

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**

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| ITA No.157/Hyd/2025   |  |  |
| Assessment Year: 2017-18                                    |  |  |
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| Proddaturi Sanjay Kumar,<br>Hyderabad.<br>PAN : BFBPS1905P. | Vs.                                    | The Income Tax Officer,<br>Ward – 10(4),<br>Hyderabad. |
| (Appellant)   |  | (Respondent)   |
| Assessee by:  | Shri B. Prabhakar, Advocate.           |  |
| Revenue by:   | Shri SBR Kumar Laghimsetti,<br>Sr.D.R. |  |
|   |  |  |
| Date of hearing:  | 07/04/2025                             |  |
| Date of pronouncement:                                      | 21/04/2025                             |  |

**ORDER**

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

This appeal is filed by Proddaturi Sanjay Kumar ("the assessee") feeling aggrieved by the order passed by the Learned Addl/JCIT(A), Thane (First Appellate Authority), dated 05.12.2024 for the A.Y. 2017-18.

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

*“1. That the Learned AO erred in law and on facts in treating the difference of ₹6,68,395/- as under-reported sales instead of accepting the voluntary offer of ₹6,00,000/- made by the appellant.*

*2. That the Learned AO failed to appreciate that the appellant is assessed under the presumptive taxation scheme under Section 44AD, and therefore, no books of accounts are required to be maintained.*

*3. That the Learned AO erred in invoking Section 69 and applying the provisions of Section 115BBE arbitrarily, without establishing any unexplained investment or expenditure.*

*4. That the Learned AO failed to consider the nature of business and the small-scale operations of the appellant while making an excessive addition.*

*5. That the Learned AO erred in not appreciating that the appellant had duly explained the sources of payments made through credit cards and had reconciled the transactions during the assessment proceedings.*

*6. That the impugned assessment order is arbitrary, excessive, and bad in law, liable to be set aside.”*

3. The brief facts of the case as culled out from the record are that, the assessee is an individual, engaged in the business of retail cloth trading, filed its return of income for A.Y. 2017-18 on 01.09.2017 declaring total income at Rs.4,52,860/- comprising income from business or profession, house property and other sources. The assessee has declared income from business under the presumptive Taxation Scheme u/s 44AD of the Income Tax Act, 1961 (“the Act”) showing a gross turnover of Rs.9 lakhs and offered the income accordingly. The case of the assessee was selected for scrutiny assessment and during

the assessment proceedings, the Ld. AO noticed that assessee had made total payment of Rs.16,91,185/- through credit card during the year under consideration. Since the assessee had declared a turnover of only Rs.9 lakhs which was lower than the amount paid through the credit card, the Ld. AO called for explanation regarding the details of such payments made through credit card and the source for the same. In this regards the assessee submitted that the credit card payments of Rs. 1,22,792/- was towards his personal payments and balance of Rs. 15,68,395/- was on accounts of purchases. With regards to deposit of cash in bank, it was explained that, the same was on account of cash sales and advances received for sales. While accepting the explanation in respect of cash receipt of Rs. 9 lakhs, which has been shown as sales, the Ld. AO was not satisfied with the explanation offered in respect of balance amount of Rs. 6,68,395/- and treated the said amount as unexplained investment u/s 69 of the Act. Accordingly, the Ld. AO added the amount of Rs.6,68,395/- in the hands of the assessee and completed the assessment u/s 143(3) of the Act on 30.09.2019 determining the total income of the assessee at Rs.11,21,255/-.

4. Aggrieved by the order of Ld. AO, the assessee filed appeal before the Ld. First Appellate Authority, who upheld the addition made by the Ld. AO. The Ld. First Appellate Authority concurred with the view of the Ld. AO that the assessee failed to establish the source of Rs.6,68,395/- deposited in cash into the bank account and therefore, the Ld. AO was justified in invoking Section 69.

5. Aggrieved with the order of Ld. First Appellate Authority, the assessee is in appeal before us. The Ld.AR submitted that, the entire amount of Rs. 15,68,395/- was utilized for business purchases through proper banking channels. It was contended that the investment was not unaccounted or unrecorded, and the fact of payment for business purchases was never disputed by the Revenue. The Ld. AR further submitted that Section 69 of the Act has no application to a case where the investment is fully recorded and traceable, and there is no finding that the purchase itself was fictitious or bogus.

6. The Ld. DR relied on the orders of the revenue authorities.

7. We have considered the rival contentions and perused the material available on record in view of the submissions made by either side. It is undisputed that the sum of Rs. 15,68,395/-,

including the amount of Rs. 6,68,395/- in question, was utilized for the purchase of the business. The transaction is through banking channels and the purchase has not been doubted by the Revenue. The only basis for the addition is that the source of part of the cash deposit, i.e., Rs. 6,68,395/-, was not to the satisfaction of the Ld. AO. In this regards, we have gone through the provisions contained in section 69 of the Act, which is to the following effect:

*“Unexplained investments.*

*69. Where in the financial year immediately preceding the assessment year the assessee has made investments which are not recorded in the books of account, if any, maintained by him for any source of income, and the assessee offers no explanation about the nature and source of the investments or the explanation offered by him is not, in the opinion of the “[Assessing] Officer, satisfactory, the value of the investments may be deemed to be the income of the assessee of such financial year.”*

8. On perusal of above, we are of the view that, the deeming provision of section 69 of the Act applies only where an investment is made and such investment is not recorded in the books of account maintained by the assessee. In the present case, the investment is duly reflected and routed through the disclosed bank account. The mere doubt on the source of funds used for a genuine business transaction made through banking channels cannot by itself attract the mischief of Section 69.

9. We are in agreement with the submission of the Ld. AR that the transaction being recorded and traceable, the provisions of Section 69 of the Act have been wrongly invoked in this case. The Revenue authorities have failed to appreciate this legal position and have erred in sustaining the addition. Accordingly, the addition of Rs. 6,68,395/- is directed to be deleted and the appeal of the assessee is allowed.

10. 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.

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| <b>Sd/-<br/>(VIJAY PAL RAO)<br/>VICE PRESIDENT</b> | <b>Sd/-<br/>(MADHUSUDAN SAWDIA)<br/>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  | : | Proddaturi Sanjay Kumar, 7-2-967 & 968, Station Road, Secunderabad – 500003, Telangana. |
| 2. | राजस्व/ The Revenue  | : | Income Tax Officer, Ward – 10(4), Hyderabad.  |
| 3. | The Principal Commissioner of Income Tax, Hyderabad.                 |   |   |
| 4. | विभागीयप्रतिनिधि, आयकर अपीलीय अधिकरण, हैदराबाद / DR, ITAT, Hyderabad |   |   |
| 5. | गार्डफ़ाईल / Guard file  |   |   |

आदेशानुसार / BY ORDER

Sr. Private Secretary  
ITAT, Hyderabad.