

आयकर अपीलीय अधिकरण, विशाखापटणम पीठ, विशाखापटणम

**IN THE INCOME TAX APPELLATE TRIBUNAL
VISA KHAPATNAM "DIVISION" BENCH, VISA KHAPATNAM**

(HYBRID HEARING)

**श्री रवीश सूद, न्यायिक सदस्य एवं श्री एस बालाकृष्णन, लेखा सदस्य के समक्ष
BEFORE SHRI RAVISH SOOD, HON'BLE JUDICIAL MEMBER**

&

SHRI S BALAKRISHNAN, HON'BLE ACCOUNTANT MEMBER

**आयकर अपीलसं./I.T.A.No.418/VIZ/2024
(निर्धारण वर्ष/ Assessment Year: 2014-15)**

Bhanu Prabhakar Sriramaneni 29-14-53A Prakasam Road Suryaraopet, Vijayawada – 520002 Andhra Pradesh [PAN:ABPPB1613C]	v.	ACIT – Circle – 2(1) CR Building, 1 st Floor M.G. Road, Vijayawada Andhra Pradesh
(अपीलार्थी/ Appellant)		(प्रत्यर्थी/ Respondent)

करदाता का प्रति निधित्व/ Assessee Represented by	:	Shri C. Subrahmanyam, CA
राजस्व का प्रतिनिधित्व/ Department Represented by	:	Dr. Aparna Villuri, Sr. AR
सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing	:	15.05.2025
घोषणा की तारीख/Date of Pronouncement	:	09.06.2025

आदेश /ORDER

PER SHRI S BALAKRISHNAN, ACCOUNTANT MEMBER:

1. This appeal is filed by the assessee against the order of Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi [hereinafter in short "Ld.CIT(A)"] vide DIN & Order No.

ITBA/NFAC/S/250/2024-25/1067099442(1) dated 29.07.2024 for the A.Y.2014-15 arising out of order passed under section 147 r.w.s. 144 the Income Tax Act, 1961 (in short 'Act') dated 24.03.2022.

2. Brief facts of the case are assessee being an individual, a pulmonologist by profession filed his return of income for the A.Y. 2014-15 on 30.09.2014 by admitting a total income of Rs.54,85,039/-. Subsequently, according to information received it was noticed that assessee has purchased building admeasuring of 900 sq. yards at Suryaraopet, Vijayawada for a consideration of Rs. 5,01,50,000/- (including stamp duty & registered Charges). It was submitted that the assessee wife has contributed Rs.60,45,000/- and the balance amount of Rs. 4,41,05,000/- was met by the assessee mainly from LIC Housing Finance of Rs. 1,00,00,000/- and unsecured loans from 17 persons of Rs.1,90,00,000/-. The case was subsequently, reopened under section 147 of the Act for the reason for verifying the source of unsecured loans and thereafter notice under section 148 of the Act was issued on 31.03.2021 and served on the assessee. Since assessee did not respond another notice under section 142(1) of the Act dated 13.07.2021 was issued and served on the assessee. The assessee failed to respond to the second notice. Subsequently, notices under section 142(1) of the Act were issued to the assessee on 11.11.2021, 26.11.2021 and 17.01.2022 along with questionnaire. The assessee submitted part response on 22.02.2022. Subsequently, a show-cause notice and the draft assessment order

was issued to the assessee on 17.03.2022 for completing the assessment under section 144 of the Act. In response to the show-cause notice, assessee submitted his response. After examining the reply of the assessee, the Ld.Assessing Officer [hereinafter in short "Ld.AO"] made an addition of Rs.42,74,201/- under section 68 of the Act as unexplained cash credits.

3. On being aggrieved by the order of the Ld. AO, assessee filed an appeal before Ld. CIT(A). Before Ld. CIT(A) assessee reiterated the submissions made before Ld. AO. The Ld. CIT(A) upheld the additions made by the Ld. AO while dismissing the appeal of the assessee.

4. On being aggrieved by the order of the Ld. CIT(A) assessee is in appeal before us by raising following grounds of appeal : -

"1. That, on the facts and circumstances of the case and in law, the order u/s 147 r.w.s. 144 and section 144B of the IT Act, 1961, dt. 24.03.2022, as upheld by the Learned Commissioner of Income Tax (Appeals) ["CIT(A)"], National Faceless Appeal Centre ["NFAC"], vide order passed u/s 250, dt. 29.07.2024, is contrary to the facts of the case and the provisions of law.

2. The Learned CIT(A) ought to have appreciated that the assessee had explained the sources for the purchase of the property, which was funded by a loan of Rs. 25,00,000 from loan creditors. The refusal to accept the explanation is erroneous, particularly when the assessee had established the identity, creditworthiness, and genuineness of the loan creditors with cogent material and credible evidence.

3. The Learned CIT(A) erred in not accepting the gifts received by the assessee, amounting to Rs. 15,00,000, by wrongly observing that the said gifts could not have been the source of investment since the amount was received after the registration of the property. This observation is factually incorrect, as the gifts were a legitimate source of funds.

4. *The Learned CIT(A) further erred in confirming the disallowance of interest paid on loan creditors, amounting to Rs.2,74,201, on the ground that the loan creditors had not been accepted. The disallowance of interest is unjustified, particularly when the loan creditors were established and the interest paid was genuine.*

5. *The appellant submits that the findings of both the Assessing Officer and the Learned CIT(A) are not acceptable under the facts and circumstances of the case and are based on erroneous appreciation of the evidence and incorrect application of law.*

6. *For these and other reasons that may be urged at the time of hearing, the appellant prays that the orders passed u/s 250 of the Income Tax Act be set aside, and the additions made by the Assessing Officer and confirmed by the Learned CIT(A) be deleted.”*

5. Ground Nos. 1, 5 & 6 are general in nature and hence needs no specific adjudication.

6. Ground No. 2 is with respect to the addition of Rs. 25,00,000/- taken as loans from various parties. Ld. Authorised Representative [hereinafter “Ld.AR”] submitted that the assessee borrowed funds from various parties as detailed in the assessment order. He submitted that unsecured loans of Rs.4,00,000/- each from K. Prabhavathi and K. Narasimha Rao arise out of the agricultural income of the respective parties. He further submitted that the parties have sold agricultural produce to Sri Padmalaya Rice Mill as evidenced by the Invoice copy provided in the paper book page nos. 15 to 18. He further submitted that the realisation of the agricultural produce was deposited into the bank account and later it was given to the assessee towards unsecured loans.

7. Further, with respect to Lingamaneni Satyajji and Lingamaneni Shivaji, unsecured loans given out of the salary income and agricultural income as evidenced by the salary statements and VRO certificates provided in the paper book. He further submitted that the loans have been repaid during the subsequent assessment year by way of cheque.

8. Further with respect to P.Dhanunjaya Murthy, Ld.AR submitted that the loan was given out of the agricultural income. The relevant Pattadar Pass Book, bank statements are provided in the paper book.

9. Further with respect to P. Krishna Kumari, Ld.AR submitted that the unsecured loans were given out of the agricultural income and the copy of Pattadar passbook and bank statements are furnished in the paper book.

10. With respect to Puvadda Ramakrishna, Ld.AR submitted that it was the refund of the amount given earlier to Puvadda Ramakrishna by the assessee. It is evidenced by the opening balance of the ledger account as submitted in the paper book.

11. He therefore pleaded that since the source for the unsecured loans taken by the assessee from various parties has been established and therefore addition made by the Ld. AO is not justifiable. Further he also submitted that the assessee has also paid the interest to the unsecured loans after deduction of tax at source. He therefore pleaded that the addition of unsecured loans be deleted.

12. Per contra, Ld. Departmental Representative [hereinafter in short “Ld.DR”] relied on the orders of the Revenue Authorities. Ld. DR referred to the observations of the Ld. AO wherein the receipt from Sri Padmalaya Rice Mill has been manipulated by the assessee. Further with respect to the other parties, Ld.DR stated that agricultural income was admitted as source of granting loans to the assessee. The Ld. DR referred to the bank statements provided by the parties to the unsecured loans, wherein cash was deposited immediately before date of granting of unsecured loans to the assessee which remains unexplained. She therefore pleaded that the additions may be sustained.

13. We have heard both the sides and perused the material available on record. The fact of the case is assessee has taken unsecured loans of Rs.25,00,000/- from various parties as detailed below: -

Sr.No.	Name	Nature of advance	Amount in Rs.
1.	K. Prabhavathi	Unsecured loans	4,00,000
2.	K. Narasimha Rao	Unsecured loans	4,00,000
3.	Lingamaneni Satyaji	Unsecured loans	4,00,000
4.	Lingamaneni Shivaji	Unsecured loans	4,00,000
5.	P.Dhanunjaya Murthy	Unsecured loans	4,00,000
6.	P. Krishna Kumari	unsecured loans	3,00,000
7.	Puvadda Ramakrishna	Unsecured loans	2,00,000
	Total		25,00,000

14. With respect to the loan from K. Prabhavathi and K. Narasimha Rao contention of the assessee, is assessee has sold agricultural produce namely

paddy to Sri Padmalaya Rice Mill on 19.10.2013 for a value of Rs. 3,74,453/- and Rs.4,95,157/- respectively. The submission of the Ld.AR is that assessee has received cash which was subsequently deposited into the bank accounts. However, the observation of the Ld. AO is that the receipt has been manipulated to accommodate the unsecured loans. While confirming the loans given both the above parties have stated that the entire land has been let out on lease and lease rent are being received by the parties. Further we also notice that cash has been deposited on the same date when the loan was given to the assessee. We therefore do not agree with the contention of the Ld.AR that the parties have sold agricultural produce as the land has been leased out. We therefore find no infirmity in the order of the Ld. CIT(A) and confirm the addition with respect to the above two parties.

15. With respect to Lingamaneni Satyaji, it was submitted that the loan was granted out of salary income and agricultural income. However, from the perusal of the bank statements we notice that regular cash deposits have been made from 14.10.2013 to 28.10.2013 before granting the loan of Rs.4,00,000/- on 28.10.2013 to the assessee. The source of cash deposits was explained as agricultural income and saving from salaries. However, we do not agree with the contention of the Ld.AR that the parties received agricultural income and saving from salaries whereas the documents submitted clearly show that the cash deposits has been made on various dates immediately before giving the

unsecured loans. Moreover, it was not established whether the agricultural income was disclosed in the return of income filed by the parties. We therefore find no merit in the argument of the Ld.AR and hence the addition of unsecured loans given by Lingamaneni Satyajji is confirmed.

16. With respect to unsecured loans of Rs. 4,00,000/- given by Lingamaneni Shivaji, it was submitted that the loan was granted out of the salary. On perusal of the bank statements submitted by the assessee in paper book page no. 46 it is noticed that the party has received salary and other credits through banking channels, it was later on given as unsecured loans to the assessee. We therefore agree with the contention of the Ld.AR with respect to the unsecured loans granted by the Lingamaneni Shivaji to the assessee and we direct the Ld. AO to delete the addition of Rs. 4,00,000/-.

17. With respect to unsecured loans from P.Dhanunjaya Murthy for Rs.4,00,000/-. It was the contention of the Ld.AR that unsecured loans was granted by way of agricultural income earned by P.Dhanunjaya Murthy. Similar pattern of cash deposits during the period 14.10.2013 to 01.11.2013 has been noticed on perusal of the bank statements provided by P.Dhanunjaya Murthy before giving unsecured loan on 1.11.2013 to the assessee. We therefore do not agree with the contention of the Ld.AR that the unsecured loans are out of agricultural income earned by P.Dhanunjaya Murthy. We therefore inclined to confirm the addition made by the Revenue Authorities.

18. Further, with respect to loan granted by P. Krishna Kumari, confirmation letter provided by P. Krishna Kumari states that she has given an amount of unsecured loans of Rs. 3,00,000/- out of agricultural income. Similar pattern of cash deposits were noticed on perusal of bank statements of P. Krishna Kumari on 17.10.2013 to 21.10.2013 before the unsecured loans of Rs. 3,00,000/- was given to the assessee on 21.10.2013. Hence, we do not agree with the contention of the Ld.AR, thereby confirming the addition of Rs.3,00,000/-.

19. With respect to Puvadda Ramakrishna, it was the contention of the Ld.AR that it was the refund of the amount already given to him in the earlier assessment year as evidenced by the ledger account available in paper book page no. 73. On perusal of the ledger submitted in paper book page no. 73, we agree with the contentions of the Ld.AR. We therefore find Puvadda Ramakrishna has repaid the amount of Rs. 2,00,000/- on 08.06.2013 to the assessee and hence addition made by the Ld. AO deserves to be deleted.

20. Accordingly, Ground No. 2 raised by the assessee is partly allowed.

21. With respect to Ground No. 3 agitating the addition of Rs.15,00,000/- received as gift by the assessee. Ld.AR submitted that the assessee has received gift from Kollipara Chalapathi Rao through banking channels for the purpose of purchase of above said impugned property. He also submitted that the Kollipara Chalapathi Rao has received the amount from his son who is residing in USA as

evidenced by the bank statements provided in paper book at Page No. 76. Accordingly, the sources for the unsecured loans have been properly explained and hence pleaded for the deletion of Rs. 15,00,000/-.

22. Per contra, Ld. DR relied on the orders of the Revenue Authorities.

23. We have heard both the sides and perused the material available on record. On perusal of the HDFC bank statements, it is noticed that the assessee has received inward remittance on various dates during the period November, 2013. This amount was given as gift to the assessee on 28.11.2013 and 12.03.2014 amounting to Rs. 9,00,000/- and Rs. 6,00,000/- respectively. Ld. AO has also on verification of the bank statements has not disputed the amount of Rs.9,00,000/- but has observed that Rs.6,00,000/- gift made on 12.03.2014 was not properly explained. Even before us the statement of State Bank of Hyderabad bank was not produced by the assessee to substantiate the amount of Rs.6,00,000/-. In view of the facts and circumstances as discussed above, we consider Rs.9,00,000/- has properly explained by the assessee and hence allow the same.

24. With respect to the Ground No. 4 regarding the disallowances of interest on unsecured loans. We direct the Ld. AO to disallow the proportionate interest on the unsecured loans as confirmed in the aforesaid paragraphs. Thus, this issue is remitted back to the file of Ld. AO for computing the proportionate

disallowances of interest. Accordingly, this ground raised by the assessee is allowed for statistical purposes.

25. In the result, appeal of the assessee is partly allowed for statistical purposes.

Order pronounced in the open court on 09th June, 2025.

Sd/-
(रवीश सूद)
(RAVISH SOOD)
न्यायिक सदस्य/JUDICIAL MEMBER
Dated: 09.06.2025
Giridhar, Sr.PS

Sd/-
(एस बालाकृष्णन)
(S. BALAKRISHNAN)
लेखा सदस्य/ACCOUNTANT MEMBER

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

1. निर्धारिती/ The Assessee : **Bhanu Prabhakar Sriramaneni**
29-14-53A
Prakasam Road
Suryaraopet, vijayawada – 520002
Andhra Pradesh
2. राजस्व/ The Revenue : **ACIT – Circle – 2(1)**
CR Building, 1st Floor
M.G. Road, Vijayawada
Andhra pradesh
3. The Principal Commissioner of Income Tax
4. विभागीयप्रतिनिधि, आयकरअपीलीयअधिकरण, विशाखापटणम /DR,ITAT, Visakhapatnam
5. The Commissioner of Income Tax
6. गार्डफ़ाईल / Guard file

आदेशानुसार / BY ORDER

Sr. Private Secretary
ITAT, Visakhapatnam