

**IN THE INCOME TAX APPELLATE TRIBUNAL
'A' BENCH : BANGALORE**

**BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT
AND
SHRI SOUNDARARAJAN K., JUDICIAL MEMBER**

ITA Nos. 251 to 257/Bang/2025
Assessment Years : 2014-15 to 2020-21

M/s. Crystal Hatcheries Pvt. Ltd., C/o. V. Sudhindranath, No. 51/7/1, Chitrakoot, Ratna Avenue, Richmond Road, Bangalore – 560 025. PAN: AAACC8198G	Vs.	The Assistant Commissioner of Income Tax, Central Circle – 1(2), Bangalore.
APPELLANT		RESPONDENT

Assessee by	:	Ms. Pooja Maru, CA
Revenue by	:	Ms. Nishi Padma, Addl. CIT-DR

Date of Hearing	:	08-05-2025
Date of Pronouncement	:	05-08-2025

ORDER

PER BENCH

These are the seven appeals filed by the assessee challenging the common order of the Ld.CIT(A)-11, Bengaluru dated 13/01/2025 in respect of the A.Ys. 2014-15 to 2020-21.

2. The issues are common in all the appeals and in respect of the A.Y. 2019-20 in ITA No. 256/Bang/2025 for A.Y. 2019-20, a separate issue was also involved. Therefore we thought it fit to decide the appeals on the

common issue and thereafter decide the separate issue involved in A.Y. 2019-20. Since the issues are common in all the years, the grounds raised in ITA No. 251/Bang/2025 are extracted below.

“1. The CIT (A) has erred in passing the impugned order by not considering the fact that the order of the assessing officer is erroneous on the facts and in the law. On the facts and in the circumstances of the case he ought to have not made any disallowance as per the provisions of the Act.

2. The CIT (A) has erred in passing the impugned order by not considering the fact that the learned assessing officer is not justified in making the disallowance of the farm maintenance expenditure of Rs. 22,99,649/- in spite of furnishing of the relevant ledger extract from the audited books of account and in spite of the fact that no evidence was found during the course search proving that the expenditure in question is bogus in nature.

3. The CIT (A) has erred in passing the impugned order by not considering the fact that the learned assessing officer is not justified in making the disallowance of the farm maintenance expenditure of Rs. 22,99,649/- without considering the detailed explanation / submission furnished by the appellant and without considering the facts and circumstances of the case.

4. The CIT (A) has erred in passing the impugned order by not considering the fact that the learned assessing officer is not justified in making addition / disallowance basing on his own presumption, assumption, supposition and surmise; and by misinterpretation of provisions of the Act, without considering the facts of the case and submissions of the appellant.

5. The Learned Commissioner (Appeals) and the Learned AO failed to appreciate that the farm maintenance expenses were mostly in the nature of day-to-day expenses like labour charges, cleaning charges, etc. for small and petty amounts for which it is difficult to get bills.

6. The CIT (A) has erred in passing the impugned order as the same is against the principles of Natural justice as the submissions made by the Appellant on merit have not been considered and there is no rebuttal to the same. The Assessment proceedings as well as the CIT(A) were mechanical and no benefit of the doubt was lent to the

Appellant as should have been the case. The evidence relied upon was circumstantial at its best.

It is respectfully submitted that we may be permitted to add, delete, and/or put forward any other grounds and facts of appeal and other related points at the time of the hearing.”

3. Since another issue is involved in A.Y. 2019-20 in ITA No. 256/Bang/2025, we are also extracting the grounds raised by the assessee in the said appeal for easy reference.

“1. The CIT (A) has erred in passing the impugned order by not considering the fact that the order of the assessing officer is erroneous on the facts and in the law. On the facts and in the circumstances of the case he ought to have not made any disallowance as per the provisions of the Act.

2. The CIT (A) has erred in passing the impugned order by not considering the fact that the learned assessing officer is not justified in making the disallowance of the farm maintenance expenditure of Rs. 12,95,822/- in spite of furnishing of the relevant ledger extract from the audited books of account and in spite of the fact that no evidence was found during the course search proving that the expenditure in question is bogus in nature.

3. The CIT (A) has erred in passing the impugned order by not considering the fact that the learned assessing officer is not justified in making the disallowance of the farm maintenance expenditure of Rs. 12,95,822/-without considering the detailed explanation / submission furnished by the appellant and without considering the facts and circumstances of the case.

4. The CIT (A) and the learned assessing officer is not justified in making the addition of Rs.45,00,000/-, u/s 69 of the Act, alleging as the cash payments made by the appellant company to M/s. Magna Homes for purchase of a Villa, in spite of furnishing of proper explanation stating that no such cash payment was made by the appellant and the same amount actually represents the concession offered to the partners; and the same amount was already offered for taxation as additional income by M/s. Magna Homes in their statement u/s 132(4) of the Act.

5. The CIT (A) has erred in passing the impugned order by not considering the fact that the learned assessing officer

is not justified in making addition / disallowance basing on his own presumption, assumption, supposition and surmise; and by misinterpretation of provisions of the Act, without considering the facts of the case and submissions of the appellant.

6. The Learned Commissioner (Appeals) and the Learned AO failed to appreciate that the farm maintenance expenses were mostly in the nature of day-to-day expenses like labour charges, cleaning charges, etc. for small and petty amounts for which it is difficult to get bills.

7. The CIT (A) has erred in passing the impugned order as the same is against the principles of Natural Justice as the submissions made by the Appellant on merit have not been considered and there is no rebuttal to the same. The Assessment proceedings as well as the CIT(A) were mechanical and no benefit of the doubt was lent to the Appellant as should have been the case. The evidence relied upon was circumstantial at its best.

It is respectfully submitted that we may be permitted to add, delete, and/or put forward any other grounds and facts of appeal and other related points at the time of the hearing.”

4. We will take up the appeal in ITA No. 251/Bang/2025 for A.Y. 2014-15 as lead case and the decision arrived in the said case would apply mutatis mutandis to the other appeals involved in similar disputes.

5. The brief facts of the case are that the assessee filed their return of income u/s. 139(1) of the Act on 25/09/2014 and the said return of income was processed by the CPC u/s. 143(1) of the Act. Thereafter a search was conducted in the case of M/s. Lotus Farms, Hyderabad and at the residence of Mr. Damodar Reddy, Hyderabad on 13/02/2020. At the time of search at Lotus Farms, document bearing reference no. A/LF/132/LH5/02 was found and seized. Further, during the course of search in the residence of Mr. Damodar Reddy, document in reference no. A/LH2/132/1 page no. 3 were found and seized. The authorities had alleged that the said documents were related to the assessee. Thereafter, the satisfaction was recorded by the AO of the searched person and subsequently, the AO of the assessee also recorded his satisfaction before issuing notice u/s. 153C of the Act. The

assessee filed his return of income in response to the notice issued u/s. 153C of the Act on 20/10/2021 declaring the very same income reported in the original return of income filed on 25/09/2014. Subsequently, notice u/s. 143(2) was issued and notice u/s. 142(1) was issued on 02/11/2021 and 03/12/2021. The AO based on some blank cash vouchers found at the time of search, had proposed to disallow the expenses relating to the farm maintenance. The AO also sought for the supporting documents such as bills / invoices for the farm maintenance expenses claimed by the assessee. Further, the AO had issued a questionnaire on 02/11/2021 about the farm maintenance expenses for which the assessee filed their reply on 10/02/2022. In the said reply, the assessee also stated that they had not paid any amount to parties on whose name blank cash vouchers were found during search and also furnished the ledger extract of the farm maintenance expenses. The assessee also submitted that no bogus expenditure has been claimed by the assessee. The AO not accepted the said reply, since the assessee had not furnished the supporting bills / invoices and disallowed the charges u/s. 37 of the Act.

6. The assessee challenged the said orders before the Ld.CIT(A). The Ld.CIT(A) had sought for a remand report from the AO and based on the said remand report and after considering the submissions made by the assessee had partly allowed the appeal filed by the assessee insofar as the farm maintenance expenses are concerned.

7. Insofar as the addition made u/s. 69 based on the seized material recovered at the time of search in respect of the A/Y 2019-20, the Ld.CIT(A) had confirmed the said addition in ITA No. 256/Bang/2025.

8. The assessee has challenged all the orders passed by the Ld.CIT(A) before this Tribunal.

9. At the time of hearing, the Ld.AR submitted that the assessee had originally filed their return of income which was also processed by the CPC

and therefore without seizing any incriminating materials at the time of search, the disallowance in respect of the farm maintenance charges by the AO and confirmed by the Ld.CIT(A) is not in order. The Ld.AR at the time of hearing filed paper books enclosing the various documents and also the statement recorded u/s. 131(1A) of the Act along with the retraction statement dated 10/04/2020 and prayed that the additions made by disallowing the farm maintenance expenses u/s. 37 is not correct. The Ld.AR also filed the copy of the seized documents and contended that the same are loose sheets and can be treated only as dumb documents and based on that, no addition could be made. The assessee also filed an application for admitting the additional evidence and prayed to admit the said additional evidences such as the copy of various bills and vouchers in support of the farm maintenance expenses and prayed that the same may be admitted to decide the issue on merits.

10. The Ld.DR relied on the orders of the lower authorities and also furnished the satisfaction note prepared by the AO of the searched person and the AO of the assessee and submitted that the additions were made based on the recovery of incriminating materials and further submitted that the assessee had not stated any reasons for not filing the bills / invoices and other documents in earlier point of time and therefore prayed not to accept the additional evidences now furnished by the assessee. We have considered the application filed to admit the additional evidences and the reply filed by the Ld.DR. The AO in the assessment order had disallowed the farm maintenance expenses for not producing the bills / vouchers in respect of the farm maintenance expenses even though the same was incurred and properly entered in the ledger maintained by them. Further some sample bills were also furnished at the time of assessment. Therefore the said documents could not be treated as a new documents introduced by the assessee for the first time and therefore we are accepting the additional evidences now filed by assessee to render justice.

11. We have heard the arguments of both sides and perused the materials available on record.

12. In all the assessment years, the assessee had filed their return of income u/s. 139(1) of the Act. It was also found that the said returns were processed by the Ld.CPC u/s. 143(1) of the Act. Therefore the assessment has been completed by the CPC based on the returns filed u/s. 139(1) of the Act. In such circumstances, the assessments are unabated / completed assessments.

13. Now we will consider the search conducted on 13/02/2020 in the premises of M/s. Lotus Farms and at the residence of Mr. Damodar Reddy, Hyderabad and about the incriminating materials seized which are all connected to the business activities of the assessee. Based on the recovery of the said incriminating materials, the AO had issued a notice u/s. 153C of the Act since the search and seizure was conducted in a third party premises. But the foremost point to be decided is whether the incriminating materials seized by the authorities were used by the AO for making the assessments u/s. 153C of the Act. From the records, we found that the assessee had claimed the farm maintenance expenses as expenses while filing the original return of income. The Ld.CPC had accepted the said claim and granted the benefit to the assessee. During the search, no undisclosed income was found out by the authorities based on the seizure of the incriminating materials.

14. When there is no incriminating materials seized by the authorities disclosing an undisclosed income, the AO cannot take any proceedings u/s. 153C of the Act. We have also perused the incriminating materials seized at the time of search and in no such materials, the authorities could find that some undisclosed incomes were recorded to invoke section 153C of the Act.

15. The Hon'ble Supreme Court in the case of PCIT vs. Abhisar Buildwell P. Ltd. in Civil Appeal No. 6580 of 2021 dated 24/04/2023 had elaborately dealt with this issue and held as follows:

“At the cost of repetition, it is observed that the assessment under Section 153A of the Act is linked with the search and requisition under Sections 132 and 132A of the Act. The object of Section 153A is to bring under tax the undisclosed income which is found during the course of search or pursuant to search or requisition. Therefore, only in a case where the undisclosed income is found on the basis of incriminating material, the AO would assume the jurisdiction to assess or reassess the total income for the entire six years block assessment period even in case of completed/unabated assessment.”

16. Therefore respectfully following the principles laid down by Hon'ble Supreme Court in the above said judgment, we are also deleting the disallowance made by the AO in respect of the farm maintenance expenses since there were no incriminating materials seized by the authorities during the search made u/s. 132 of the Act. In the assessment order made u/s. 153C of the Act, the AO had proposed to disallow the expenses claimed u/s. 37 of the Act since supporting bills / vouchers were not produced while issuing notice u/s. 153C of the Act. We do not think that the AO has jurisdiction to call for such details while issuing notice u/s. 153C of the Act when the assessment has already been completed u/s. 143(1) of the Act. We, therefore, allow the appeals, insofar as the disallowance of farm maintenance expenses are concerned, for all the years.

ITA No. 256/Bang/2025

17. Apart from the facts already stated, another addition was made u/s. 69 of the Act based on the incriminating materials seized at the time of search conducted in the third party's premises in the A/Y 2019-20.

18. At the time of hearing, the Ld.AR submitted that the alleged incriminating materials which was deciphered from google drive is only a loose sheet and from that nothing could be inferred that there are some investments outside the books of accounts and therefore the same could not

be utilised for making addition u/s. 69 of the Act. The Ld.AR further submitted that the cash mentioned in the said incriminating material is nothing but the concession granted to the partners Mr. Damodar Reddy and Mr. Shrihari Reddy of Magna Homes while purchasing the villa and the said concession was offered as additional income by Magna Homes in their statement recorded u/s. 132(4) of the Act and therefore prayed that no addition could be made on the assessee.

19. The Ld.DR relied on the findings given by the AO and prayed to dismiss the appeal insofar as this addition is concerned.

20. We have heard the arguments of both sides and perused the materials available on record.

21. To appreciate the facts involved in the present appeal, we have perused the image found in the google drive at the time of search in the residence of Shri Damodar Reddy Marupuru. On going through the said documents, even though it is a sheet, it was clearly mentioned with dates for the transfer of money through RTGS and also by cash and also mentioned the Villa No. 81 in the said non-judicial stamp paper. The explanation given by the assessee for the said seizure of the incriminating material is that the cash portion mentioned in the said sheet is nothing but the concession granted by the Magna Homes for purchasing the villa by the partners of Magna Homes but no evidence was furnished for treating the said amounts as concession. We have also perused the statements recorded during the course of search proceedings in which for the question no. 16, Shri Damodar Reddy Marupuru gave an answer that "I had some cash income at that time, the details of which I am not able to remember now. However, to account the same, I hereby disclose the amount of Rs. 45 Lakhs as additional income for F.Y. 2018-19 in the name of Crystal Hatcheries and I am ready to pay due taxes on the same."

22. Subsequently, during the course of scrutiny proceedings, the assessee was asked to give reasons why the said amount of Rs. 45 Lakhs should not be treated as unexplained investment. The assessee at that time replied that the villas are part of partner's share given on concession which was mentioned as cash receipts in the rough statements even though no such cash was paid by the companies. It was further stated that the said amount of concession offered to the partners were reported as additional income by the Magna Homes while recording the statement u/s. 132(4) of the Act before the investigation authorities.

23. In the alleged incriminating material, not only the cash payments were mentioned but also the RTGS payments were also noted with dates which were accepted by the assessee that the RTGS were duly reflected in their books of accounts but insofar as the cash payments are concerned, the assessee submitted a different story without any proof. When the two entries out of the four entries found in the incriminating material was accepted by the assessee as the transaction amount, there is no logic in disbelieving the other two entries which were all made in cash, were also related to the transaction. Moreover, there is no evidence to show that the cash mentioned are nothing but the concessions granted to the partners. The entire facts were considered by the AO as well as by the Ld.CIT(A) and arrived a conclusion that the cash payments were not properly explained and therefore treated the said as unexplained investments u/s. 69 of the Act.

24. Insofar as the contention that the incriminating material is loose sheets and it cannot be treated as a document establishing any undisclosed income, we are of the view that the assessee had not denied all the four transactions mentioned in the so called dumb documents. In fact the RTGS payments found in the said dumb document were accepted by the assessee and therefore the other two entries could not be taken as not establishing any undisclosed income. If the assessee has contended that the said document is a loose sheet and therefore it could be at the maximum termed

as dumb document, then they could have contested all the four entries available in the said loose sheets. They are accepting the part of the entries found in the said document as genuine and tried to treat the other part as not genuine. Further, the statements recorded at the time of search also strengthens the case that the assessee had made some investments by cash and therefore the addition was correctly made u/s. 69 of the Act.

25. We, therefore, upheld the order of the AO as well as the Ld.CIT(A) insofar as the addition made u/s. 69 of the Act in the A.Y. 2019-20 is concerned.

26. In the result, appeals filed by the assessee in ITA Nos. 251 to 255 & 257 are allowed and the appeal in ITA No. 256 is partly allowed on the above terms.

Order pronounced in the open court on 05th August, 2025.

Sd/-
(PRASHANT MAHARISHI)
Vice – President

Sd/-
(SOUNDARARAJAN K.)
Judicial Member

Bangalore,
Dated, the 05th August, 2025.
/MS /

Copy to:

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|---------------|------------------------|
| 1. Appellant | 2. Respondent |
| 3. CIT | 4. DR, ITAT, Bangalore |
| 5. Guard file | 6. CIT(A) |

By order

Assistant Registrar,
ITAT, Bangalore