

**आयकर अपीलीय अधिकरण, विशाखापटणम पीठ, विशाखापटणम**

**IN THE INCOME TAX APPELLATE TRIBUNAL  
VISAKHAPATNAM "DIVISION" BENCH, VISAKHAPATNAM**

**श्री एस बालाकृष्णन, लेखा सदस्य एवं श्री संदीप सिंह करहैल, न्यायिक सदस्य के समक्ष  
BEFORE SHRI S BALAKRISHNAN, HON'BLE ACCOUNTANT MEMBER  
&  
SHRI SANDEEP SINGH KARHAIL, HON'BLE JUDICIAL MEMBER**

**आयकर अपीलसं./I.T.A.No.261/VIZ/2025  
(निर्धारणवर्ष/ Assessment Year:2012-13)**

<b>Srinivas Reddy</b> #8, Satya Homes Babu Gari Street, Tanuku – 534211 Andhra Pradesh  [PAN: AJVPR3466M]	v.	<b>Asst. CIT – Circle – 1</b> Income Tax Office Aayakar Bhavan Veerabhadrapuram Kambala Cheruvu Rajahmundry – 533105 Andhra Pradesh
<b>(अपीलार्थी/ Appellant)</b>		<b>(प्रत्यर्थी/ Respondent)</b>

करदाता का प्रतिनिधित्व/ Assessee Represented by	:	Shri GVN Hari, Advocate
राजस्व का प्रतिनिधित्व/ Department Represented by	:	Dr.Aparna Villuri, Sr.AR
सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing	:	15.09.2025
घोषणा की तारीख/Date of Pronouncement	:	30.10.2025

**आदेश /O R D E R**

**PER S. BALAKRISHNAN, ACCOUNTANT MEMBER:**

1. This appeal is filed by the assessee against the order of Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi [hereinafter in short "Ld.CIT(A)"] vide DIN & Order No. ITBA/NFAC/S/250/2024-25/1074742152(1) dated 20.03.2025 for the

A.Y.2012-13 arising out of order passed under section 143(3) of Income Tax Act, 1961 (in short 'Act') dated 12.03.2014.

2. Brief facts of the case are that, assessee being an individual derived income from house property and also being a partner in M/s. Srinivasa Poultry Complex filed his return of income on 30.09.2012 admitting a total income of Rs.11,19,090/-. A survey operation under section 133A of the Act was conducted on 13.12.2011 in the case of M/s. Laxmi Prasanna Agro Paper Industries Limited where the assessee has made some investments in the shares of the Company. After selection of the case for scrutiny as per the CBDT Scrutiny Guidelines, statutory notices under section 143(2) and 142(1) of the Act were issued and served on the assessee. In response, assessee's representative appeared and submitted information as called for from time to time. Ld. Assessing Officer [hereinafter in short "Ld. AO"] noticed that assessee has made investment in the form of "Advance for purchase of shares" in M/s. Laxmi Prasanna Agro Paper Industries Limited amounting to Rs.50 Lakhs by way of cash. It was submitted that the assessee withdrew from the capital account held with the firm for making the investments in shares of M/s. Laxmi Prasanna Agro Paper Industries Limited. Ld. AO being not satisfied with the explanation, treated investment as unexplained and made an addition of Rs.50 Lakhs. Further, Authorized Representative of the assessee also submitted that six (6) persons has made investment through the assessee

aggregating to Rs.45 Lakhs in the shares of M/s. Laxmi Prasanna Agro Paper Industries Limited. In support of it, he filed affidavits from the six persons who have allegedly made to have investments in the shares of M/s. Laxmi Prasanna Agro Paper Industries Limited. Ld. AO observed that these investments are also made in cash, being not satisfied with the explanation furnished by the assessee's representative, Ld. AO added an amount of Rs.45 Lakhs to the total income of the assessee.

3. Aggrieved by the order of the Ld. AO, assessee carried the matter in appeal before Ld. CIT(A). Ld. CIT(A) partly allowed the appeal of the assessee while remitting the issue of addition of Rs.45 Lakhs to the file of Ld. AO for further verification.

4. Aggrieved by the order of the Ld. CIT(A), assessee is in appeal before us by raising following grounds of appeal: -

*"1. The order of the learned Commissioner of Income Tax (Appeals) is contrary to the facts and also the law applicable to the facts of the case.*

*2. The learned Commissioner of Income Tax (Appeals) is not justified in sustaining the addition of Rs.50,00,000 made by the assessing officer towards alleged unexplained investment of the appellant in the company Lakshmi Prasanna Agro Paper Industries.*

*3. The learned Commissioner of Income Tax (Appeals) ought to have categorically held that the investment of Rs.45,00,000 does not pertain to the appellant and ought to have deleted the addition.*

*4. Any other ground that may be urged at the time of appeal hearing."*

5. Ground Nos. 1 & 4 are general in nature and needs no adjudication.
  
6. Ground No.2 is with respect to sustaining the addition of Rs.50 Lakhs by the Ld. CIT(A). On this issue, Ld. Authorised Representative [hereinafter “Ld.AR”] submitted that the assessee has withdrawn cash from the capital account held with the partnership firm M/s. Srinivasa Poultry Complex. The cash withdrawn from the firm were invested in the share application money of M/s. Laxmi Prasanna Agro Paper Industries Limited. He submitted that the investee company has also furnished the certificate regarding the receipts of funds from the assessee and various other shareholders towards share application money which is available in page no. 18 of paper book. He therefore submitted that since the sources have been explained, addition made by the Ld. AO is unjustified and not sustainable.
  
7. Per contra, Ld. Departmental Representative [hereinafter in short “Ld.DR”] heavily relied on the orders of the Learned Revenue Authorities while questioning the necessity of making the investments in cash. She therefore pleaded to sustain the order of the Revenue Authorities.
  
8. We have heard both the sides and perused the material available on record. It is an undisputed fact that the assessee has made investment in cash in the shares of M/s. Laxmi Prasanna Agro Paper Industries Limited towards share application money on various dates during the impugned assessment year. The

sources for such investments as furnished by the Ld.AR is out of the withdrawals from the capital account of the assessee in M/s. Srinivasa Poultry Complex. These facts were not disputed even by the revenue. The only grievance of the Ld. AO is investment in shares by way of cash. Ld.AR has also furnished the copy of the capital account in paper book page no. 19 disclosing the withdrawals made by the assessee from the partnership firm. The revenue has not brought any material on record to establish the fact that the sources for such investment is unexplained. The revenue erred in not scrutinizing the cash credits in the capital account, however, disputed only the investment made by the assessee from such withdrawals. Ld. AO disbelieved the genuineness of the transactions, since it was made in cash and therefore made an addition of Rs.50 Lakhs. However, Ld. AO has not disputed the fact that the assessee has withdrawn cash from the capital account held with the firm. In these circumstances, we find that the sources of investment have been properly explained by the assessee and hence direct the Ld.AO to delete the addition of Rs.50 Lakhs. Thus, Ground No.2 raised by the assessee is allowed.

9. Ground No.3 challenges the addition of Rs.45 Lakhs, sustained by the Ld.CIT(A). On this issue, Ld.AR submitted that various parties as listed in the assessment order have invested an amount aggregating to Rs.45 Lakhs in the shares of M/s. Laxmi Prasanna Agro Paper Industries Limited. He further submitted that these six parties have submitted affidavits regarding their

investment in shares of the Company. He therefore pleaded that the addition of Rs.45 Lakhs made in the hands of the assessee is not justifiable and prayed for its deletion.

10. Per contra, Ld. DR relied on the orders of the Revenue Authorities.

11. We have heard both the sides and perused the material available on record. It is an admitted fact that the following six persons have invested Rs.45 Lakhs in M/s. Laxmi Prasanna Agro Paper Industries Limited as tabulated below: -

1.	Sri C.V.Raghavalu	Rs.10,00,000/-
2.	Sri N.K. Visweswarlu	Rs.10,00,000/-
3.	Sri B.K.Bhagavan	Rs.10,00,000/-
4.	Sri N.R.s. Laxmi	Rs.6,00,000/-
5.	Sri P.D. Raju	Rs.5,00,000/-
6.	Sri P. Srinivas	Rs.4,00,000/-
	Total	Rs.45,00,000/-

12. It was also not disputed by the revenue that these six parties have furnished affidavits and other documents establishing the investment made in the Company. The Ld. CIT(A) in his findings observed the fact that addition cannot be made in the hands of the assessee unless the Ld. AO establishes that investment by these persons have been made on behalf of the assessee. He has therefore directed the Ld. AO to verify whether these shares have been transferred to the assessee in the subsequent years without any consideration. We find that the revenue has not brought any material record to counter that

these investments were made on behalf of the assessee, but has accepted the investment made by the six parties as listed above. The only contention of the revenue is that these investments have been routed through the assessee and hence cannot be considered as investments by the six parties and therefore the additions were made in the hands of the assessee. The affidavits submitted by six parties were not disbelieved by the Revenue. Hence, additions cannot be made based on assumptions and surmises, therefore we are of the opinion that addition made by the Revenue Authorities amounting to Rs.45 Lakhs which was made as investment by six parties, in the hands of the assessee is not justifiable and therefore we direct the Ld.AO to delete the addition made in the hands of the assessee. Thus, Ground No. 3 raised by the assessee is allowed.

13. In the result, appeal of the assessee is allowed.

Order pronounced in the open court on 30<sup>th</sup> October, 2025.

**Sd/-**  
(संदीप सिंह करहेल)  
**(SANDEEP SINGH KARHAIL)**  
**न्यायिक सदस्य/JUDICIAL MEMBER**

Dated:30.10.2025  
Giridhar, Sr.PS

**Sd/-**  
(एस बालाकृष्णन)  
**(S. BALAKRISHNAN)**  
**लेखा सदस्य/ACCOUNTANT MEMBER**

आदेश की प्रतिलिपि अग्रेषित/ Copy of the order forwarded to:-

1. निर्धारिती/ The Assessee : **Srinivas Reddy**  
#8, Satya Homes  
Babu Gari Street, Tanuku – 534211  
Andhra Pradesh
2. राजस्व/ The Revenue : **Asst. CIT – Circle – 1**  
Income Tax Office, Aayakar Bhavan  
Veerabhadrapuram, Kambala Cheruvu  
Rajahmundry – 533105, Andhra Pradesh
3. The Principal Commissioner of Income Tax
4. विभागीयप्रतिनिधि, आयकरअपीलीयअधिकरण, विशाखापटणम /DR,ITAT, Visakhapatnam
5. The Commissioner of Income Tax
6. गार्डफ़ाईल / Guard file

//True Copy//

आदेशानुसार / BY ORDER

Sr. Private Secretary  
ITAT, Visakhapatnam