

आयकर अपीलीय न्यायाधिकरण में, हैदराबाद 'B' बेंच, हैदराबाद

**IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'B' Bench, Hyderabad**

श्री रवीश सूद, माननीय न्यायिक सदस्य एवं श्री मधुसूदन सावडिया, माननीय लेखा सदस्य
**SHRI RAVISH SOOD, HON'BLE JUDICIAL MEMBER
AND
SHRI MADHUSUDAN SAWDIA HON'BLE ACCOUNTANT MEMBER**

आयकर अपील सं./I.T.A.No.585 & 586/Hyd/2024
(निर्धारण वर्ष/ **Assessment Year: 2018-19 & 2019-20**)

ACIT Central Circle-2(2) Hyderabad	Vs.	Varala Janga Reddy Hyderabad PAN : ACRPV4308D
(अपीलार्थी/ Appellant)		(प्रत्यर्थी/ Respondent)

करदाता का प्रतिनिधित्व/ Assessee Represented by	:	Shri Ravi Bharadwaj, AR
राजस्व का प्रतिनिधित्व/ Department Represented by	:	Dr.Narendra Kumar Naik, CIT-DR
सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing	:	31.07.2025
घोषणा की तारीख/Date of Pronouncement	:	30.09.2025

ORDER

प्रति रवीश सूद, जे.एम./PER RAVISH SOOD, J.M.

The captioned appeals filed by the revenue arises from the respective orders passed by the Commissioner of Income Tax

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

(Appeals)-12, Hyderabad dated 04.03.2024, which in turn arises from the orders passed by the Assessing Officer (A.O) under Section 153C AND Section 153C r.w.s 144 of the Income tax Act, 1961 (for short, "Act") for A.Y 2081-19 and A.Y 2019-20, dated 30.03.2023. As common issues are involved in the present appeals, therefore, the same are being taken up and disposed of vide a consolidated order. We shall first take up the appeal filed by the revenue in ITA No. 585/Hyd/2024 for A.Y. 2018-19, and the order therein passed shall apply *mutatis mutandis* for the purpose of disposing of the other appeal. The revenue has assailed the impugned order on the following grounds of appeal before us:

- “1. Whether on the facts and circumstances of the case and in law, the Id. CIT(A) erred in drawing certain presumptions which are not correct?
2. Whether on the facts and circumstances of the case and in law, the Id. CIT(A) erred in law while comparing the estimation in the hands on the Spectra Group has failed to distinguish the fact it involved in sale of plot, not in aggregation?
3. Whether on the facts and circumstances of the case and in law, the Id. CIT(A) erred in law in failing to verify the outward movement of cash portion of transaction to the different parties from whom loan was aggregated for which the assessee has not filed any confirmation from the said parties evidencing the receipt of cash?

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

4. Whether on the facts and circumstances of the case and in law, the Id. CIT(A) failed to distinguish the fact that while in the seized material found in the Spectra Group there is mention of outward movement of cash to the land aggregators which is not indicative in the case of the assessee?
 5. Whether on the facts and circumstances of the case and in law, the Id. CIT(A) erred in law that the estimation in the hand of the Spectra Group cannot be extended to the assessee, who is land aggregator and could not furnish confirmation from land sellers?
 6. Any other ground that may be urged at the time of hearing.”
-
2. Succinctly stated, the assessee had filed his original return of income for A.Y. 2018-19 on 05/03/2019, declaring an income of Rs. 16,06,500/-.
 3. Search and seizure proceedings under section 132 of the Act were carried out in the case of “Spectra Group” on 23.03.2021. During the course of the search proceedings, certain documents of the nature of day sheets and receipts were found and seized from the residence of Shri Arun Kumar Gampa, Director of Spectra Group. As is discernible from the record, the seized documents contained references to the assessee, including cash receipts aggregating to Rs. 2,78,57,500/- for the subject year, i.e., the period relevant to A.Y 2018-19. The A.O., based on the contents of the

seized material issued notice under section 153C of the Act to the assessee. In compliance, the assessee filed his return of income for the subject year on 12.03.2022, declaring an income of Rs. 16,06,500/-.

4. During the course of the assessment proceedings, the A.O. examined the seized material, viz. copies of the day sheets, receipts, and an unsigned draft agreement of sale dated 12.07.2019. On a perusal of the seized documents, the A.O. observed that the assessee had, during the subject year, received cash receipts of Rs. 2,78,57,500/- from "Spectra Group". On being queried, it was though the assessee's claim that the subject cash was received by him from "Spectra group" as a mediator/aggregator of lands for making payments on their behalf to the farmers from whom agricultural lands were purchased by the aforesaid group, but as he failed to come forth with any evidence of onward payments to the land owners, therefore, the A.O treated the entire cash receipts as the undisclosed income of the assessee, i.e. over and above his returned income.

Thus, the A.O. vide his order u/s 153C of the Act, dated 30.03.2023, determined the income of the assessee at Rs. 2,94,64,000/-.

5. Aggrieved, the assessee carried the matter in appeal before the CIT(A). Before the CIT(A), the assessee claimed that he was only a land aggregator/mediator facilitating the pooling of land parcels for "Spectra Group". Elaborating on his contention, it was the assessee's claim, that the funds for purchasing the lands by him as a mediator/aggregator emanated from "Spectra Group", which was passed over by him to the land owners, i.e. the sellers, and he did not own the lands as stock-in-trade. Also, it was submitted by him that in several comparable cases of other mediators/aggregators of "Spectra Group", the CIT(A) had restricted the additions to a profit element ranging from 6–10%. The assessee, therefore, submitted that only reasonable income be estimated, if at all, and that the addition of the entire cash receipts made to his income by the A.O. be set aside.

6. We find on a perusal of the CIT(A) order that he had, after elaborate analysis of the seized material, the statements, and the

business model, observed that the assessee's role was only that of a facilitator. The CIT(A) observed from the bank records that even cheque receipts/payments sourced from the "Spectra group" were routed to the land owners, i.e., the sellers of the lands, through the assessee. It was further observed by him that in similar appeals of other land aggregators/mediators, viz. Sylns Agro Developers, Krishi Housing, Sunshine Estate Constructions, Bhoomika Agro Farms, etc., a consistent view was taken by restricting the addition to 10% of the amount of cash receipts. The CIT(A) held a conviction that consistency demanded a similar treatment in the assessee's case as well. Accordingly, the CIT(A), based on his exhaustive deliberations, restricted the addition in the case of the assessee to 10% of the unaccounted cash receipts of Rs. 2,78,57,500/-, i.e. at Rs. 27,85,750/-, and partly allowed the appeal. For the sake of clarity, we deem it apposite to cull out the observations of the CIT(A), as under:

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

6. Decision:

In the instant case, the Assessing Officer completed the assessment for AY 2019-20 u/s. 153C r.w.s. 144 of the Act, assessing the total income at Rs.6,93,49,450/- by making the addition of undisclosed receipts of Rs.6,65,50,000/- in the AY 2019-20.

6.1 Brief facts of the case are that a search and seizure operation u/s. 132 of the Act was conducted in the case of M/s. Spectra India Group (SIG) on 23.03.2021. The said group is into the business of development of plots. During the course of search, certain incriminating documents were seized which indicated that the said person had taken on-money receipts in respect of the plots and also paid on-money for procurement of the said lands which were later divided and developed into plots. The modus operandi of the said group was to acquire land through aggregators in large sizes and later on divide the

same into smaller plots and develop the internal area and sell the same to various buyers. For the purpose of acquisition of land, the Spectra India Group in turn appointed various persons who were aggregators. The Spectra India Group did not buy the land directly as for acquiring large chunk of lands as, if the intent of the development is openly available in the market then the land prices would increase and therefore, either hurting the profitability or making the project unviable.

6.2 The assessment of Spectra India Group was completed on the basis of on-money found which was duly recorded in a day sheet along with the expenses incurred for the procurement of lands. These day sheets were made by the accountant of SIG. The Spectra India Group owned up the said transactions and there is no primary dispute regarding the cash receipts and the cash payments. It was noted during the assessment proceedings that the SIG has disclosed the profit of 15% on disclosed turnover. The AO considering all the aspects estimated 15% on the turnover computed on the basis of AS 7 and AS 9 on the basis of the SIG not considering certain advances vis-à-vis project completion method and 20% on deleted receipts.

6.3 The appellant is an aggregator on behalf of Spectra India Group. The appellant has been paid unaccounted cash of Rs.6,65,50,000/- for the FY 2018-19. It is seen that the appellant along with others have received sizable amount of money from Spectra India Group. The Spectra India Group has paid money to the appellant and other persons in the form of cheque and cash. The cheque portion duly finds place in the bank book of the appellant whereas the cash received from Spectra India Group which has been used for further procurement, is not disclosed. It is seen that for the year under consideration, the appellant has received funds from Spectra India Group and acquired various parcels of land and transferred to Spectra India Group.

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

6.4 Further, coming down to the issue of the funding, it is seen from the bank book so brought out below that the funds for acquisition even with regard to cheque payment have originated from SIG and the appellant though has registered certain properties in its name through AGPA has later on transferred to SIG. The bank book brought out below clearly indicates the said facts:

S.No	Date	Payments	Receipts	Remarks with respect to receipts and payments	Financial Year
1	19-12-2017		32,32,500	Amount Received from Spectra	2017-18
2	20-12-2017	10,00,000		Amount Paid to Land Owners	2017-18
3	20-02-2018	5,00,000		Amount Paid to Land Owners	2017-18
4	23-03-2018	10,00,000		Amount Paid to Land Owners	2017-18
5	15-05-2018		4,40,000	Amount Received from Spectra	2018-19
6	16-11-2018		9,95,000	Amount Received from Spectra	2018-19
7	13-12-2018		10,00,000	Amount Received from Spectra	2018-19
8	26-12-2018		10,00,000	Amount Received from Spectra	2018-19
9	12-03-2019		15,00,000	Amount Received from Spectra	2018-19
10	12-03-2019		15,00,000	Amount Received from Spectra	2018-19
11	14-03-2019		15,00,000	Amount Received from Spectra	2018-19
12	15-03-2019		6,25,000	Amount Received from Spectra	2018-19
13	15-03-2019		6,25,000	Amount Received from Spectra	2018-19
14	19-03-2019		6,25,000	Amount Received from Spectra	2018-19
15	19-03-2019		6,25,000	Amount Received from Spectra	2018-19
16	20-03-2019		19,50,000	Amount Received from Spectra	2018-19
17	14-03-2019	30,97,500		Amount Paid to Land Owners	2018-19
18	18-03-2019	60,97,500		Amount Paid to Land Owners	2018-19

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

19	21-03-2019	31,80,000		Amount Paid to Land Owners	2018-19
20	11-12-2020		10,00,000	Amount Received from Spectra	2020-21
21	15-03-2021		50,00,000	Amount Received from Spectra	2020-21
22	17-08-2020	8,50,000		Amount Paid to Land Owners	2020-21
23	25-08-2020	8,50,000		Amount Paid to Land Owners	2020-21
24	13-01-2021	7,86,500		Amount Paid to Land Owners	2020-21
25	13-01-2021	9,74,500		Amount Paid to Land Owners	2020-21
26	13-01-2021	7,86,500		Amount Paid to Land Owners	2020-21
27	19-01-2021	9,74,500		Amount Paid to Land Owners	2020-21
28	28-01-2021	9,00,000		Amount Paid to Land Owners	2020-21

The above transactions in the bank very clearly establishes that the SIG was funding the acquisitions of the appellant to be later transferred to SIG, the sizeable money came in from SIG from time to time as can be seen from the above bank transactions of the appellant with SIG and its application thereof. The above factum establishes that the appellant and others were not to be owners of the acquired lands and the intent of their ownership never existed. They were only acting on behalf of Spectra India Group.

6.5 The chart below of the acquiring of land which was registered in the name of Appellant and later transferred to SIG establishes the said fact that there was never an intention to own the property by the Appellant.

Land Document No.	sale date	Sold Acres	Sale Value	Purchase doc number	Purchase Date	Purchase d Acres	Purchase Value	Holding period in Days
5289/2019	01.03.2019	5	25,00,000	11920/15	16.12.2015	1Ac-10 Gts	1,32,600	1170
				11919/15	16.12.2015	1Ac-10	1,32,600	

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

						Gts		1170
				11911/15	17.12.2015	1Ac-10 Gts	1,32,600	1169
				11910	18.12.2015	1Ac-10 Gts	1,32,600	1168
5288/ 2019	01.03.2019	9Ac- 36Gt s	49,50,000	2819/16	02.03.2016	9Ac- 36Gts	10,49,400	1094
5290/ 2019	01.03.2019	10Ac	15,00,000	1615/17	09.03.2017	10Ac	10,52,100	722
11167 /2019	04.12.2017	32Ac	32,32,500	1632/17	09.03.2017	20Ac	20,00,000	271
				1616/17	09.03.2017	12Ac- 13Gts	12,96,250	271

6.6 It is also observed from the cases of other aggregators to the SIG that the transactions entered by such aggregators with the SIG and the direct transactions of SIG with the original land owner establish that SIG has acquired land at comparable prices on both counts. This fact only implies and establishes the fact that any on-money which was received by the appellant in the capacity of the aggregator, ultimately a sizable portion of the same would have gone to the original land owner. As for SIG, it does not make any business sense to pay more to the aggregator and not acquiring directly. The appellant being the aggregator is effectively a shield and insulation towards the reasonable cost of acquisition, as otherwise the land owners may start asking exorbitant rates for the transfer of land. It is also seen from the charts that the prices have increased for the purpose of registration also with the passage and difference of time, which implies that if there is any news in the market that there is going to be sizable acquisition, the said land owners demand much higher price. Thus, the appellant effectively was acting as a medium and also there was an expertise of the appellant to manage large number of land owners and delivering the desired parcel of land. Thus, the appellant though was acting as a medium was also utilizing its ability and rendering services for consolidation of the said land. Therefore, the appellant was not a pass through entity but was and would be charging its own price for rendering the said

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

service. The appellant is, thus considered a service provider on the basis of the fact that whatever was acquired by the appellant through the funds of Spectra was ultimately transferred back to Spectra. It is important to note that the appellant claims to be land pooler and has described the activity in detail which finds place in the assessment order as part of assesses response.

6.7 It is undisputed even by the AO that the appellant does not hold any land and whatever was acquired has been transferred to SIG in subsequent years. The source of funds for AGPA and even direct transfers are through the bank accounts of the appellant and the source of the appellant is the SIG which can be clearly inferred from the bank book. The AO however has considered the payments noted in the unaccounted ledger/book of SIG group in the name of appellant as the income of the appellant. The AO has thus considered the income of the appellant in toto as if the appellant was the owner of the land for ages and was holding the stock for a long period of time as part of its regular assets in the books of accounts.

6.8 During the course of search at SIG the statement u/s. 132 was recorded regarding the payments made. The relevant question nos. 13 and 14 of the Sworn statement dated 17.08.2021 of Mr. Jagan Mohan, MD of Spectra group in this regard are as under:

“Q.13. Please explain how you enter the cash payments in the Day Sheet and in books of account?”

Ans. Generally most of the cash payments entered in the Day Sheet (Excel Sheet) are utilized for land expenses, marketing expenses, labour expenses and various other expenses related to development works at the lands purchased by M/s Spectra Group from various land owners either directly or through mediators. However these cash payments are entered in the Tally under various heads viz site development, labour expenses and others.

In most of the cases the mediators act as site supervisors for the development works at the lands provided/pooled by them either through mediation or by purchasing from land owners. If the company spends certain amount towards development works at

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

the sites, the same was entered on the payment side of Day Sheet (Excel Sheet) against the name of that particular supervisor and entered in Tally under the heads viz site development, labour expenses and others.

Q.14. Please explain whether all the cash payments as per these DAY SHEETS are brought into books of accounts maintained in Tally?

Ans. *Sir, as I submitted earlier, the corresponding expenses in relation to deleted/edited entries to the extent of Rs. 156.59 crores only were not accounted in the books. Other than these all the cash payments as per the Day Sheets were duly accounted in Tally."*

The payer very clearly mentions that the mediators existed and the payments were made through mediators or directly. It is important to note that in the day sheets, direct payments to farmers were not found to be commensurate with the volume of land registered directly. The payments made in cheque as can be seen from the bank book have also been routed through mediator for direct registration which clearly implies that even the cash is routed through the mediator.

6.9 The appellant, during the assessment proceedings, was requested to furnish a note on the receipts of Rs.6,65,50,000/- in cash for the FY 2018-19. The appellant stated that he was just acting as a mediator and that the funds from SIG were just routed through his bank account to pay the land owners and subsequently transfer the said lands to SIG. This fact can be observed from the bank book of the appellant, where the funds were received from SIG and the same were utilized for making payments to the land owners. It is also a fact that the appellant during the year, has performed the activity of providing services as a land pooler/aggregator and not an investor or land owner. The AO concluded abruptly in holding that the whole cash receipt by the appellant for the year from SIG as income of the appellant and the AO stated that the appellant has not given any proof of payment further with regard to the funds received from Spectra.

6.10 The whole basis of the receipt of the appellant is, the recording made by the SIG Group which was seized during the course of search. The appellant's premise was neither searched nor surveyed u/s. 133A and there would be a likely chance of getting further documents in respect of the said activity. It is seen that the order in the case of SIG Group namely M/s Spectra India Eco Projects Private Limited, M/s Spectra India Mega projects Private Limited and M/s Spectra India Housing Private Limited have not been passed for the purpose of assessment of income on the basis of expenditure or the books of accounts but on account of total receipts which included the accounted cheque and unaccounted cash. The AO realized the futility of considering the picture of the day sheets found in toto as it would distort the determination of income of the payer i.e. the SIG Group.

6.11 The AO in the case of assessing the entities of SIG group had the benefit of the seized material which was incriminating and unaccounted. The AO considered the same as true within the meaning of section 132(4) and section 292C on presuming that the day sheet found is true and has thus assessed the income of the entities of SIG group on the basis of the said day sheets and concluding that the estimation of income would be the best proposition to determine the taxable income of the entities of the SIG group. There was no consequent search or survey conducted in the case of the appellant and other equivalent mediators to arrive at certain incriminating documents or material. The Investigation effectively came to a halt and thus whatever which was found u/s. 132(4) and u/s. 292C, the payer got the benefit of the seized document in establishing its true profit in the holistic picture and has been fairly assessed at net profit of 15% of determined turnover, whereas the appellant, a mediator has been saddled with the whole receipt as income.

6.12 As already stated and established that the appellant is a mere mediator/land pooler, considering the series of transaction and the funds flow which have been reproduced in the charts above for the year. The appellant

can only be designated as a land pooling service provider being a business activity which essentially rendered the service. The lands so acquired are not stock in trade of the appellant in intent as the funding is done by the SIG and also the agreement was to transfer it to SIG. The appellant is only holding things on behalf of the entities of SIG group to be ultimately transferred to them.

6.13 In this scenario as appellant is just rendering service and cannot be taxed on the whole quantum as its income as has been done by the AO. The ultimate beneficiary i.e. the SIG group has been assessed at 15% of its turnover as income. Obviously the appellant cannot make more money than the ultimate beneficiary on whose behest the appellant was appointed. In the present case, the AO has taxed the mediator at more taxable income than the ultimate beneficiary itself which is grossly unfair and incorrect. The AO has also not disputed that the appellant is not an aggregator in spite of the statements recorded u/s. 132 of SIG group and the business flow brought out above. The AO has just in a single line brushed aside the factual contention and taxed the appellant at 100% of receipts.

6.14 Further, it is pertinent to mention here that during the course of search action in Spectra group, documents found indicated that Spectra group has availed land aggregation services from a number of persons having similar pattern of transactions. The AO has initiated proceedings u/s 153C/ 143(3) in these cases and has treated the entire cash receipts as income. On appeal in all these cases, my predecessor in appellate orders has treated only profit at the rate of 10% embedded in the gross receipts as income of the respective appellants. The operative part of one of the said orders is reproduced as under:

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

In view of the totality of the circumstances and the assessment orders of entities of SIG, it would be fair to tax the appellant at 10% of the unaccounted cash receipts as recorded in the day sheets of the document seized in the search of SIG group, as other mediators have been offering an average net profit of 6-7% over the years. As already discussed, the bank receipts of the appellant are included in computation of his income and are explained, no addition is warranted with regard to bank receipts. The other regular income for the accounted transactions has to be accepted as it is as no adverse inference has been recorded by the AO in this regard.

In view of the above discussion, the addition made in this regard is to be restricted to 10% of the unaccounted cash receipts of Rs.5,67,86,000/(The cheque portion of Rs.3,50,50,000/- has already been accounted as part of sales in the year of transfer of the said lands), which works out to Rs.56,78,600/-. Thus, the addition is confirmed to the extent of Rs.56,78,600/-.

The details of the appeals decided in the cases of land aggregators of Spectra group are given as under:

Sl.No.	Name of the assessee	A.Y.	Assessment order u/s	DIN
1.	Krishna Reddy Gujjula	2021-22	143(3)	ITBA/APL/M/250/2023-24/1053539938(1)
2.	Bhoomika Agro Farms Private Limited	2020-21	143(3)	ITBA/APL/M/250/2023-24/1053539927(1)
3.	Bhoomika Agro Farms Private Limited	2021-22	143(3)	ITBA/APL/M/250/2023-24/1053539932(1)
4.	Sylns Agro Developers Private Limited	2016-17	153C	ITBA/APL/M/250/2023-24/1053539954(1)
5.	Sylns Agro Developers Private Limited	2017-18	153C	ITBA/APL/M/250/2023-24/1053539955(1)
6.	Sylns Agro Developers Private Limited	2018-19	153C	ITBA/APL/M/250/2023-24/1053539956(1)

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

7.	Sylns Agro Developers Private Limited	2019-20	153C	ITBA/APL/M/250/2023-24/1053539957(1)
8.	Sylns Agro Developers Private Limited	2020-21	153C	ITBA/APL/M/250/2023-24/1053539958(1)
9.	Sylns Agro Developers Private Limited	2021-22	143(3)	ITBA/APL/M/250/2023-24/1053539959(1)
10.	Sunshine Estate Construction India LLP	2019-20	153C	ITBA/APL/M/250/2023-24/1053539941(1)
11.	Sunshine Estate Construction India LLP	2020-21	153C	ITBA/APL/M/250/2023-24/1053539942(1)
12.	Sunshine Estate Construction India LLP	2021-22	143(3)	ITBA/APL/M/250/2023-24/1053539944(1)
13.	Krishi Housing Private Limited	2016-17	153C	ITBA/APL/M/250/2023-24/1053539946(1)
14.	Krishi Housing Private Limited	2017-18	153C	ITBA/APL/M/250/2023-24/1053539947(1)
15.	Krishi Housing Private Limited	2018-19	153C	ITBA/APL/M/250/2023-24/1053539948(1)
16.	Krishi Housing Private Limited	2019-20	153C	ITBA/APL/M/250/2023-24/1053539950(1)
17.	Krishi Housing Private Limited	2020-21	153C	ITBA/APL/M/250/2023-24/1053539951(1)
18.	Krishi Housing Private Limited	2021-22	143(3)	ITBA/APL/M/250/2023-24/1053539952(1)

6.15 Therefore, to have consistency in the approach adopted by my predecessor in above cases and also in view of the detailed discussion above and the totality of the circumstances and the assessment orders of entities of SIG, it would be fair to tax the appellant at 10% of the unaccounted cash receipts as recorded in the day sheets of the document seized in the search of SIG group, as other mediators have been offering an average net profit of 6-7% over the years. Accordingly, the addition made in this regard is to be restricted to 10% of the unaccounted cash receipts of Rs.6,65,50,000/-, which works out to Rs.66,55,000/-. **Thus, the addition is confirmed to the extent of Rs.66,55,000/-.** The ground no. 2 of the appeal is **partly allowed** accordingly.

6.16 In view of the part relief granted in ground no.2, the ground nos.3 to 8 become inconsequential for adjudication. The ground nos.1 and 9 are general in nature and need no separate adjudication.

7. The revenue, aggrieved with the order of the CIT(A), has carried the matter in appeal before us.

8. We have heard the Ld. Authorized Representatives of both parties, perused the orders of the lower authorities and the material available on record, as well as considered the judicial pronouncements that have been pressed into service by the Ld. A.R. to drive home his contentions.

9. The Ld. Departmental Representative (for short, "D.R"), at the threshold of hearing of the appeal, submitted that as the seized material clearly established cash receipts by the assessee, therefore, the A.O., in the absence of any plausible explanation by the assessee, had rightly held the same as his unaccounted income. The Ld. D.R. vehemently submitted that the CIT(A) had, without any justification, scaled down the addition made by the A.O. to 10% of the amount of the unexplained cash receipts. The Ld. D.R. submitted that the order of the CIT(A), being devoid and bereft of any merit, be set aside and the addition made by the A.O. be restored.

10. We have thoughtfully considered the contentions advanced by the Ld. Authorized Representatives of both parties in the backdrop of the orders of the lower authorities.

11. Ostensibly, the controversy involved in the present appeal boils down to the sustainability of the view taken by the CIT(A), who had scaled down the addition made by the A.O of the entire amount of cash receipts of Rs. 2,78,57,500/- (reference of which was made in the documents seized in the course of the search proceedings conducted on “Spectra group”) to an amount of Rs. 27,85,750/-, i.e., the estimated profit/income that the assessee would have made by rendering his services to “Spectra group” as a mediator/aggregator for land pooling, development of land etc. We find that the adjudication of the aforesaid issue would require looking into the multi-facet facts that had surfaced in the course of the search proceedings conducted on “Spectra group” and thereafter, viz. (i). the seized day sheets were found from the premises of “Spectra Group”, and not from the assessee; (ii). the day sheets recorded cash receipts/payments against the assessee’s name; (iii). the

assessee had acknowledged some of these receipts; (iv). the assessee had consistently claimed that he was a mediator/aggregator who was passing on the funds to the land owners on behalf of "Spectra group"; (v). the claim of the assessee that he was rendering his services as a mediator/aggregator was partly corroborated by the statement of Shri. Jagan Mohan, Managing Director of Spectra Group, recorded on 17.08.2021; and (vi) the CIT(A) in the cases of similarly placed aggregators/mediators who had rendered their services to "Spectra Group" restricted the addition in their respective cases to 10% of their receipts.

12. On a perusal of the record, we find that the assessee, on being confronted with the contents of the seized receipts, had in his reply to Question No.4 of his statement recorded on 29.07.2021, though admitted that certain acknowledgments bore his signature, but denied having received the subject cash as his income. For the sake of clarity, the relevant extract of the statement of the assessee is culled out as under:

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

“I have not received any cash from M/s Spectra Group. However, I confirm that some of these are the acknowledgments signed by me. It is submitted that I intended to pool agricultural land admeasuring about 55 acres from various farmers and to mediate between land owners and Spectra Group. Since farmers insist on cash consideration, Spectra Group gave cash to me for handing over to the farmers. I acknowledged receipts whenever payments were made to farmers by Spectra Group through me. The said amounts were not my income but were passed on to land owners. All the lands were agricultural lands.”

Also, we find that Shri. Jagan Mohan, Managing Director of Spectra Group, in his statement recorded on 17.08.2021, had admitted the *modus operandi* of routing payments through mediators. For the sake of clarity, the relevant extract of the statement of Shri. Jagan Mohan (supra) is culled out as under:

“Q.13. Please explain how you enter the cash payments in the Day Sheet and in books of account?

Ans. Generally most of the cash payments entered in the Day Sheet are utilized for land expenses, marketing expenses, labour expenses and various other expenses related to development works. **In most of the cases the mediators act as site supervisors for the development works at the lands pooled by them.** If the company spends certain amount towards development works at the sites, the same was entered in the Day Sheet against the name of that particular supervisor.

Q.14. Please explain whether all the cash payments as per these Day Sheets are brought into books of accounts?

Ans. Corresponding expenses in relation to deleted/edited entries to the extent of ₹156.59 crores only were not accounted. Other than these, all the cash payments as per the Day Sheets were duly accounted in Tally.”

(emphasis supplied by us)

***ITA No.585 & 586/Hyd/2024
Varala Janga Reddy***

On a perusal of the statement of Shri. Jagan Mohan (supra), we find that the fact that mediators/aggregators were engaged by “Spectra Group” and the routing of cash payments through them for onward payments to the farmers, development work etc., was admitted by him.

13. We have given thoughtful consideration and are of the view that in the backdrop of the statement of Shri. Jagan Mohan, Managing Director of Spectra Group, recorded on 17.08.2021, it can safely be concluded that the assessee was one of the aggregator/mediator who was rendering services in his said capacity to “Spectra group”. Our conviction is fortified by the fact that even the cheque payments made by the “Spectra group” to the land owners were routed through the assessee. We are of the view that the order of the CIT(A) strikes a fair balance, as taxing the entire receipts as the income of the assessee, when he demonstrably had acted as a mediator, would lead to manifest injustice and double taxation. We are of the view that, as “Spectra Group”, being the ultimate beneficiary, had already been assessed separately on the

basis of the same seized material, therefore, to again assess the whole of the receipts in the hands of the assessee, i.e., the aggregator/mediator, would give a distorted picture of his real income. We further concur with the CIT(A) that as the role of aggregator/mediator involves specialized services of land pooling and negotiation, for which they are reasonably remunerated, therefore, the income of the present assessee in the backdrop of the view taken by him in the case of identically placed aggregators/mediators, as had surfaced in the course of the search proceedings conducted on the same "Spectra Group", viz. M/s Sylms Agro Developers (A.Ys. 2016–17 to 2019–20), M/s Krishi Housing (A.Ys. 2016–17 to 2020–21), and M/s Sunshine Estate (A.Ys. 2019–20 to 2021–22), wherein their income was determined by him in the range of 6% to 10% of their receipts, could also fairly be estimated in the case of the present assessee at 10% of his unaccounted cash receipts, i.e., at Rs. 27,85,750/- (10% of Rs. 2,78,57,500/). We may herein observe that the view taken by the CIT(A) in the aforesaid similarly placed mediators/aggregators, wherein their income was

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

estimated by the CIT(A) at 10% of their receipts, had thereafter been approved by the Tribunal in the case of ACIT, Central Circle 2(2), Hyderabad Vs. Bhoomika Agro Farms (P) Ltd. & Ors., ITA No. 381/Hyd/2023, dated 30/09/2024. For the sake of clarity, we deem it apposite to cull out the observations of the Tribunal, as under:

“11. We have heard both the parties, perused the material available on record and gone through the orders of the authorities below. During search, in Spectra Group of cases on 23.3.2021, copy of sale agreement dated 14.08.2019 and certain cash receipts were found and seized at the residential premises of Shri Gampa Arun Kumar, Director of Spectra Groups. Further, a Scan disk pen drive of 5GB was also found and seized from the office premises of Spectra Group. On verification of sale agreement dated 14.8.2019 between the appellant company and Spectra Group, the appellant company agreed to sell agricultural land admeasuring 300 acres in various survey Nos situated in Cherukuru and Peddapur villages, Weldanta Mandal, Nagarkurnool Distt. for the amount of Rs.170,60,00,000/-. A statement was recorded from Shri P Shashikant Reddy, of Bhoomika Agro Farms (P) Ltd on 29.07.2021 and confronted copy of sale agreement dated 14.8.2019 and cash payments received from Spectra Group as per excel sheets found in Pen Drive. In response to a specific question, he has confirmed the sale agreement between appellant company and M/s. Spectra Group for the sale of 300 acres of land and also confirmed sale consideration referred to therein. He has further confirmed the amount received from Spectra Group as per the excel sheet found in Pen Drive including amount received through Cheques/RTGS and amount received by cash. However, he further stated that the appellant company works as Mediator/Aggregator of land for Spectra Group and whatever amount received from Spectra Group is either for payment to landowners towards purchase of land or expenditure incurred for development works at site.

12. The Assessing Officer made addition towards amount received from Spectra Group as undisclosed income of the assessee on the ground that the appellant could not furnish relevant evidence to prove that it was acting as an agent/aggregator/mediator for Spectra Group. According to the Assessing Officer, although appellant does not own entire parcel of land before entering into agreement with Spectra Group, but the appellant fails to prove the outward movement of cash portion of amount received from Spectra Group to different parties from whom the land was aggregated. Therefore, he opined that in

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

absence of any evidence, it is difficult to accept the argument of the assessee that it was acting as a Mediator/Aggregator for M/s. Spectra Group and the amount received from them is towards payment to landowners/farmers for purchase of land and also for various expenditure incurred at site.

13. We have given our thoughtful consideration to the reasons given by the Assessing Officer to make additions towards undisclosed amount received in cash from M/s. Spectra Group as income of the appellant and also reasons given by the learned CIT (A) to estimate 10% income on total undisclosed cash receipts received from above company in light of the argument of the learned Counsel for the assessee. We have also carefully gone through the sale of agreement dated 14.8.2019 between the appellant company and M/s Spectra Group. As per recitals of the sale agreement 14/08/2018, the appellant is having land bank in the name of respective owners mentioned in the registered document being entered into MOU and sale agreement with them and are the absolute owners of parcels of land being entered into sale deeds and peaceful possession and enjoyment of properties total admeasuring 300 acres. The agreement also provides for details of land including place of land, survey Nos. and extent. From the recitals of the agreement, it is very clear that at the time of entering into the agreement with Spectra Group, the appellant did not own 300 acres of land. Further, it was very clear that the appellant was holding a land bank in the name of respective owners either by way of MOU, sale agreement or agreement cum GPA. Since the agreement itself provides clarity on the ownership of the land, that appellant was not owner of the entire land transferred to Spectra Group, in our considered view the arguments of the assessee that it acted as Mediator/Aggregator for pooling land to Spectra Group appears to be reasonable and bonafide. Therefore, to this extent, we fully agreed with the findings of facts recorded by the learned CIT (A).

14. Having said so, let's come back to what is the transaction between the appellant and Spectra Group. M/s. Spectra Group is a real estate developer and identifies land through its own source and through certain mediators approach the group. The mediator's pool the land from various farmers and consolidate before development of the same. All the requisite approval towards conversion of land and other regulatory measures were initiated at this point by the mediator in coordination with the group companies. Thereafter, the marketing team of the group starts selling to the customers. From the modes-operandi of Spectra Group, it appears that pooling of the land by the mediators and development of the land and sales to the customers by Spectra Group happens simultaneously. This fact is further strengthened by the fact that Spectra Group sells plots to various customers on an instalment basis by taking initial advance and balance in various instalments from customers. In this process, the role of the appellant is to acquire land where the group identifies land from various farmers/land owners by entering into sale agreement or Sale agreement cum GPA or MOU and finally transfers land to Spectra Group directly from the farmers to Spectra Group or through AGPA in the name of the appellant and transfer to Spectra

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

Group, and in some cases the land is registered in the name of the appellant and subsequently transferred to Spectra Group. In this regard, it is noted that, the learned CIT (A) has recorded a categorical finding in light of certain sample sale deeds between the appellant and Spectra Groups and observed that in many cases, the land has been directly registered in the name of Spectra Group by the land owners and in few cases land has been registered through AGPA by appellant company to Spectra Group and in very few cases the land has been directly registered by the appellant company to Spectra Group. The learned CIT (A) further observed that the consideration as per sale deed between landowners and Spectra Group and the appellant and Spectra Group is almost similar with minor difference. Therefore, in our view, going by the modes operandi of Spectra Group and role of appellant, there is no doubt of whatsoever in our mind to the argument of the learned Counsel for the assessee that, the appellant only works as a mediator/aggregator for land and whatever amount received from Spectra Group including unaccounted cash receipts is on behalf of Spectra Group to be paid to land owners for purchase of land. This fact is further strengthened by the statement recorded from Shri P Shashikant Reddy representative of Bhoomika Agro Farms (P) Ltd, where he has categorically stated that the appellant works as a Mediator/Aggregator for land pooling to M/s. Spectra Group and further, the company also works as a supervisor for developmental work in the proposed sites. Therefore, we are of the considered view that the findings of the facts recorded by the learned CIT (A) in light of sale of agreement dated 14.08.2019, statement recorded from appellant and their representatives and also various evidences brought on record by the appellant that the appellant is a mediator/aggregator for land pooling to M/s Spectra Group and whatever the amount received from Spectra Group is finally paid or transferred to land owners is reasonable and acceptable.

15. We further note that the learned CIT (A) in his order also reproduced the sources of funds for the appellant as per their bank account which was substantially received from M/s Spectra Group and the same has been paid for procurement of land. All the above factors clearly demonstrate that the assessee company is acting as a Mediator for procurement of land at the behest of the Spectra Group without any doubt. Therefore, in our considered view, the Assessing Officer having noticed the fact that the agreement itself provides for aggregating land and to be transferred to Spectra Group at later stage and also to the fact that the land is directly registered in the name of Spectra Group from the land owners, is erred in disbelieving the argument of the assessee that the amount received from Spectra Group in cash has been either paid to land owners for purchase of land or for the purpose of expenses incurred towards development of land. In our considered view, if we go by the additions made by the Assessing Officer and tax levied in the hands of the assessee company, which is multiple times than the income of the ultimate beneficiaries i.e. Spectra Group. Therefore, going by the nature of the business carried on by the assessee and industry standard, no person or developer can make such a huge amount of profit from this line of business within a short period of time. We

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

further note that the learned Counsel for the assessee has produced copies of assessment order passed in the case of Spectra Group where, the Assessing Officer after considering relevant facts has not made any additions in the hands of Spectra Group towards amount paid in cash to appellant and various other companies. Further, the Assessing Officer of the Spectra Group has estimated profit at 15% of total turnover/gross receipts reported by the company for various A.Ys. Therefore, going by the above facts, we are of the considered view that when the ultimate beneficiary itself is not able to make more than 15% profit on its total business, it is difficult to accept the reasons given by the Assessing Officer that the appellant makes such a huge profit from purchase and sale of land within a short period. Therefore, we are of the considered view that the learned CIT (A), after considering relevant facts, has rightly estimated 10% income on total undisclosed cash receipts from Spectra Group as income of the assessee. Thus, we are inclined to uphold the findings of the learned CIT (A) and reject the grounds taken by the Revenue as well as the grounds of Cross Objections taken by the assessee.

16. In the result, appeals filed by the Revenue and Cross Objections filed by the assessee for both the Asst. years are dismissed.”

We find that the CIT(A) had, in all fairness, adopted a consistent approach *qua* the estimation of the income of the assessee, which in absence of any facts distinguishing his case from those of the other aggregators/mediators, is in line with the principle of consistency as had been emphasized by the **Hon'ble Supreme Court** in the case of **Radhasoami Satsang v. CIT [1992] 193 ITR 321 (SC)**.

14. We, thus, in terms of our aforesaid deliberations, finding no infirmity in the view taken by the CIT(A), who, in our view, had in all

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

fairness scaled down the addition in the case of the assessee to 10% of the unaccounted receipts, uphold his order.

15. In the result, the appeal of the revenue being devoid and bereft of any substance is dismissed.

ITA 586/Hyd/2024
AY 2019-20

16. As the facts and the issue involved in the captioned appeal remain the same, as was there before us in the revenue's appeal for the immediately preceding year, i.e., A.Y. 2018-19 in ITA No, 585/Hyd/2024, therefore, the view therein taken shall apply *mutatis mutandis* for disposing of the present appeal.

17. In the result, the appeal of the revenue being devoid and bereft of any substance is on the same terms dismissed.

18. Resultantly, both the appeals filed by the revenue, i.e., ITA No. 585/Hyd/2024 and ITA No. 586/Hyd/2024 for A.Y. 2018-19 and A.Y. 2019-20, are dismissed in terms of our aforesaid observations.

ITA No.585 & 586/Hyd/2024
Varala Janga Reddy

Order pronounced U/Rule 34(4) of the Appellate Tribunal Rules, 1963 on 30th September, 2025.

Sd/- (मधुसूदन सावडिया) (MADHUSUDAN SAWDIA) लेखासदस्य/ACCOUNTANT MEMBER	Sd/- (रवीश सूद) (RAVISH SOOD) न्यायिकसदस्य/JUDICIAL MEMBER
---	---

Hyderabad, dated 30.09.2025.
##*L.Rama /SPS

आदेशकी प्रतिलिपि अग्रेषित/ Copy of the order forwarded to:-

1.	निर्धारिती/The Assessee	:	Shri Varala Janga Reddy, Room No.616, Aayakar Bhavan, Basheerbaug, Hyderabad
2.	राजस्व/ The Revenue	:	The ACIT, Central Circle-2(2), Room No.616, Aayakar Bhavan, Basheerbaug, Hyderabad
3.	The Principal Commissioner of Income Tax, Central Circle, Hyderabad		
4.	विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, हैदराबाद / DR, ITAT, Hyderabad		
5.	गार्डफ़ाईल / Guard file		

आदेशानुसार / BY ORDER

Sr. Private Secretary
ITAT, Hyderabad