आयकर अपीलीय अधिकरण, जयपुर न्यायपीठ, जयपुर
IN THE INCOME TAX APPELLATE TRIBUNAL, JAIPUR BENCHES,"B" JAIPUR

डा॰ एस. सीतालक्ष्मी, न्यायिक सदस्य एवं श्री राठौड़ कमलेश जयन्तभाई, लेखा सदस्य के समक्ष
BEFORE: DR. S. SEETHALAKSHMI, JM & SHRI RATHOD KAMLESH JAYANTBHAI, AM

आयकर अपील सं./ITA. No. 760/JPR/2025
निर्धारण वर्ष/Assessment Years : 2015-16

Rohit Jain Tonk Subash Bazar, Tonk.	बनाम Vs.	The ITO, Ward, Tonk.
स्थायी लेखा सं./जीआईआर सं./PAN/GIR No.: ASEPJ2353H		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

आयकर अपील सं./ITA. No. 757 & 758/JPR/2025
निर्धारण वर्ष/Assessment Years : 2013-14 & 2015-16

Mohit Jain 7, Shastri Nagar, Tonk.	बनाम Vs.	The ITO, Ward, Tonk.
स्थायी लेखा सं./जीआईआर सं./PAN/GIR No.: AIMPJ7284M		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

आयकर अपील सं./ITA. No. 759 /JPR/2025
निर्धारण वर्ष/Assessment Years : 2012-13

Rohit Jain Tonk Subash Bazar, Tonk.	बनाम Vs.	The ITO, Ward, Tonk.
स्थायी लेखा सं./जीआईआर सं./PAN/GIR No.: ASEPJ2353H		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

आयकर अपील सं./ITA. No. 756/JPR/2025
निर्धारण वर्ष/Assessment Years : 2015-16

Shubham Jain 7, Shastri Nagar, Tonk.	बनाम Vs.	The ITO, Ward-Tonk.
स्थायी लेखा सं./जीआईआर सं./PAN/GIR No.: AZKPJ1136H		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से / Assessee by : Shri Jaideep Malik, Advocate
Shri Keshav Khandelwal, Advocate
राजस्व की ओर से / Revenue by : Mrs. Alka Gauta, CIT-DR

सुनवाई की तारीख / Date of Hearing : 17/09/2025
उदघोषणा की तारीख / Date of Pronouncement : 13/11/2025

आदेश / ORDER

PER BENCH:

By way of separate appeals filed by the above named assessee, challenges the separate orders of the Learned Commissioner of Income Tax (Appeal)- Jaipur-4 [for short CIT(A)] all dated 27.08.2024, 12.09.2024 & 10.10.2024 and relates to the assessment years 2015-16, 2012-13, 2013-14 respectively.

2. Since the issue involved in these appeals of the assessee's are almost identical on grounds and on facts, therefore, were heard together with the agreement of the parties and are being disposed off by this common order.

3. At the outset of hearing the ld. AR of the assessee has submitted that the matter pertaining to A.Y. 2015-16 in ITA no. 760/JPR/2025 may be taken as a lead case for discussions as the issues involved in the lead case are common and inextricably interlinked or in fact interwoven and

the facts and circumstances of other cases are identical. Therefore, for the purpose of the present discussions, the case of ITA No. 760/JPR/2025 is taken as a lead case.

4.1 In ITA No. 760/JPR/2025 the assessee has raised following grounds:-

> "1. On the facts and in the circumstances of the case, the learned CIT(A) has legally and factually erred in passing an ex-parte impugned order against the appellant without providing proper opportunity of hearing to the appellant and in complete violation to the principal of natural justice. Thus, on this ground alone, impugned order deserves to be set aside and quashed.
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> 2. On the facts and in the circumstances of the case, the Id. AO has legally and factually erred in making addition of Rs. 6,95,634/- on account of the alleged un-explained expenditure u/s 69C in the purchase of Truck in absence of any incriminating material if any found and seized during the course of search proceedings no valid addition could be made u/s 153C of the act in absence of any incriminating material as held consistently by the judicial authorities. Thus, the addition so made is factually and legally incorrect and thus the same deserve to be deleted.
>
> 3. On the facts and in the circumstances of the case, Id. AO has legally and factually erred in treating the instruments of the property dealings as found and seized during the course of search operations as incriminating material. In fact the instruments so found were duly accounted for and reflected in the books of appellant and were not incriminating material as incorrectly observed by the Id. AO. Thus, the addition of Rs. 6,95,634/ on the basis of such incorrect observations is factually and legally incorrect and the same deserve to be deleted.
>
> 4. On the facts and in the circumstances of the case the Id. AO has erred in making addition of Rs. 96,832/-u/s 69C of the act on account of the alleged payment of LIC premium from unexplained sources without appreciating the facts of the case in right perspective and in absence of any incriminating material found and seized during the course of search operations. The addition so made deserve to be deleted.

5. On the facts and in the circumstances of the case the ld. AO has erred in making additions of Rs. 96,832/-u/s 69C of the act on account of the alleged payment of LIC premium from unexplained source without appreciating the facts of the case in right perspective and in absence of any incriminating material found and seized during the course of search operations. The addition so made deserves to be deleted.

6. On the facts and in the circumstances of the case of the Id. AO has legally and factually erred in issuing penalty notice u/s 271 (1)(C) of the act in a mechanical manner as the appellant did not furnish any inaccurate particulars of income.

7. The appellant craves the right to add amend and alter the grounds on or before the hearing."

4.2 In ITA No. 756/JPR/2025 the assessee has raised following grounds:-

"1. On the facts and in the circumstances of the case, Ld.CIT(A) has legally & factually erred in passing an ex-parte impugned order against the appellant without providing proper opportunity of hearing to the appellant and in complete violation of principle of natural justice. Thus, on this ground alone, impugned order deserves to be set aside and quashed.

2. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in initiating the proceeding u/s 153C of the Act on the basis of the statement of a family member of the appellant recorded u/s 132(4) of the Act, in the absence of any incriminating material found during the course of search operations. Moreover, income offered by third party u/s 132(4) of the Act, in the absence of incriminating material is not legally maintainable. Thus, the proceeding so initiated u/s 153C of the Act are bad in law and deserves to be quashed summarily.

3. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in making addition of Rs.10,00,000/- on account of alleged unaccounted investment in the property, in absence of any incriminating material found and seized during the course of search proceedings. No valid addition could be made u/s 153C in the absence of any incriminating material as held consistently by judicial authorities. Thus, the addition so made is factually and legally incorrect and thus the same deserves to be deleted.

4. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in treating the instrument of property dealing as found and seized during the course of search proceedings, as incriminating material. The said instrument was duly recorded in the books of accounts as well as the return filed by the appellant and was not an incriminating material, as incorrectly observed by the Ld.AO. Thus, the addition of Rs.10,00,000/- on the basis of such incorrect observations is factually and legally incorrect and thus the same deserves to be deleted.

5. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in making addition of Rs.58,327/- u/s 69C of the Act, on account of alleged payment of LIC premium from unexplained sources, without appreciating the facts of case in right perspective and in absence of any incriminating material found and seized during the course of search operations. Thus, the addition so made deserves to be deleted.

6. On the facts and in the circumstances of the case, Ld.CIT(A) has legally and factually erred in upholding the action of the Ld.AO of initiating penalty proceedings u/s 271(1)(c) of the Act, against the appellant in a mechanical manner, as the appellant did not furnish any inaccurate particulars of income.

7. The appellant craves the right to add, amend and alter the grounds on or before the hearing."

4.3 In ITA No. 759/JPR/2025 the assessee has raised following grounds:-

"1. On the facts and in the circumstances of the case, Ld.CIT(A) has grossly erred in deciding the Appeal of the appellant ex-parte without properly providing opportunity to the appellant for representation of his case. Therefore, the impugned order for being violative of principle of natural justice, deserves to be set aside and quashed.

2. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in initiating the proceeding u/s 153C of the Act on the basis of the statement of a family member of the appellant recorded u/s 132(4) of the Act, in the absence of any incriminating material found during the course of search operations. Moreover, income offered by third party u/s 132(4) of

the Act, in the absence of incriminating material is not legally maintainable. Thus, the proceedings so initiated u/s 153C of the Act are bad in law and deserve to be quashed summarily.

3. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in making addition of Rs.8,00,000/- on account of alleged unaccounted investment in the property, in absence of any incriminating material found and seized during the course of search proceedings. No valid addition could be made u/s 153C in the absence of any incriminating material as held consistently by judicial authorities. Thus, the addition so made is factually and legally incorrect and thus the same deserve to be deleted.

4. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in treating the instruments of the property dealings as found and seized during the course of search proceedings as incriminating material. In fact the instrument so found was duly accounted for and reflected in the books of the appellant and were not incriminating material as incorrectly observed by the Ld.AO Thus, the addition of Rs.8,00,000/- in the basis of such incorrect observations is factually and legally incorrect and thus the same deserve to be deleted.

5. On the facts and in the circumstances of the case, the Ld.AO has erred in making addition of Rs. 96,832/- u/s 69C of the Act, on account of alleged payment of LIC premium from unexplained sources without appreciating the facts of case in right perspective and in absence of any incriminating material found and seized during the course of search operations. Thus, the addition so made deserve to be deleted.

6. On the facts and in the circumstances of the case, Ld.AO has legally and factually erred in issuing penalty notice u/s 271(1)(c) of the Act in a mechanical manner as the appellant did not furnish any inaccurate particulars of income.

7. The appellant craves the right to add, amend and alter the grounds on or before the hearing."

4.4 In ITA No. 758/JPR/2025 the assessee has raised following grounds:-

"1. On the facts and in the circumstances of the case, Ld.CIT(A) has grossly

erred in deciding the Appeal of the appellant ex-parte without properly providing opportunity to the appellant for representation of his case. Therefore, the impugned order for being violative of principle of natural justice, deserves to be set aside and quashed.

2. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in initiating the proceeding u/s 153C of the Act on the basis of the statement of a family member of the appellant recorded u/s 132(4) of the Act, in the absence of any incriminating material found during the course of search operations. Moreover, income offered by third party u/s 132(4) of the Act, in the absence of incriminating material is not legally maintainable. Thus, the proceeding so initiated u/s 153C of the Act are bad in law and deserve to be quashed summarily.

3. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in making addition of Rs.5,51,502/- on account of alleged unaccounted investment in the property, in absence of any incriminating material found and seized during the course of search proceedings. No valid addition could be made u/s 153C in the absence of any incriminating material as held consistently by judicial authorities. Thus, the addition so made is factually and legally incorrect and thus the same deserve to be deleted.

4. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in treating the instruments of the property dealings as found and seized during the course of search proceedings as incriminating material. The said instrument of Rs.5,51,502/- was duly recorded in the books of accounts as well as the return filed by the appellant. Thus, the addition so made is factually and legally incorrect and thus the same deserve to be deleted.

5. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in making addition of Rs.7,08,000/- u/s 69A of the Act on account of alleged cash deposit in the bank account with Central Cooperative Bank without appreciating the facts and circumstances in the right perspective and in the absence of any incriminating material found and seized during the course of search proceedings. Thus, the addition so made is factually and legally incorrect and thus the same deserve to be deleted.

6. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in making addition of Rs.3,96,000/- u/s 69C on account of alleged bill issued by M/s Amar Tours & Travels Delhi in respect of foreign journey to Singapore treating it as unexplained expenditure without

appreciating the facts and circumstances the right perspective and in absence of any incriminating material found and seized during the course of search proceedings. Thus, the addition so made on the basis of such incorrect observations is factually and legally incorrect and thus the same deserves to be deleted.

7. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in making addition of Rs.94,111/- u/s 69C of the Act, on account of alleged payment of LIC premium from unexplained sources without appreciating the facts and circumstances the right perspective and in absence of any incriminating material found and seized during the course of search proceedings. Thus, the addition so made deserve to be deleted summarily.

8. On the facts and in the circumstances of the case, Ld.CIT(A) has legally and factually erred upholding the action of the Ld.AO of initiating penalty proceedings u/s 271(1)(c) of the Act, against the appellant in a mechanical manner as the appellant did not furnish any inaccurate particulars of income.

9. The appellant craves right to add, amend and alter the grounds on or before the hearing."

4.5 In ITA No. 757/JPR/2025 the assessee has raised following grounds:-

"1. On the facts and in the circumstances of the case, Ld.CIT(A) has grossly erred in deciding the appeal of the appellant ex-parte without properly providing opportunity to the appellant for representation of his case. Therefore, the impugned order for being violative of principle of natural justice, deserves to be set aside and quashed.

2. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in initiating the proceeding u/s 153C of the Act on the basis of the statement of a family member of the appellant recorded u/s 132(4) of the Act, in the absence of any incriminating material found during the course of search operations. Moreover, income offered by third party u/s 132(4) of the Act, in the absence of incriminating material is not legally maintainable. Thus, the proceeding so initiated u/s 153C of the Act are bad in law and deserve to be quashed summarily.

3. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in making addition of Rs.12,00,000/- on account of alleged unexplained investment in the property, in absence of any incriminating material found and seized during the course of search proceedings. No valid addition could be made u/s 153C in the absence of any incriminating material as held consistently by judicial authorities. Thus, the addition so made is factually and legally incorrect and thus the same deserve to be deleted.

4. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in treating the instruments of the property dealings as found and seized during the course of search proceedings as incriminating material. The said instrument of Rs.12,00,000/- was duly recorded in the books of accounts as well as the return filed by the appellant. Thus, the addition so made is factually and legally incorrect and thus the same deserve to be deleted.

5. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in making addition of Rs.1,11,578/- u/s 69A of the Act on account of alleged payment of LIC premium from explained sources without appreciating the facts of the case in right perspective and in absence of any incriminating material found seized during the course of search proceedings. Thus, the addition so made is factually and legally incorrect and thus the same deserve to be deleted.

6. On the facts and in the circumstances of the case, the Ld.AO has factually and legally erred in issuing penalty notice u/s 271(1)© of the Act, in a mechanical manner as the appellant did not furnish any inaccurate particulars of income.
7. The appellant craves right to add, amend and alter the grounds on or before the hearing."

5. During the course of hearing, the Registry has pointed out that there is a delay of 159 days in filing the present appeal before the Tribunal. The assessee has filed an application explaining the cause of such delay, which is supported by duly sworn Affidavit. We have gone through the averments made in the affidavit and thus, we are of the

opinion that the assessee is prevented in filing the appeal in time and we are satisfied that the delay in filing the appeal is due to reasonable cause. Thus, the delay of 159 days in filing the appeal by the assessee is condoned in view of the decision of Hon'ble Supreme Court in the case of Collector, Land Acquisition vs. Mst. Katiji and Others, 167 ITR 471 (SC) as the assessee is prevented by sufficient cause. Consequently, we condone the delay in filing the present appeal and admit the same for adjudication on merit.

6. Succinctly, the fact as culled out from the records is that the assessee is an individual and filed his return for AY 2015-16 u/s 139 on 01.02.2017 disclosing an income of Rs.2,65,530/-. A search & seizure operation under section 132(1) of the Income Tax Act, 1961 was carried out on 10.12.2015, at the various premises of R.T. Group (Trilok Jain, Rajesh Jain & others) of Tonk. During the course of search, certain loose papers pertaining to the assessee were alleged to have been found, which along with satisfaction note were forwarded by DCIT, Central Circle-1, Jaipur, to the ITO -Tonk (the AO), vide letter dated 23.02.2018. The AO issued notice u/s 153C on 30.03.2018, in response to which the assessee filed ITR on 13.04.2018, disclosing an income of Rs.1,68,700/- The papers, alleged as incriminating, had been inventorized as Exhibit 3 of Annexure AS (Page No.1 & Page Nos.22A-

28) The description of these documents of this Annexure is as tabulated below –

S.No.	Exhibit No. & Page No.	Description of the document
1.	3/1	Sale agreement-cum-receipt of truck, showing purchase of truck for Rs.8,21,000/- in cash by the assessee
2.	3/22A-28	List showing premiums paid on Insurance policies held in the names of various members of the family

7. On perusal of the above impugned seized loose paper, it has been found that investment/expenditure, mentioned therein are duly reflected in the balance sheet and capital account of appellant. Such document cannot be termed as incriminating document. Thus, such loose paper forming basis of addition cannot constitute incriminating material found as a result of search and seizure proceedings. No other reference of any other incriminating document has been mentioned in the assessment order. There are various judicial pronouncements wherein it has been held that no addition can be made in absence of incriminating material. Holding the same to be incriminating documents, additions were made and the assessment was completed on 27.08.2018 determining total income at Rs. 9,61,170/-, making additions under sections 69C of the Act and initiating penalty proceedings under section 271(1)(c).

8. Aggrieved from the order of Assessing Officer, the assessee preferred an appeal before the ld. CIT(A) Jaipur-4, who dismissed the appeal and confirmed the additions made by the AO, stating that the

appellant could not controvert the findings given by the AO on merits of the issue.

9. Now the assessee is in appeal before the Tribunal. While pleading on behalf of the assessee, the ld. AR has made the following ground wise submissions-

"GROUND OF APPEAL NO. 1:
ORDER DATED 12.09.2024 HAS BEEN EX-PARTE ORDER:

That, the ld. CIT(A) has decided the appeal of the appellant ex-parte without even affording reasonable opportunity of heard to the appellant which amounts to violation of principal of natural justice. Therefore, on this ground alone, the Order dated 12.09.2024 passed by the ld. CIT(A) deserve to set aside and quashed.

GROUND OF APPEAL NO. 2 & 3:

Ground No. 2: Invalid and Factually Unsustainable Addition of ₹6,95,634/- Under Section 69C—Arbitrary Assumption of Incriminating Nature and Non-Consideration of Evidentiary Record. Invalidity of Proceedings under Section 153C

The appellant respectfully submits that the initiation and continuation of proceedings under Section 153C of the Income-tax Act, 1961, are vitiated by procedural irregularities. The proceedings are, therefore, liable to be quashed ab initio.

To begin with, the additions made by the Learned Assessing Officer are based solely on certain documents described as incriminating material and/or loose papers, which were allegedly recovered during the course of search and seizure proceedings conducted under Section 132 of the Act in the case of a third party. It is an undisputed fact that the appellant is not the person in respect of whom the search was conducted. The said documents were neither found in the possession nor under the control of the appellant, and no search or requisition proceedings were initiated against the appellant under Sections 132 or 132A.

As per the express mandate of Section 153C, the Assessing Officer of the searched person must record a satisfaction note to the effect that (a) the documents or assets seized during the search belong to a person other than the searched person, and (b) such documents or assets have a bearing on the determination of the total income of such other person. In the present case, there is no cogent or conclusive finding in

the assessment order or any accompanying record to establish that the seized documents "belong to" the appellant. The use of vague expressions such as "relating to" or "pertaining to" is legally insufficient to satisfy the jurisdictional threshold under Section 153C, as held in numerous judicial precedents.

Further, the satisfaction note, which forms the very foundation for assumption of jurisdiction under Section 153C, has not been furnished to the appellant despite specific and repeated requests. The non-supply of the satisfaction note deprives the appellant of the opportunity to challenge the jurisdictional assumption and violates the principles of natural justice. Consequently, the entire proceedings are rendered void and without legal sanction.

The assessment order refers to certain loose sheets and documents allegedly relating to insurance premium payments and purchase of a commercial truck in cash. However, these documents were not found in the possession or control of the appellant. No independent verification or enquiry was conducted to establish their authenticity or nexus with the appellant's income. The reliance placed on such unverified and extraneous material is wholly unjustified and contrary to law.

Significantly, and without prejudice to the above submissions, it is submitted that the transactions referred to in the so-called incriminating documents pertaining to LIC policy and purchase of a commercial truck have already been duly recorded in the books of account of the appellant. These entries under household expenses are also reflected in the balance sheet, which has been reproduced before the Ld. AO. The satisfaction note recorded by the Assessing Officer, which forms the basis of the proceedings under Section 153C, merely reiterates the existence of these documents without appreciating that the underlying transactions are already disclosed and accounted for. In such circumstances, where the alleged incriminating material is already part of the regular books of account, no addition can be made on that basis, rendering the satisfaction note illegal perse.

Furthermore, the appellant has filed a revised return of income during the course of the assessment proceedings, wherein the true and correct income has been disclosed. The revised return incorporates all relevant financial information, and no further additions are warranted on the basis of unverified and third-party material.

It is humbly submitted that, both the Learned Assessing Officer (AO) and the Learned Commissioner of Income Tax (Appeals) [CIT(A)] have committed serious errors of law and fact in sustaining the addition of ₹6,95,634/- under Section 69C of the Income Tax Act, 1961, alleging unexplained expenditure incurred for purchase of a commercial truck.

The impugned assessment proceedings were initiated under Section 153C of the Act, which require the presence of incriminating material—found and seized

during search proceedings under Section 132 or requisition under Section 132A—having direct nexus with the assessee. In the present case, no such material was unearthed or relied upon. The entire addition is made without any reference to seized evidence that could justify the invocation of Section 153C or support the conclusion of unexplained expenditure.

Instead, the Assessing Officer erroneously treated certain instruments relating to loose papers related to purchase of commercial truck, found during the search, as incriminating material. However, these documents were already accounted for in the regular books of account maintained by the appellant and were duly reflected in the financial statements submitted to the Ld. AO. The AO failed to examine or even reference the documentary record establishing that the said transactions had been disclosed, verified, and reconciled. This constitutes a fundamental procedural error and violation of natural justice.

The Learned CIT(A), in mechanically upholding the impugned addition, has further compounded the error by failing to independently assess the evidentiary record and the appellant's submissions. Instead of objectively considering whether the documents relied upon by the AO could be termed "incriminating" in the context of a completed assessment, the CIT(A) endorsed a jurisdictionally flawed assessment that lacked any factual foundation.

The omission of the Assessing Officer to consider the documents on record, along with the CIT(A)'s failure to exercise independent judicial scrutiny, renders the addition arbitrary, unjustified, and legally untenable. The impugned orders are based on assumptions rather than concrete evidence, and deserve to be set aside in toto.

Reliance is placed upon the following:

- **Assistant Commissioner of Income-tax v. Mamta Agarwal [2025] 171 taxmann.com 54 (SC) – Hon'ble Supreme Court**

  Invocation of s. 153C, with respect to all the AYs for which no incriminating material was found during the search, was erroneous and unsustainable. The Court, therefore, held that s. 153C of the IT Act could not have been invoked merely because some material exists; rather, it must 'have a bearing on the determination of the total income' of the appellant for the given.

- **Saksham Commodities Ltd. v. ITO (2024 SCC OnLine Del 3851 dated 09.04.2024 – Hon'ble Delhi High Court.**

  54. In any case, *Abhisar Buildwell*, in our considered opinion, is a decision which conclusively lays to rest any doubt that could have been possibly harboured. The Supreme Court in unequivocal terms held that absent incriminating material, the AO would not be justified in seeking to assess or reassess completed assessments.

> Though the aforesaid observations were rendered in the context of completed assessments, the same position would prevail when it comes to assessments which abate pursuant to the issuance of a notice under Section 153C.

In light of the jurisdictional lapse and lack of incriminating evidence, the addition of ₹6,95,634/- under Section 69C is untenable. The proceedings under Section 153C are vitiated in law and merit annulment.

GROUND OF APPEAL NO. 4:

Ground No. 4: Erroneous Addition of Rs. 96,832/- under Section 69C on Account of payment LIC Premium

The appellant respectfully submits that the addition of Rs. 96,832/- made by the Learned Assessing Officer under Section 69C of the Income-tax Act, 1961, on account of payment of LIC premium is both factually incorrect and legally unsustainable. The said addition has been made without proper appreciation of the facts on record and in disregard of the statutory provisions governing unexplained expenditure.

To begin with, the impugned expenditure towards LIC premium was made entirely out of the appellant's regular and disclosed sources of income. The payment is duly reflected in the appellant's books of account and financial statements under household expenses. The transaction is transparent, traceable, and supported by documentary evidence, including premium receipts. In such circumstances, the expenditure cannot be characterized as unexplained or unaccounted, and the invocation of Section 69C is wholly misplaced.

It is further submitted that although the appellant inadvertently omitted to claim the deduction under Section 80C for the said LIC premium in the original return of income, the same was correctly claimed in the return filed in response to the notice issued under Section 153C. The mere omission to claim a deduction in the original return does not, by itself, render the source of the expenditure suspicious or unexplained. The revised claim under Section 80C is valid in law and is supported by all requisite documentation. The Assessing Officer has erred in treating the expenditure as unexplained merely because the deduction was not claimed earlier.

The return filed under Section 153C is a statutory return and is required to be assessed on its own merits. There is no legal embargo on claiming a deduction in such return, provided the claim is genuine and substantiated. In the present case, the appellant has furnished all necessary evidence in support of the LIC premium payment, and the deduction under Section 80C has been claimed in accordance with law. The rejection of the claim solely on the ground that it was made in the return filed under Section 153C is arbitrary and contrary to the scheme of the Act.

Section 69C of the Income-tax Act, 1961, empowers the Assessing Officer to treat any unexplained expenditure incurred by an Assessee as deemed income for the relevant financial year, provided certain essential conditions are satisfied. The statutory ingredients for invoking Section 69C are: (i) the Assessee must have incurred an expenditure during the relevant financial year; (ii) the Assessee must either fail to offer an explanation regarding the source of such expenditure or offer an explanation which, in the opinion of the Assessing Officer, is not satisfactory; and (iii) the Assessing Officer must record a finding to that effect. Additionally, the proviso to Section 69C expressly bars the allowance of such unexplained expenditure as a deduction under any head of income. In the absence of these cumulative conditions—particularly where the source of expenditure is duly explained, verifiable, and supported by documentary evidence—the invocation of Section 69C is legally impermissible. Mere suspicion or conjecture, without a definitive finding of unexplained or unaccounted expenditure, cannot justify the application of this deeming provision. Section 69C of the Income Tax Act, 1961, has been produced below for your kind reference:

69C. Unexplained expenditure, etc. —

Where in any financial year an Assessee has incurred any expenditure and he offers no explanation about the source of such expenditure or part thereof, or the explanation, if any, offered by him is not, in the opinion of the 1[Assessing Officer], satisfactory, the amount covered by such expenditure or part thereof, as the case may be, may be deemed to be the income of the Assessee for such financial year:

[Provided that, notwithstanding anything contained in any other provision of this Act, such unexplained expenditure which is deemed to be the income of the Assessee shall not be allowed as a deduction under any head of income.

Moreover, Section 69C can be invoked only where the Assessing Officer records a finding that the expenditure has been incurred and that the source of such expenditure is not explained or is not satisfactorily explained. In the present case, there is no such finding. On the contrary, the source of the LIC premium payment is fully explained and is traceable to the appellant's balance sheet. The addition under Section 69C, in the absence of any evidence of expenditure from undisclosed income, is legally untenable and deserves to be deleted.

It is also pertinent to note that the LIC premium payment has already been duly recorded in the appellant's regular books of account. Once an expenditure is accounted for in the books and supported by verifiable evidence, it cannot be treated as unexplained merely because a deduction was not claimed earlier. The settled legal position is that entries recorded in the books of account maintained in the regular course of business carry a presumption of correctness unless disproved by cogent

evidence. In the present case, no such contrary evidence has been brought on record by the Assessing Officer.

Reliance is placed upon the following judgements:

- Income Tax Officer v. Growel Energy Co. Ltd. (ITA No. 338/Mum/2011)
  The Hon'ble ITAT Mumbai has held that the conditions precedent for invoking provisions of section 69C are absent in this case, that the expenditure has been explained by adducing evidence and other relevant material and hence it was not open to the AO to disallow the said expenditure or to treat the same as deemed income under s. 69C of the I.T. Act. When the books of account have been maintained and expenditure recorded with full details and supported by vouchers, then no addition can be made under S. 69C vide CIT Vs. Pratap Singh Amar Singh (1993) 200 ITR 788 (Rajasthan). Under the circumstances, the addition made under s. 69C cannot be sustained and is hereby deleted.
- PCIT v. Param Dairy Ltd. (ITA 50/2022)
  The Hon'ble Delhi High Court has held that the total purchases including Milk Tanki purchases have been debited to the profit and loss account and the entire source of purchases are duly recorded in the books of account thus source of such purchase/expenditure stands established as having been incurred out of the funds shown in the books of account. ITAT further held that therefore at the threshold, addition under Section 69C cannot be resorted to as the same has been recorded in the books of account. In light of the same, the appeal filed by the revenue is dismissed.

In view of the above submissions, it is respectfully prayed that the addition of Rs. 96,832/- made under Section 69C on account of LIC premium be deleted in full. The expenditure is fully explained, duly recorded, and supported by documentary evidence. The addition is devoid of merit, contrary to law, and deserves to be quashed.

GROUND OF APPEAL NO. 5:

Ground No. 5: Invalid Initiation of Penalty Proceedings under Section 271(1)(c)

The appellant respectfully submits that the initiation of penalty proceedings under Section 271(1)(c) of the Income-tax Act, 1961, is legally untenable and vitiated by non-application of mind as well as failure to comply with the mandatory procedural safeguards prescribed under the law. It is a settled principle that for valid initiation of penalty under this provision, the Assessing Officer must clearly specify whether the charge pertains to "concealment of income" or "furnishing of inaccurate particulars of income." In the present case, the assessment order is conspicuously silent on this fundamental aspect, thereby depriving the appellant of a fair opportunity

to respond to the precise allegation. The absence of a specific charge renders the initiation vague and violative of the principles of natural justice. Furthermore, the assessment order contains only a mechanical and templated statement that "penalty proceedings under section 271(1)(c) are initiated," without any discussion or recording of satisfaction as to why such proceedings are warranted. The law mandates that the Assessing Officer must arrive at a conscious and reasoned satisfaction, based on the findings in the assessment order, before invoking penalty provisions. Penalty proceedings are independent and quasi-criminal in nature, and cannot be initiated as a matter of routine or formality. In the present case, the absence of any such satisfaction or justification in the assessment order renders the initiation of penalty proceedings invalid in law. Without prejudice to the above, the appellant reserves the right to contest the penalty proceedings on merits if and when a penalty order is passed. However, it is submitted that the very initiation of penalty proceedings in the present case is procedurally flawed and legally unsustainable, and therefore deserves to be quashed ab initio.

Reliance is placed upon the following Judgements:

- **M/s. Aagam Shares & Commodities Pvt. Ltd. Versus DCIT (/I.T.A. No. 2082/Ahd/2018) (ITAT AHMEDABAD)**

  It is also well settled that penalty under s. 271(1)(c) of the Act will not be imposed in every case merely because it is lawful to do so. The penalty will not ordinarily to be imposed unless the party obliged, either acted deliberately in defiance of law or was guilty of contumacious conduct or dishonest act."

10. Per contra, ld. DR is heard who relied on the findings of the Ld. CIT(A). She vehemently argued that as no new evidence was produced before the CIT(A), and the AO had already examined the evidence produced before him and thereafter passed the assessment order, the Ld.CIT(A) in the circumstances, rightly upheld the order of the AO, and the same may kindly be sustained.

11. We have heard the rival contentions and perused the material placed on record, as well as the relevant provisions of law and the case

laws cited by the Ld.AR in support of his case. Since the appellant has filed a common submission in respect of the legal grounds raised, we are also dealing with them as a consolidated ground.

12. We note from submission and also from the assessment order that it does not establish any direct or even nexus between the seized documents and the alleged unexplained expenditure of Rs. 6,95,634/- & 96,832/-. The Assessing Officer has not demonstrated how the seized material, if any, pertains to the appellant or how it evidences the use of unaccounted income for the said investment. In the absence of such linkage, the invocation of Section 69C of the Act is legally untenable. The addition appears to be based on a presumption rather than on any concrete material linking the investment to undisclosed income.

Thus, when the LIC policy payment and investment in the property which is recorded in the ITR already filed by the assessee, addition cannot be made. To drive home to this contention we get support from the decision of the Hon'ble Apex Court in the case DCIT vs. M/s U.K. Paints (Overseas) Ltd. (2023) 150 taxmann.com 108, where the Apex Court has held that:-

> " In this batch of appeals, the assessments in case of each assessee were under section 153C of the Income Tax Act, 1961 (for short, 'the Act'). As found by the High Court in none of the cases any incriminating material was found

> during the search either from the assessee or from third party. In that view of the matter, as such, the assessments under section 153-C of the Act are rightly set aside by the High Court. However, Shri N Venkataraman, Learned ASG appearing on behalf of the Revenue, taking the clue from some of the observations made by this court in the recent decision in the case of Principal Commissioner of Income Tax, Central-3, vs. Abhisar Buildwell P. Ltd, Civil appeal No. 6580/2021, more particularly, paragraphs 11 and 12, has prayed to observe that the Revenue may be permitted to initiate re-assessment proceedings under Section 147/148 of the Act as in the aforesaid decision, the powers of the re-assessment of the Revenue even in case of the block assessment under Section 153-A of the Act have been saved.
>
> As observed hereinabove, as no incriminating material was found in case of any of the Assessees either from the Assessee or from the their party and the assessments were under section 153-C of the Act, the high Court has rightly set aside the Assessment order(s). Therefore, the impugned judgment and order(s) passed by the High court do not require any interference by this Court. Hence, all these appeals deserve to the dismissed and are accordingly dismissed."

Respectfully following the above view, we do not see any merit in making those additions. Based on that observation we considered the technical grounds.

Based on these observations, the appeal filed by the assessee in ITAT No. 760/JPR/2025 is allowed.

11. The Bench has noticed that the issues raised by the assessee in ITA No. 760/JPR/2025 are similar to the case of the assessee in ITA Nos. 759, 756, 757 & 758/JPR/2025 and therefore, it is not imperative to repeat the facts of the case and grounds of appeal so raised by the assessee in ITA nos. 759, 756, 757 & 758/JPR/2025. Hence, the Bench feels that the decision taken by us in the case of the assessee in ITA No. 760/JPR/2025

shall apply mutatis mutandis in the case in ITA No. 759, 756, 757 & 758/JPR/2025.

In the result, the appeals of the assessee are allowed.

Order pronounced in the open Court on 13/11/2025.

Sd/-	Sd/-
(राठौड़ कमलेश जयन्तभाई)	(डॉ.एस.सीतालक्ष्मी)
(RATHOD KAMLESH JAYANTBHAI)	(Dr. S. Seethalakshmi)
लेखा सदस्य / Accountant Member	न्यायिक सदस्य / Judicial Member

जयपुर / Jaipur
दिनांक / Dated:- 13/11/2025
*Santosh
आदेश की प्रतिलिपि अग्रेषित / Copy of the order forwarded to:

1. अपीलार्थी / The Appellant- Shubham Jain, Tonk,
   Rohit Jain, Tonk,
   Mohit Jain, Tonk
2. प्रत्यर्थी / The Respondent- ITO, Ward, Tonk.
2. आयकर आयुक्त / CIT
4. आयकर आयुक्त / CIT(A)
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, जयपुर / DR, ITAT, Jaipur.
6. गार्ड फाईल / Guard File { ITA No. 756 to 760/JPR/2025 }

आदेशानुसार / By order

सहायक पंजीकार / Asst. Registrar