

आयकर अपीलीय अधिकरण, हैदराबाद पीठ में  
**IN THE INCOME TAX APPELLATE TRIBUNAL  
HYDERABAD BENCHES “SM-A”, HYDERABAD**

**BEFORE**

**SHRI VIJAY PAL RAO, HON’BLE VICE PRESIDENT  
AND  
SHRI MADHUSUDAN SAWDIA, HON’BLE ACCOUNTANT  
MEMBER**

ITA-No.294/Hyd/2025		
Assessment Year: 2016-17		
Lakshminarayana Konda, Gudur.  PAN : AERPK0750J.  (Appellant)	Vs.	The Income Tax Officer, Ward – 1, Gudur.  (Respondent)
Assessee by:	Shri K. Pandurangaiah, Advocate.	
Revenue by:	Shri SBR Kumar Laghimsetti, SR-DR	
Date of hearing:	07/04/2025	
Date of pronouncement:	21 /04/2025	

**ORDER**

**PER MADHUSUDAN SAWDIA, A.M.:**

This appeal is filed by Lakshminarayana Konda (“the assessee”) feeling aggrieved by the order passed by the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi (“Ld. CIT(A)”), dated 10.02.2025 for the A.Y. 2016-17.

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

**a) Erroneous Confirmation of Addition of Rs. 32,00,000/-being amounts received from Sundry Debtors in the regular course of Business:**

*a. The appellant had provided a detailed list of debtors with supporting evidence.*

*b. The NFAC order incorrectly rejected the evidence and failed to consider precedents regarding money-lending transactions.*

*c. The appellant's past practice of lending and realization was unjustly disregarded.*

**b) Misinterpretation of Cash Realizations and Business Practice:**

*a. The appellant has consistently declared interest income from lending activities, which was accepted by the department.*

*b. The rejection of loan repayments as unexplained cash is contradictory and against the principle of consistency natural justice ad fair play and accepted the Books Results and Interest from the Sundry Debtors.*

**c) Non-Consideration of Alternative Argument for Presumptive Taxation:**

*The appellant proposed taxation under Section 44AD as an alternative, which was dismissed without proper justification.”*

3. The brief facts of the case as culled down from the record, are that the assessee is an individual engaged in the business of money lending. The present proceedings arises out of the second round of litigation. In the first round, the Tribunal had set aside the issue to the file of learned Assessing Officer (“Ld. AO”) for re-verification after granting the assessee an opportunity to furnish necessary documentary evidence and explain the source of cash receipt of Rs.32 lakhs which was treated as unexplained by the

Ld. AO and sustained by the Ld. CIT(A). In the set aside proceedings, the assessee furnished his explanation and supporting evidence before the Ld. AO, however, the Ld. AO again rejected his explanation and added Rs.32 lakhs in the hands of the assessee. The Ld. CIT(A) also upheld the addition made by the Ld. AO.

4. Aggrieved with the order of Ld. CIT(A), the assessee is in appeal before us.

5. The Ld. AR submitted that the assessee is engaged in the business of money lending, a fact not disputed by the revenue at any stage. He further submitted that the case of the assessee for A.Y. 2015-16 was also completed under scrutiny assessment, wherein the Ld. AO had accepted balance of sundry debtors of Rs.66,76,392/- as on 31-03-2015 and interest income of Rs.11,32,579/- offered by the assessee from money lending business. During the year under consideration, the Ld. AO asked the source of cash receipt of Rs.32 lakhs realized during the year. In response, the assessee submitted that these cash amounts were received from the debtors from whom amount were outstanding as on 31-03-2015. A list of such persons including their names, addresses, amounts, and date of receipt

were furnished before the Ld. AO during the assessment proceedings. However, the Ld. AO rejected the explanation of the assessee on the ground that the assessee could not furnish PAN, full address, or contact details of the debtors. The Ld. AO also alleged that the assessee could not produce the details of the security which were given by the debtors for obtaining the loan. The Ld. AR further submitted that although the loans are secured, the assessee did not retain the details of securities after the loan is repaid. Further, as the loans are given on sufficient value of tangible securities, the additional details i.e., PAN or email of the debtors are normally not taken by the assessee. Hence, these additional details could not be provided by the assessee. The Ld. AR finally reiterated that the source of Rs. 32 lakhs is traceable to opening balance already accepted by the department and therefore, there should not be any addition on the account of assessee.

6. Per contra, the Ld. DR strongly supported the orders of the revenue authorities and submitted that the assessee failed to provide necessary KYC details such as PAN, Mobile No., email addresses or address proofs of the persons from whom the cash

was realized. Further, the assessee also failed to furnish the details of the nature and value of security held against such advances. Accordingly, the Ld. AO was justified in treating the cash received as unexplained and making addition in the hands of the assessee.

7. We have considered the rival contentions and perused the material available on record in view of the submissions made by either side. We find merit in the contention of the Ld. AR that the assessee is consistently engaged in the business of money lending, and the same has been accepted by the department in earlier assessment years including A.Y. 2015-16, which was also completed under scrutiny. The Department had accepted the outstanding balance of sundry debtors at Rs.66,76,392/- as on 31.03.2015 and interest income of Rs.11,32,579/- declared from such business without making any adverse comments. During the year under consideration, the assessee has submitted that the cash receipts of Rs.32 lakhs were on account of realization from these very debtors, and a list containing names, addresses, amounts, and dates of receipt was filed before the Ld. AO. The Ld. AR has also explained that although the loans are secured by tangible assets, the assessee did not retain the details of

securities after the loan is repaid. Further, as the loans are given on sufficient value of tangible securities, the additional details i.e., PAN or email of the debtors are normally not taken by the assessee. Hence, these additional details could not be provided by the assessee to the Ld. AO.

8. In our view, in the absence of any material brought on record by the Revenue to doubt the genuineness of the opening balances, which stood accepted in the preceding year, the realization of part of such balance during the year under consideration cannot be treated as unexplained. There is no case made by the revenue that the opening balances were fictitious or that the money lending business was not genuine. Accordingly, in the facts and circumstances of the case, we are of the opinion that the assessee has satisfactorily explained the source of cash receipt of Rs.32 lakhs. Hence, the addition made by the Ld. AO is directed to be deleted, and the order of the Ld. CIT(A) is set aside. Accordingly, the appeal of the assessee is allowed.

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

21<sup>st</sup> अप्रैल, 2025 को खुली अदालत में सुनाया गया आदेश।

Order pronounced in the Open Court on 21<sup>st</sup> April, 2025.

<b>Sd/-</b> <b>(VIJAY PAL RAO)</b> <b>VICE PRESIDENT</b>	<b>Sd/-</b> <b>(MADHUSUDAN SAWDIA)</b> <b>ACCOUNTANT MEMBER</b>
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Hyderabad, dated 21.04.2025.

**\*\*#TYNM/sps**

आदेशकी प्रतिलिपि अग्रेषित/ Copy of the order forwarded to:-

1.	निर्धारिती/The Assessee	:	Lakshminarayana Konda, 13/123-1, Raja Street, Gudur – 524101, Andhra Pradesh
2.	राजस्व/ The Revenue	:	The Income Tax Officer, Ward – 1, Gudur.
3.	The Principal Commissioner of Income Tax, Tirupati.		
4.	विभागीयप्रतिनिधि, आयकर अपीलीय अधिकरण, हैदराबाद / DR, ITAT, Hyderabad		
5.	गार्डफ़ाईल / Guard file		

आदेशानुसार / BY ORDER

Sr. Private Secretary  
ITAT, Hyderabad.