASS for the reason "large agricultural income, cash deposits and transactions in property purchase and sale and cash deposits during demonetization period". Thereafter, notice U/s. 143(2) of the Act dated 27/09/2018 was served on the assessee on 28/09/2018. Subsequently, notices U/s. 142(1), dated 05/10/2018, 01/11/2018 and 04/12/2018 along with questionnaire were issued and the assessee was called for certain information. In response, the Authorized Representative of the assessee submitted that the information on various dates. During the assessment proceedings, in order to verify the genuineness of the said agricultural income, cash deposits and property transactions, the assessee was asked to furnish the documentary evidence to substantiate his claim. In response, the assessee filed the information on 12/12/2018 ie., bank statements, copies of pattadar pass books and sale deed and purchase deed of some of

purchase and sale bills. On perusal of the submissions and documents filed by the assessee, the Ld AO issued summons U/s. 131(1) of the Act dated 19/12/2018 for personal appearance. Accordingly, the Ld AO recorded sworn statement of the proprietor of Adilakshmi Nursery, Sri Veera Venkata Satyanarayana Murty Siddireddy on 21/12/2018 wherein the proprietor has stated that the total extent of nursery is in 20.7 Acres and the total land pertains to his own land and his family members. He further explained that varieties of plants grown in the nursery and the main activity are fruit plants, palm, varieties etc. It was further stated that the sale and supply of different varieties of plants to Kerala, Karnataka, West Bengal, Bihar and Tamilnadu states and to some extent of sales in local market. It was further stated that the main purchases are from Kerala and Kolkata and local market. It was also admitted that the assessee is not maintaining any books of account / bills or vouchers for the expenditure incurred. On verification of the assessee's record and submissions made before him, the Ld. AO observed that the assessee has made purchases to the tune of Rs. 1,19,06,266/- and sales to the extent of Rs. 3,38,74,922/- along with other expenditure of labour, maintenance, fertilizers, sticks, polythene covers, salaries and soil, loading and unloading for approximately

Rs. 2,11,39,696/-. But the assessee has not produced any bills or vouchers for the expenditure incurred except some sale and purchase bills. The Ld.AO further observed that the assessee has failed to substantiate his claim of agricultural income of Rs. 26,51,178/- along with documentary evidence. Thus, the Ld. AO, in the absence of any cogent evidence, estimated @ Rs. 60,000/- per acre as income of the assessee from nursery and an amount of Rs. 12.42 lakhs as agricultural income for 20.7 Acres. Accordingly, the Ld. AO added the balance of Rs. 14,09,178/- [Rs. 26,51,178 – Rs. 12,42,000] as unexplained money U/s. 69A of the Act. Further, the Ld.AO in the absence of any explanation / evidence, brought to tax the peak credits arrived at Rs. 21,29,500/- and Rs. 7,35,800/- in ICICI Bank and Canara Bank respectively and made the addition as unexplained money U/s. 69A of the Act. Thus, the Ld AO completed the assessment U/s. 143(3) of the Act and passed the assessment order dated 30/12/2018. Aggrieved by the order of the Ld. AO, the assessee preferred an appeal before the Ld. CIT(A)-NFAC.

3. On appeal, the Ld. CIT(A)-NFAC, after considering the submissions of the assessee, partly allowed the appeal. Aggrieved

by the order of the Ld. CIT(A)-NFAC, the assessee is in appeal before the Tribunal by raising the following grounds of appeal:

- “1. *The order of the Ld. CIT(A) is contrary to the facts and also the law applicable to the facts of the case.*
2. *The Ld. CIT(A) is not justified in sustaining the addition of Rs. 21,29,500/- and addition of Rs. 7,35,800/- made by the Assessing Officer U/s. 69A of the Act towards unexplained cash deposits in ICICI Bank account and Canara Bank Account respectively.*
3. *Any other ground that may be urged at the time of appeal hearing.”*

4. At the outset, it was the submission of the Ld. AR that the assessee has explained the source for the cash deposits ie., as the assessee was running a Nursery, but the Ld. AO did not consider the submissions of the assessee and wrongly came to the conclusion that the assessee has not explained the source of agricultural income of Rs. 14,09,178/- and added the same to the total income of the assessee. Further, the Ld. AO estimated the income @ Rs. 60,000/- per acre as income of the assessee from nursery which works out to Rs. 12,42,000/- and added an amount of Rs. 14,09,178/- to the total income of the assessee as unexplained money. Further, the Ld. AO also added an amount of Rs. 21,29,500/- and Rs. 7,35,800/- as unexplained money and opined that the assessee has not given proper explanation and

hence peak credits arrived at Rs. 21,29,500/- and Rs. 7,35,800/- were added back to the total income of the assessee. The Ld. AR further submitted that the Ld. CIT(A)-NFAC after considering the submissions of the assessee and also by following the decision of the Hon'ble Madras High Court in the case of Soundarya Nersery in 241 ITR 530 (Mad.) deleted the addition made by the Ld. AO for an amount of Rs. 14,09,178/- as explained by the assessee. The Ld. AR further explained that the assessee has substantiated his claim of net agricultural income of Rs. 26,51,178/-. However, the Ld. CIT(A)-NFAC denied the cash deposits in the bank accounts of the assessee as the assessee has failed to furnish the day-wise sales of agricultural produce and corresponding credits in the bank accounts. The Ld. AR also submitted that the assessee is having only agricultural income and simply because of non-filing of the day-to-day sales cannot be a ground to say that the bank deposits are unexplained even though the assessee is having net agricultural income of Rs. Rs. 26,51,178/-. Therefore, the Ld. AR pleaded to set-aside the orders passed by the Ld. CIT(A)-NFAC on account of unexplained cash deposits.

5. On the other hand, Ld. Departmental Representative ["Ld. DR"] has heavily relied on the orders of the Ld. Revenue Authorities and argued in support of the same.

6. I have heard both the sides and perused the material available on record as well as the orders of the Ld. Revenue Authorities. It is an admitted fact that the assessee is having agricultural land to an extent of 20.7 Acres and the assessee has been running a Nursery also. In the return of income the assessee has claimed agricultural income of Rs. 26,51,178/- but the Ld. AO has considered only an amount of Rs. 12,42,000/- and added the balance amount of Rs. 14,09,178/- as unexplained income. However, the Ld. CIT(A)-NFAC after considering the submissions of the assessee allowed the entire claim of agricultural income of Rs. 26,51,178/-. But, the Ld. CIT(A)-NFAC has not considered the peak credits arrived at Rs. 21,29,500/- and Rs. 7,35,800/- in ICICI Bank and Canara Bank respectively and added the same to the total income of the assessee as unexplained money. On this aspect, the contention of the assessee is that the total cash deposits under consideration is Rs. 28,65,300/- and the assessee has explained that his net agricultural income was Rs. 25,51,178/-, the same was considered

by the Ld. CIT(A)-NFAC. It is also an admitted fact that the assessee is having the income from other business activity i.e., income from Nursery. Therefore, considering the above facts of the case, I am of the considered view that the assessee made the cash deposits only from the sale proceeds of agricultural produce / sale proceeds arising from nursery products. Accordingly, I am of the view that the assessee has properly explained his agricultural income and also explained the source for the cash deposits. Thus, the grounds raised by the assessee are allowed.

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

Pronounced in the open Court on 23<sup>rd</sup> October, 2024.

Sd/-  
(दुव्वूरु आर.एल रेड्डी)  
(DUVVURU RL REDDY)  
न्यायिकसदस्य/JUDICIAL MEMBER

Dated :23/10/2024  
OKK - SPS

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

1. निर्धारिती/ The Assessee – Siddireddy Veera Venkata Satyanarayana Murthy, D.No. 6-259, Kadiyam Mandal, East Godavari District, Andhra Pradesh-533126.
2. राजस्व/The Revenue – the Income Tax Officer, Ward-2(3), O/o. ITO, Aayakar Bhavan, Veerabhadrapuram, Rajahmundry, Andhra Pradesh-533105.
3. The Principal Commissioner of Income Tax,
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