

**IN THE INCOME TAX APPELLATE TRIBUNAL, SURAT BENCH, SURAT  
BEFORE MS. SUCHITRA RAGHUNATH KAMBLE, JUDICIAL MEMBER &  
SHRI BIJAYANAND PRUSETH, ACCOUNTANT MEMBER**

**आयकर अपील सं./ITA No. 1231/SRT/2024**

**Assessment Year: (2018-19)**

Abdulbhai Kasambhai & Co. Udhava Road, Sanjan, Dist. Valsad – 396150, Gujarat	<b>Vs.</b>	ITO, Ward – 1, Surat
स्थायीलेखासं./जीआइआरसं./PAN/GIR No: <b>AAHFA4245J</b>		
<b>(Appellant)</b>		<b>(Respondent)</b>

<b>Appellant by</b>	Ms. Khushbu Bagrecha, CA
<b>Respondent by</b>	Shri Mukesh Jain, CIT (DR)
<b>Date of Hearing</b>	05/06/2025
<b>Date of Pronouncement</b>	31/07/2025

**आदेश / ORDER**

**PER SHRI BIJAYANAND PRUSETH, AM:**

This appeal by the assessee emanates from the order passed under section 250 of the Income-tax Act, 1961 ('in short, the Act') dated 12.11.2024 by the Commissioner of Income-tax (Appeal), National Faceless Appeal Centre (NFAC), Delhi [in short "the CIT(A)"] for the assessment year (AY) 2018-19.

2. The ground of appeal raised by the appellant is as follows:

*"The Ld. AO has made additions to dissolved firm having PAN: AAHFA4245J u/s. 69A of the Act making additions of all the credit transactions of Rs.6,29,89,197/- in the HDFC bank account ignoring the facts submitted by the appellant and made order u/s.144 of the Act. Further, the Ld. CIT(A) dismissed the appeal and confirmed the additions made by the Ld. AO."*

3. The facts of the case in brief are that the assessee did not file its return of income for AY.2018-19. As per the information available in the category 'Non-filing of return (NMS)' on the insight portal of the department, it was found that assessee had deposited cash of Rs.1,47,52,000/- in its bank account No.50200024762393 maintained with HDFC Bank. The case of the appellant was re-opened u/s 147 of the Act after approval from the competent authority. On verification of the above bank account, it was seen that the assessee had made total credit entries and cash deposits of Rs.6,29,89,197/- including cash deposits of Rs.1,47,52,000/-. The appellant was requested vide notices issued u/s.142(1) of the Act, to explain the source of aforementioned cash and credit entries made in the HDFC Bank account. In its reply, it was submitted by the appellant that the appellant firm had been dissolved as on 01.04.2006 (PAN: AAHFA4245J); therefore, no return had been filed for the relevant A.Y. 2018-19. The appellant firm was subsequently taken over by one of the partners, Shri Hajibhai Sadruddin Manjiyani w.e.f. 01.04.2006. Thereafter, the proprietor, Shri Hajibhai Sadruddin Manjiyani converted its business into partnership firm w.e.f. 01.04.2012 under the firm name 'Abdulbhai Kasambhai & Co. having new PAN: AAVFA4614K. It was further submitted that new firm had recorded all the transactions in its audited books of account and had filed ROI for A.Y. 2018-19. It was also submitted by the appellant that the simple mistake was

done by the bank by not updating its record with new PAN. The Assessing Officer (in short, 'AO') considered the submission made by the appellant during assessment proceedings, however, he did not accept it in the absence of specific details regarding the source of funds, ledger A/c. and other supporting evidences. The AO observed that the appellant failed to prove the source of cash deposits/other credits in the bank account with the result that aforementioned cash deposits/credits entries aggregating to Rs.6,29,89,197/- made in the appellant's HDFC bank account remained unexplained. Consequently, aforesaid cash and credits aggregating to Rs.6,29,89,197/- was added to the total income of the appellant u/s 69A of the Act as 'Unexplained money' and order u/s. 147 r.w.s 144 of the Income tax Act was passed on 30.03.2023.

4. Aggrieved by the order of the AO, the appellant preferred appeal before the CIT(A). The CIT(A) dismissed the appeal of the appellant by observing that the contentions of the appellant that the credit entries of Rs.6,29,89,197/- including the cash deposits of Rs.1,47,52,000/- in its HDFC bank account are included in the books of account of the new firm and accounted for, remained unproved. Also, no return of income was filed by the appellant for the relevant A.Y. 2018-19. In view of the same, the decision of the A.O. to add this amount of Rs.6,29,89,197/- including cash deposits of Rs.1,47,52,000/- as unexplained money u/s 69A of the Act for AY 2018-19, was upheld by the CIT(A).

5. Aggrieved by the order of the CIT(A), the assessee filed appeal before the Tribunal. The learned Authorized Representative (Id. AR) of the appellant submitted a paper book including copy of Dissolution-cum-Retirement deed, ITR for AY 2006-07, HDFC bank statement, ITR detail and assessment order for AY 2019-20 and decisions in case of DCIT vs. M/s R. R. Gold Palace (ITA No.903, 905 and 906/Bang/2018, dated 31.08.2020) and Simens Ltd. vs. ACIT (ITA No. 2881/Ahd/2012, dated 18.07.2023). The Id. AR has reiterated the submissions made before the AO and CIT(A).

6. On the other hand, learned Senior Departmental Representative (Id. Sr. DR) vehemently relied upon the order of lower authorities. He submitted that the appellant never disclosed the impugned HDFC Bank account in the new firm under the same name and it has also not filed the return of income. Despite multiple opportunities, the assessee failed to explain the nature and source of the credit entries and cash deposit aggregating to Rs.6,29,89,197/- in the HDFC Bank account bearing A/c No.50200024762393.

7. We have heard both the parties and perused the material available on record. We have also deliberated upon the decision relied upon by the Id. AR. We find that during the assessment proceedings, the AO had categorically asked the appellant to explain with evidence the source of credits in the HDFC bank account of Rs.6,29,89,127/- including the cash deposits of Rs.1,47,52,000/-. But

the appellant continued to stress upon its submission that its business was converted to a new firm and return was filed with new PAN of the said firm. All the transactions in the impugned HDFC bank account are accounted for. The same reply was filed by the appellant before the CIT(A). It has again been reiterated before us. It may be mentioned that mere assertion on the part of appellant without any supporting documentary evidence would in no way prove that these transactions were included in the books of account of the new firm and were accounted for. Mere filing of affidavit without adducing cogent documentary evidence will not come to the rescue of the appellant. It is significant to note that the return of income of the new firm bearing PAN: AAVFA4614K for AY 2018-19 was examined by AO and CIT(A), but nowhere details of the alleged HDFC bank account No.50200024762393 had been mentioned in the return. This account number had not even been mentioned in the balance sheet of the new firm for the subject year. In the balance sheet of new firm as on 31.03.2018, following details were disclosed under Schedule I:

<b>Sr. No.</b>	<b>Name of bank</b>	<b>Bank balance</b>
1	Bank of Baroda current a/c.	Rs.15,551/-
2	Union Bank of India C/ADJ – 36	Rs.1,26,799/-
3	HDFC bank current a/c – 5020	Rs.2,73,849/-
	<b>TOTAL</b>	<b>Rs.4,16,199/-</b>

7.1 Therefore, it is clear that the new firm (having PAN: AAVFA4614K) has not disclosed this HDFC bank account bearing number 50200024762393 in its return

of income for the A.Y. 2018-19. Besides, the ROI of Abdulbhai Kasambhai & Co. in the PAN: AAVFA4614K filed for A.Y. 2018-19 was verified by the AO but, the details of alleged HDFC Bank account bearing account no. 50200024762393, has not been mentioned anywhere in the return of income. Only 3 other bank accounts were disclosed by Abdulbhai Kasambhai & Co. (PAN: AAVFA4614K), which are as under:

<b>Sr. No.</b>	<b>Name of bank</b>	<b>A/c. No.</b>
1	Bank of Baroda	02480200000210
2	Union Bank of India	412501010036006
3	Union Bank of India	412505040077016

7.2 Further, no reasons or cogent reply has been given by the appellant as to why such huge financial transactions were undertaken by the appellant on the PAN of a non-existing entity even after 5 years of closure of business under the PAN: AAHFA4245J. This amply proves appellant's intention to evade payment of legitimate tax to the exchequer and avoid scrutiny of income tax department.

7.3 In its submission appellant relied upon decision given in the case of DCIT vs. R.R. Gold Palace, in ITA Nos.903, 905 and 906/Bang/2018, dated 31.08.2020, claiming that once an entity ceases to exist (e.g., by dissolution), proceedings in its name are invalid. Reliance of the appellant on the above decision is not acceptable. In the case of R.R. Gold Palace, the entity was converted into R.R. Gold Palace Pvt. Ltd. and all assets and liabilities were taken over by the new

company. The old firm had no further business or financial transactions. In the present case, there are credit entities and cash deposits of Rs.6.29 crore in the account of the dissolved firm well after 12 long years of its dissolution. This active use of the bank account of the dissolved firm suggests that the dissolution was not at all acted upon and the entity was functionally active. No application was made to close the PAN, nor was the bank account closed, implying continuity of business and financial activity under the same name. It is pertinent to mention here that if a dissolved entity continues to carry out financial transactions in its own name, then the dissolution becomes a matter of form and not substance. It cannot then deny taxability on the ground of non-existence.

7.4 The case of Siemens Ltd. pertained to jurisdictional validity of proceedings initiated post amalgamation, where the existence of a successor entity was established. However, in the said case, there was no use of the bank account post amalgamation. In the present case, the same old account was used by the appellant and no evidence has been furnished by the appellant that the successor firm had declared and disclosed the aforesaid cash and credits of Rs.6.29 crore and accounted for these transactions.

7.5 In view of the above discussion, both the above case laws relied upon by the appellant are distinguishable on facts and, therefore, not applicable to the instant case.

8. The active operation of bank account post the purported dissolution proves continued existence of the firm for all intent and purpose. If business is carried on under the same PAN/bank account, the entity is liable to explain credits, even if it claims to have been dissolved. In the instant case, assessee failed to discharge the burden of proof by furnishing satisfactory explanation for credits. The Hon'ble Supreme Court in case of CIT vs. P. Mohankala, 291 ITR 278 (SC) has held that if assessee fails to provide satisfactory explanation and supporting evidence for credits, addition u/s 68 of the Act is justified. In view of the above legal and factual positions, we find no infirmity in the order of CIT(A) and dismiss the appeal of the assessee.

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

**Sd/-**  
**(SUCHITRA R. KAMBLE)**  
**JUDICIAL MEMBER**

Surat

दिनांक/ Date: 31/07/2025

SAMANTA

**Copy of the Order forwarded to:**

1. The Assessee
2. The Respondent
3. The CIT(A)
4. CIT
5. DR/AR, ITAT, Surat
6. Guard File

**Sd/-**  
**(BIJAYANANDA PRUSETH)**  
**ACCOUNTANT MEMBER**

By Order

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Assistant Registrar/Sr. PS/PS  
ITAT, Surat