

**IN THE INCOME TAX APPELLATE TRIBUNAL  
“SMC” BENCH: BANGALORE**

BEFORE SHRI PRASHANT MAHARISHI, VICE PRESIDENT

ITA No.237/Bang/2025
Assessment year: 2017-18

Heggenahalli Nanjundappa Manjunatha, 288/253 A, 1 <sup>st</sup> Floor, Sriganthanagar, Main Road, Near Heggenahalli Park, Bengaluru – 560 091. <b>PAN: AWIPM 6208Q</b>	Vs.	The Income Tax Officer, Ward 6(2)(5), Bangalore.
APPELLANT		RESPONDENT

Appellant by	:	Shri Rajeev Channappa Nulvi, Advocate
Respondent by	:	Shri Ganesh R. Ghale, Standing Counsel for Department.

Date of hearing	:	10.06.2025
Date of Pronouncement	:	21.07.2025

**ORDER**

1. This appeal is filed by Heggenahalli Nanjundappa Manjunatha (the assessee/appellant) for the assessment year 2017-18 against the appellate order passed by the CIT(Appeals)-2, Visakhapatnam, [Id. CIT(A)] dated 24.01.2025 wherein the appeal filed by the assessee against the assessment order passed u/s. 143(3) of the Income-tax Act, 1961 [the Act] dated 12.12.2019 by the ITO, Ward 6(2)(5), Bangalore was dismissed.

2. The assessee is aggrieved and is in appeal.
3. The brief facts show that assessee is an individual, who filed his return of income for AY 2017-18 on 1.2.2018 showing total income of Rs.9,94,310. The assessee is carrying on money lending business in the name of Nisarga Merchants Finance. The case was selected for limited scrutiny for verification of cash deposit and cash withdrawal. Notice u/s. 143(2) was issued on 10.8.2018. The assessee during the course of assessment proceedings in response to various notices, submitted that he is doing business of financing and registered under the Karnataka Money Lenders Act and has deposited the cash received from various vegetable vendors, small business persons and small time traders. The cash is deposited of loan amount repaid by these persons.
4. The Id.AO found that during the period 10.11.2016 to 30.12.2016 the assessee has deposited in his Bank of India account a sum of Rs.28,46,570. It was found that out of the above cash deposit, Rs.17,36,500 is in specified banking notes. It is also the submission of the assessee that he has an opening cash balance of Rs.10,70,673. The Id. AO held that assessee is not supposed to accept the demonetised currency as the same were not legal tender and further his transactions are also not falling into the exemption category as per Notification. In view of this, he treated the cash deposit of Rs.6,65,827 as unexplained and brought to tax. Accordingly addition of above sum was made u/s. 69A of the Act by passing an assessment order u/s. 143(3) of the Act on 12.12.2019.

5. The assessee aggrieved with the above assessment order, preferred appeal before the Id. CIT(A).
6. The Id. CIT(A) issued notice on 14.10.2024 and 18.11.2024 which were not replied by the assessee and therefore extracting the assessment order, he held that as assessee has not replied, the assessee does not want to prosecute the same and therefore appeal is liable to be dismissed. Even on the merits, he held that assessee does not hold any good ground and accordingly addition of Rs.6,65,887 was confirmed by the appellate order dated 24.1.2025. This order is challenged in appeal before us.
7. The Id. AR submitted that assessee is doing money lending business and has shown income of Rs.7,55,989 as business income after maintaining day to day books of account wherein the transactions of money lending and recovery of advance on daily basis are recorded. When the assessee has received the repayment of loan in cash from small petty traders, the same are deposited in the bank account in cash. He further submitted that for FY 2016-17 assessee has deposited cash of Rs.6,50,15,342 from the business collection and related money lending business. It was submitted that there is no unaccounted cash deposit by the assessee and therefore there is no question of making any addition u/s.69A of the Act. Thus it was the claim of the Id. AR that addition made by the Id. AO is not correct.
8. With respect to the appellate order of the Id. CIT(A), it was submitted that only 2 notices were issued to the assessee which were also on the

email id of the consultant, which were not received by the assessee in fact and therefore the same could not be responded to. He submitted that one notice was issued in the month of Feb. 2024 and 2nd notice in Nov. 2024, whereas the appeal of the assessee was filed on 11.1.2020. Due to the above timeline, the assessee could not respond to the notices of the Id. CIT(A). This has resulted in passing of the order by the Id. CIT(A) that assessee is not interested in prosecuting this appeal and hence dismissed.

9. Thus it was submitted that if one more opportunity is given to the assessee to explain his case before the Id. CIT(A), the above addition would be deleted. The addition is confirmed only for the reason that proper opportunity is not availed by the assessee.
10. The Id. DR vehemently submitted that assessee has been issued 2 notices by the Id. CIT(A), but no reply was filed and therefore the Id. CIT(A) has confirmed the addition on the merit also.
11. We have carefully considered the rival contentions and perused the orders of the Id. lower authorities. The assessee has deposited a sum of Rs.17,36,500 in old currency notes from 10.11.2016 to 30.12.2016. Out of that AO has considered that assessee was having opening balance as on 8.11.2016 of Rs.10,70,363, therefore the balance sum of Rs.6,65,827 resulted into addition u/s. 69A of the Act. According to the assessee, he is receiving money from small persons towards repayment of the loan. It is stated that he has deposited cash of Rs.6,50,00,000 in his bank account during the year. In Statement of

Facts also, he has categorically mentioned that assessee has lent more than Rs.2 crores to the petty businessmen and collected Rs.50,35,416 towards the interest. It was further stated that in his normal business days, he collects Rs.30 to 40 lakhs of amount per month and therefore the amount of Rs.6,65,792 is not his unaccounted income, but is out of the source of the business for which he has already paid tax by showing the income of Rs.7,55,000. Further the assessee did not get proper opportunity off hearing before the Id. CIT (A) for representing its case due to time lines of notices and notices sent to email id of consultant who did not respond to the notice.

12. In view of above facts , this appeal is remitted back to the file of the Id. CIT (A) with a direction to the assessee that as soon as the window for hearing is opened the requisite details be submitted in time granted and thereafter the Id. CIT (A) may decide the issue afresh.
13. In the result, the appeal by the assessee is allowed for statical purposes.

Pronounced in the open court on this 21<sup>st</sup> day of July, 2025.

Sd/-

(PRASHANT MAHARISHI)  
VICE PRESIDENT

Bangalore,  
Dated, the 21<sup>st</sup> July, 2025.

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Copy to:

1. Appellant
2. Respondent
3. Pr. CIT
4. CIT(A)
5. DR, ITAT, Bangalore.

By order

Assistant Registrar  
ITAT, Bangalore.