

**IN THE INCOME TAX APPELLATE TRIBUNAL  
AGRA BENCH 'DB' : AGRA.**

**BEFORE SHRI S.RIFAUR RAHMAN, ACCOUNTANT MEMBER  
and  
SHRI SUNIL KUMAR SINGH, JUDICIAL MEMBER**

**ITA No.290/AGR/2025  
(Assessment Year: 2016-17)**

Income Tax Officer,  
Ward 2 (1), Agra.

vs.

Gunjan Gupta Batra,  
A - 45, Sector 26,  
Noida – 201 301 (Uttar Pradesh).

**(PAN : ABUPG5419J)**

(APPELLANT)

(RESPONDENT)

ASSESSEE BY : Shri Somil Agarwal, Advocate  
Ms. Shilpa Gupta, CA

REVENUE BY : Shri Shailendra Srivastava, Sr. DR

Date of Hearing : 13.10.2025

Date of Order : 28.10.2025

**ORDER**

**PER S. RIFAUR RAHMAN, ACCOUNTANT MEMBER :**

1. The assessee has filed appeal against the order of the Id. Commissioner of Income-tax (Appeals)/National Faceless Appeal Centre (NFAC), Delhi [“Ld. CIT (A)”, for short] dated 05.03.2025 for the Assessment Year 2016-17.
2. Brief facts of the case are, assessee filed its original return of income on 30.09.2016 declaring income at Rs.16,21,690/-. Subsequently, the case was selected for scrutiny and the assessment was completed on

20.12.2018 at the assessed total income of Rs.35,02,462/- after making addition of Rs.18,80,772/- being 8% of Rs.2,35,09,650/-. On examination of the above case record, ld. PCIT initiated the proceedings under section 263 of the Income-tax Act, 1961 (for short 'the Act') and observed that the case was selected for limited scrutiny to verify capital introduced by the assessee amounting to Rs.2,35,09,650/-. It was observed that assessee filed return of income for AY 2015-16 at no capital and as per ITR filed for AY 2016-17, capital was declared at Rs.2,35,09,650/-. Since assessee did not furnish any reply explaining the capital introduced, the AO has merely estimated the income @ 8% and added the same to the income of the assessee. Therefore, assessment order completed without making proper enquiries and necessary verification regarding the sudden increase in capital as compared to the preceding year, hence ld. PCIT treated the assessment order passed u/s 143(3) as erroneous insofar as it is prejudicial to the interest of the Revenue. Accordingly, he held that the assessee has objected to the above findings of the ld. PCIT, however ld. PCIT rejected the same and observed that no corroborative evidence/proof furnished by the assessee in spite of sufficient and reasonable opportunity to the assessee. Accordingly, the issue was remitted back to the AO to complete the assessment after due verification. The AO issued notices to the assessee

u/s 142(1) of the Act. In response, assessee submitted the return of income for AYs 2014-15, 2015-16 and 2016-17. However, the AO rejected the same and observed that the assessee has declared closing capital of Rs.2,35,09,650/- in ITR 4 whereas in the earlier AY i.e. 2015-16 assessee has not shown any capital in the ITR filed. The Assessing Officer observed that assessee maintained the books of account during the year, since there is no closing balance for the AY 2015-16, the opening balance as on 01.04.2014 is nil. Accordingly, he treated the entire closing capital declared by the assessee as undisclosed income u/s 68 of the Act.

3. Aggrieved assessee preferred an appeal before the Id. NFAC, Delhi and filed a detailed submissions which is reproduced at pages 2 to 5 of the appellate order. After considering the detailed submissions of the assessee, Id. CIT (A) allowed the appeal preferred by assessee with the following observation :-

“During the course of appellate proceedings, the appellant has made various submissions which have perused. From the submissions of the appellant, it is seen that the addition of amount of Rs.2,35,09,650/- has been made by the Ld. AO considering it to be the sudden increase in capital, 'But the same is not a sudden increase in the capital, it is the savings of the previous years which has been duly assessed and on which the tax has already been paid by the appellant. The last scrutiny assessment of A.Y. 2014-15 was completed, in which the appellant has also shown the closing capital of Rs.2,24,41,50/- as is appearing in the ITR. The appellant has also provided the detailed statement of surplus/ savings and attached the Assessment Order of AY 2014-15 and ITR Form of

the AY 2014-15 where the capital balance of Rs.2,24,41,750/- is shown as closing capital balance.

S.No.	Particulars	Amount (Rs.)
A	Balance as on 01.04.2014 (as per last scrutiny assessment)	23,41,756/-
B	Gross Income/addition during the year 2014-15	16,25,275/-
C	Less : Drawings/Withdrawals during the year 2014-15	11,12,488/-
D	Surplus/Saving as on 31.03.2015 (B-C+A)	229,54,543/-
E	Gross Income/Addition during the year 2015-16	23,62,267/-
F	Less : Drawings/Withdrawals during the year 2015-16	18,07,160/-
	Surplus/Saving as on 31.03.2016 (D+E+F)	2,35,09,650/-

As per the submissions of the assessee, in the AY 2015-16, ITR-2 was filed wherein there was no space to mention the capital balance. In view of the same in the following AY 2016-17, the opening capital balance, was not clear from the previous ITR. The appellant has attached ITR-2 Form with the submissions to further the argument.

In view of the facts and circumstances as stated above, the appellant has been able to explain the cash credits amounting to Rs.2,35,09,650/-. Hence, the impugned addition made by the Ld. AO is directed to be deleted.”

4. Aggrieved Revenue is in appeal before us raising following grounds of appeal :-

“1. That the CIT(A) has erred on facts and in law in accepting the submission of the assessee that the ITR-2 filed for the A.Y. 2015-16 did not provide space to mention the capital balance, and in relying upon such return to justify the opening capital balance for A. Y. 2016-17, without appreciating the fact that the return of income filed for A.Y. 2015-16 was an invalid return and therefore, could not form a valid basis for reconciliation of the assessee's capital balance.

2. That the CIT(A) has erred on facts and in law in allowing the appeal of the assessee and deleting the addition of Rs.2,35,09,650/- by relying upon the reconciliation statement of surplus/ savings for the period 01.04.2014 to 31.03.2016, without appreciating that the return of income filed by the assessee for the A.Y. 2015-16 was

an invalid return and in terms of section 139(9) of the Income-tax Act, 1961, an invalid return is treated as if the assessee had failed to furnish the return of income, and therefore, the income and drawings for A.Y. 2015-16 as shown in the reconciliation statement ought not to have been considered for deletion of the addition.

3. That the CIT(A) has erred on facts and in law in allowing the appeal of the assessee and deleting the addition of Rs.2,35,09,650/- without considering the fact that appeal filed by the assessee before Hon'ble ITAT. Agra Bench Agra against the order u/s.263 of the Act passed by the PCIT-1, Agra, has already been dismissed by the Hon'ble ITAT vide order dated 08.12.2023 in ITA No.34/AGR/2021.

4. That the order passed by the CIT (A) is bad in law and liable to be set aside, as it is based on a reconciliation statement that includes income and drawings from A.Y. 2015-16, despite the fact that the return filed for the assessment year 2015-16 was invalid.

5. At the time of hearing, Id. DR of the Revenue submitted that assessee has declared opening capital in its return of income for the assessment year under consideration i.e. AY 2016-17. However, assessee could not explain the opening balance of earlier assessment year considering the fact that assessee has not declared any capital while filing the return of income for AY 2015-16. He brought to our notice page 3 of the assessment order and also brought to our notice pages 6 & 7 of the appellate order. He submitted that Id. CIT (A) has only relied on the submissions of the assessee and deleted the addition without considering the fact on record. Therefore, he heavily relied on the findings of PCIT

u/s 263 of the Act and the assessment order passed u/s 144 r.w.s. 263 of the Act.

6. On the other hand, ld. AR of the assessee submitted that the assessee has filed return of income in the present assessment year i.e. 2016-17 in ITR 4 declaring the assets and liabilities in the return of income and further submitted that assessee has filed ITR 2 in AY 2015-16 wherein there is no requirement to file any details of Balance Sheet. However, assessee has filed ITR 4 in AY 2014-15 wherein assessee has filed ITR 4 in AY 2014-15, therefore, the amount under consideration is carried forward as capital from AY 2014-15, the same is rightly appreciated by the ld. CIT (A) in his order, therefore, he relied on the findings of the ld. CIT (A).
7. Considered the rival submissions and material available on record. We observe that assessee has filed return of income in ITR 4 in the present assessment year as well as in AY 2014-15 and as far as format of ITR, assessee has to disclose all the assets and liabilities in the return of income. However, assessee has filed ITR 2 in AY 2015-16 wherein there is no requirement to declare the details of assets and liabilities. Since ld. PCIT has observed that assessee has declared huge capital in the current assessment year as opening balance and he was of the view that assessee has not explained the abovesaid information before the AO as well as before him, he remitted back the issue to the file of AO to verify the

same. Even before the Assessing Officer, assessee has submitted all the relevant information, however AO has rejected the same without appreciating the fact available on record. We observe that similar details were submitted before ld. CIT (A) and ld. CIT (A) has observed that assessee has filed the relevant information in AY 2014-15 and whatever the opening balance carried forward in the impugned assessment year as opening balance is nothing but carried forward amount from AY 2014-15 and ld. CIT (A) has tabulated the same in his order at page 6 of the appellate order. Therefore, ld. CIT (A) has rightly appreciated the facts available on record and deleted the addition. Therefore, we do not see any reason to disturb the same. Accordingly, grounds raised by the Revenue are dismissed.

8. In the result, the appeal filed by the Revenue is dismissed.

**Order pronounced in the open court on this 28<sup>th</sup> day of October, 2025.**

**Sd/-**  
**(SUNIL KUMAR SINGH)**  
**JUDICIAL MEMBER**

**sd/-**  
**(S.RIFAUR RAHMAN)**  
**ACCOUNTANT MEMBER**

**Dated: 28.10.2025**  
**TS**

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals).
5. DR: ITAT

ASSISTANT REGISTRAR  
ITAT, NEW DELHI