

आयकर अपीलीय न्यायाधिकरण में, हैदराबाद 'ए' बेंच, हैदराबाद
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad ' A ' Bench, Hyderabad

श्री मंजूनाथ जी, माननीय लेखा सदस्य एवं श्री रवीश सूद, माननीय न्यायिक सदस्य
SHRI G. MANJUNATHA, HON'BLE ACCOUNTANT MEMBER
AND
SHRI RAVISH SOOD, HON'BLE JUDICIAL MEMBER

आयकरअपीलसं./I.T.A.Nos.795 to 797/Hyd/2025
(निर्धारण वर्ष/ Assessment Year: 2014-15, 2017-18 and 2020-21)

Karuturi Veera Venkata Ravi Prasad, R/o. Vadapalli, Kovvur Mandal. PAN : AJQPR3323Q	Vs.	The Assistant Commissioner of Income Tax, Central Circle 2(2), Hyderabad.
(अपीलार्थी/ Appellant)		(प्रत्यर्थी/ Respondent)

करदाता का प्रतिनिधित्व/ Assessee Represented by	:	Shri N. Ramesh Babu, Advocate.
राजस्व का प्रतिनिधित्व/ Department Represented by	:	Shri Gurpreet Singh, Sr.A.R.
सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing	:	09.10.2025
घोषणा की तारीख/ Date of Pronouncement	:	29.10.2025

ORDER

PER MANJUNATHA G., A.M :

The captioned appeals are filed by a single assessee viz.,
'Karuturi Veera Venkata Ravi Prasad' against the separate orders
dated 10.03.2025, 10.03.2025 and 11.03.2025 of the learned

Commissioner of Income Tax (Appeals) – 12, relating to the assessment years 2014-15, 2017-18 and 2020-21, respectively. Since common issues are involved in all these three appeals, these appeals were heard together and are being disposed of by this single consolidated order for the sake of convenience and brevity.

2. The assessee has, more or less, raised common grounds of appeal for all the assessment years. Therefore, for the sake of brevity, grounds of appeal filed for the AY 2014-15 in ITA.No.795/Hyd/2025 are re-produced as under:

“1. The order passed by the Assessing officer and confirmed by learned Commissioner of Income tax (Appeals)-12, Hyderabad (CIT(A)) is bad on facts and in law in as much as it suffers from the vice of violation of the principles of natural justice and denial of opportunity of being heard, rendering the assessment void ab initio.

2. On the facts and in the circumstances of the case and in law, the Id. CIT(A) has grossly erred in considering the re-remand report submitted by the Id. AO without appreciating the submissions made by the appellant in the rejoinder.

3. The Ld. AO has erred in finalizing the assessment without verifying the facts of the case and without considering the ROI filed by the appellant's father Sri K. Venkata Rao and HUF. The Id. AO has also failed to appreciate the fact that there are voluntary admission during the course of search proceedings.

4. The Ld. AO failed to appreciate the fact that though the appellant and his family members are in the business of financing since 1999, for the impugned assessment year the opening balance was taken at NIL.

5. The Ld. CIT(A) has erred in upholding the addition of Rs. 18,61,000/- made by the AO without mentioning the section under which head the amounts were brought to tax.

6. The Ld. CIT(A) has erred in relying on the re-remand report submitted by the AO which is submitted by the AO without considering the submissions of the appellant.

7. The Ld.CIT(A) has also failed to consider the borrowings made by the appellant from time to time by pledging the fixed deposits with the banks.

8. The appellant craves leave to add, amend or delete any of the above ground on or before the final date of hearing.”

3. The brief facts of the case are that the assessee is an individual, deriving income from salary, income from other sources, and agricultural income. The assessee filed his original return of income for the A.Y. 2014-15 on 25-07-2014, admitting total income of Rs. 2,31,050/-. A search and seizure operation under Section 132 of the Income Tax Act, 1961 was conducted in the case of M/s. Avanti Group on 07-11-2019, and as part of the search operations, a warrant was issued in the case of the assessee and the search was conducted on 07-11-2019. Consequent to search, notice under Section 153A of the Act, dated 02-02-2021 was issued to the assessee. In response to the notice, the assessee filed a return of income on 06-08-2021, admitting total income of Rs. 2,31,050/-. The case was selected for scrutiny, and during the course of assessment proceedings, the A.O. noticed that during the course of search, certain loose sheets were

found and seized vide Annexures A/KVVRP/RES/01 & 04. The loose sheets seized were promissory notes and fixed deposit receipts. Further, a diary was seized vide Annexure A/KVVRP/RES/03 containing details of finance business. The documents found during the course of search were examined and quantified, which shows evidence in the form of fixed deposits to the tune of Rs. 84,000/- and income from finance business to the tune of Rs. 35,81,800/-. On going through the return of income filed by the assessee, it is seen that, the above amounts totaling to Rs. 36,65,800/- had not been admitted. The assessee was issued a show-cause notice and called upon to explain as to why the addition should not be made towards income from finance business and unexplained investment in fixed deposits aggregating to Rs. 36,65,800/-. In response, the assessee submitted that, the fixed deposit was made out of salary income. In respect of income from the finance business, it was stated that the principal amount was accumulated over a period of time and the same was admitted in the hands of his father and in assessee HUF case. The A.O., after considering relevant submissions of the assessee and also taking note of relevant seized material, which

contains details of unexplained investment in fixed deposits and income from finance business, observed that, on an analysis of the seized material, income received on account of interest from FDs and interest income from finance business was worked out at Rs. 36,65,800/-. As against this, the income admitted in the hands of the assessee's father Shri K.Venkata Rao is Rs.7,51,988/- and the income admitted in the hands of Shri KVV Ravi Prasad (HUF) was at Rs. 5,23,878/- and the total of both incomes admitted in the father's name and assessee HUF name was at Rs. 12,75,866/-. The difference of Rs. 23,89,934/- is unexplained and the same needs to be brought to tax. Therefore, the A.O. made an addition of Rs. 23,89,934/- to the returned income.

4. Aggrieved by the assessment order, the assessee preferred an appeal before the Ld. CIT(A).

5. Before the Ld. CIT(A), the assessee has filed detailed written submissions, which has been reproduced at para 5.1 on pages 4 to 8 of the Ld. CIT(A)'s order. The sum and substance of the arguments of the assessee before the Ld. CIT(A) are that the

documents found during the course of search are dumb documents without any reference to unexplained income of the assessee. Further, the assessee has reconciled the documents found during the course of search to the income returned in the hands of his father and also in the hands of the HUF and proved that, the seized documents were already considered in the hands of his father and HUF. During the course of appellate proceedings, the additional evidences filed by the assessee, including written submissions, has been forwarded to the A.O. for remand report. The A.O. has submitted his remand report on 21-10-2024 and observed that, in spite of several opportunities given to the appellant, but the assessee could not reconcile the seized material with reference to return of income filed in the hands of his father and also in the case of the assessee HUF. The remand report of the A.O. has been forwarded to the assessee for his comments and rebuttal. The assessee once again commented on the remand report of the A.O. and claimed that the income from the finance business had been offered in the hands of his father and the HUF.

6. The Ld. CIT(A), after considering relevant submissions of the assessee and also taking note of the remand report from the A.O.,

observed that, although the assessee claims that the document found during the course of search is dumb document, but going by the facts available on record, it is very clear that the assessee has reconciled various entries found in the seized document with reference to the finance business and income received in the hands of his father and the HUF. The assessee has also reconciled the total entries in the seized document and argued that the entire documents found during the course of search were reconciled with reference to the books of accounts maintained for the finance business. However, the A.O., upon verification of relevant details, came to the conclusion that, there was a net difference of Rs. 18,61,000/- towards unexplained investment for the A.Y. 2014-15 and similar difference for the A.Y. 2017-18 was Rs. 14,46,245/-. Likewise, the A.O. has arrived at a difference in advances given in finance business for A.Y. 2019-20 of Rs.4,56,199/-. The assessee could not be able to reconcile the difference worked out by the A.O. Therefore, the Ld. CIT(A) observed that the undisclosed income in the form of fixed deposits has been explained by the assessee with reference to promissory notes, vis-à-vis return of income has been reconciled. In respect

of income from finance business, the negative cash balance arrived at by the A.O. for three assessment years could not be reconciled by the assessee. Therefore, the Ld. CIT(A) directed the A.O. to sustain addition to an extent of negative cash balance or the net difference of advance in the finance business of Rs. 18,61,000/-, instead of the addition made by the A.O. for Rs.23,89,934/-. In other words, the Ld. CIT(A) allowed relief to the assessee to the extent of Rs. 5,28,934/- and sustained the addition of Rs. 18,61,000/-. Similarly, the Ld. CIT(A) sustained additions to the tune of Rs. 14,46,245/- and Rs. 4,56,189/- for A.Ys. 2017-18 and for A.Y. 2019-20.

7. Aggrieved by the order of Ld. CIT(A), the assessee is now in appeal before the Tribunal.

8. The learned counsel for the assessee Shri N. Ramesh Babu, Advocate, submitted that, the Ld. CIT(A) erred in sustaining additions made by the A.O. towards income from finance business on the basis of negative cash balance/advances arrived at by the A.O. during the remand proceedings without appreciating the fact that, the documents relied upon by the A.O. are dumb documents

without any reference to the finance business of the assessee. The learned counsel for the assessee, further referring to certain judicial precedents, including the decision of the Hon'ble Supreme Court in the case of CBI Vs. V.C. Shukla (1998) 3 SCC 410 (SC), submitted that, loose sheets or diaries are not books of accounts, and on the basis of such evidences, no additions can be made. Further, the assessee and his family members are into the finance business out of their agricultural income, and the same has been offered to tax by his father and also by the assessee HUF. Therefore, once again making additions towards income from finance business in the hands of the assessee amounts to double taxation, which is not permissible under the law. Hence, he submitted that, the additions made by the A.O., and sustained by the Ld. CIT(A) for all the assessment years should be deleted.

9. The learned Senior A.R for the Revenue Shri Gurpreet Singh, on the other hand, supporting the order of the Ld. CIT(A) submitted that, during the remand proceedings, the appellant had furnished relevant reconciliation of entries contained in the seized documents and the income declared in the hands of the HUF and his father towards finance business and on the basis of the said

reconciliation, the A.O. had arrived at the unaccounted investments/income from finance business for all the three assessment years, which could not be explained by the assessee with relevant details, except stating that the documents found during the course of search are not reliable documents. Therefore, he submitted that, there is no merit in the arguments advanced by the learned counsel for the assessee. Hence, the additions made by the A.O. should be sustained.

10. We have heard both sides, perused the material available on record and had gone through the orders of the authorities below. During the course of search under Section 132 of the Income Tax Act, 1961, certain loose sheets and diaries were found, which contains details of finance business of the assessee and his family members. During the course of assessment proceedings, the A.O. made additions towards income from finance business on the basis of entries contained in loose sheets and diaries on the ground that, the assessee could not explain the documents found during the course of search with reference to the income declared in his books of accounts for the relevant assessment years. It was the argument of the learned counsel for the assessee that, the

income from finance business has already been offered to tax in the hands of the assessee HUF and his father name and the same has been reconciled to the loose sheets and diaries found during the course of search. Therefore, once again making additions towards advances given in the finance business in the hands of the assessee is incorrect.

11. We have given our thoughtful consideration to the relevant arguments of both sides in light of the additions made by the A.O. towards income from finance business for all the three assessment years and we find that, the A.O. made the additions on the basis of loose sheets and diaries found during the course of search, which clearly shows the unaccounted finance business of the assessee and his family members and further, the assessee himself admitted that the entries contained in the loose sheets pertain to the finance business of his family members, but stated that the said finance business has already been considered in the hands of his HUF and his father name. During the course of appellate proceedings, the Ld. CIT(A) called for remand report from the A.O. where the A.O., after considering the reconciliations filed by the assessee towards income from finance business

assessed in the hands of his HUF and his father name and seized loose sheets and diaries found during the course of search, and upon careful examination of the relevant documents, has arrived closing balance of net advance given in the finance business, for which the assessee could not explained the source and also could not reconcile the above advances into the return of income filed by the assessee in his HUF capacity and also in the name of his father except stating that the loose sheets and diaries found during the course of search are not part of the regular books of account and that, on the basis of said evidences, additions cannot be made. In our considered view, when the assessee himself has reconciled the entries contained in the loose sheets and seized diaries with the books of accounts maintained for the finance business, and also reconciled the total entries except the entry to the extent of net advances arrived at by the A.O. for all the three assessment years, then, the arguments of the assessee that, the loose sheets and diaries found during the course of search are not books of accounts, dumb documents, and do not have any evidentiary, cannot be accepted. Since the assessee could not explain the closing balance of advances arrived by the A.O. for all

the three assessment years, in our considered view, there is no error in the order passed by the Ld. CIT(A) in sustaining the additions made by the A.O. towards advances given in the finance business for all the three assessment years.

13. Insofar as, various case laws relied upon by the assessee, including the decision of Hon'ble Supreme Court in the case of CBI Vs. V.C. Shukla (supra), Common Cause (A. Regd. Society) Vs. Union of India (2017) 394 ITR 220 (SC), CIT Vs. Girish Chaudhary (2008) 296 ITR 619 (Delhi High Court) and CIT Vs. Kulwant Rai (2007) 291 ITR 36 (Delhi High Court), the facts of these cases are totally different from the facts of the assessee's case and cannot be applied to the assessee's case. Thus, we reject the case laws relied upon by the assessee.

14. In view of the above and considering the facts and circumstances of the case, we are of the considered view that, the assessee could not reconcile the entries contained in the loose sheets and diaries found during the course of search, in respect of finance business, to the extent of net advances arrived by the A.O. during the remand proceedings for A.Y. 2014-15 amounting to

Rs. 18,61,000/-, for A.Y. 2017-18 amounting to Rs.14,46,245/-, and for A.Y. 2019-20 amounting to Rs.4,56,299/-. Thus, we are inclined to uphold the findings of the Ld. CIT(A) and dismiss the appeals filed by the assessee for all the three assessment years.

15. In the result, all the appeals filed by the assessee are dismissed.

Order pronounced in the Open Court on 29th October, 2025.

Sd/- (श्री रवीश सूद) (RAVISH SOOD) न्यायिक सदस्य/ JUDICIAL MEMBER	Sd/- (मंजूनाथ जी) (MANJUNATHA G.) लेखा सदस्य/ ACCOUNTANT MEMBER
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Hyderabad, dated 29.10.2025.
TYNM/sps

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

1.	निर्धारिती/The Assessee	:	Karuturi Veera Venkata Ravi Prasad, R/o.1-130, Near Brahmana Veedhi, Vadapalli, Kovvur Mandal, Andhra Pradesh - 534350.
2.	राजस्व/ The Revenue	:	The Assistant Commissioner of Income Tax, Central Circle – 2(2), Hyderabad.
3.	The Principal Commissioner of Income Tax, (Central), Hyderabad.		
4.	विभागीयप्रतिनिधि, आयकर अपीलीय अधिकरण, हैदराबाद / DR, ITAT, Hyderabad		
5.	गार्डफ़ाईल / Guard file		

आदेशानुसार / BY ORDER

Sr. Private Secretary
ITAT, Hyderabad