

आयकर अपीलीय अधिकरण, हैदराबाद पीठ
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad ' DB-A ' Bench, Hyderabad
श्री विजय पाल राव, उपाध्यक्ष एवं श्री मधुसूदन सावडिया, लेखा सदस्य के समक्ष ।

Before Shri Vijay Pal Rao, Vice-President
A N D
Shri Madhusudan Sawdia, Accountant Member

आ.अपी.सं / **ITA No.16/Hyd/2024**
(निर्धारण वर्ष/Assessment Year: 2016-17)

Shri P Chandra Sekhar Reddy NELLORE PAN:AITPP3592M (Appellant)	Vs.	ACIT Central Circle Tirupati (Respondent)
निर्धारिती द्वारा/Assessee by:	CA M.V. Prasad	
राजस्व द्वारा/Revenue by::	Shri Ranjan Agrawala, Sr. DR	
सुनवाई की तारीख/Date of hearing:	19/11/2025	
घोषणा की तारीख/Pronouncement:	26/11/2025	

आदेश/ORDER

Per Madhusudan Sawdia, A.M.:

This appeal is filed by Shri P Chandra Sekhar Reddy ("the assessee"), feeling aggrieved by the order passed by the Learned Commissioner of Income Tax (Appeals)-12, Hyderabad ("Ld. CIT(A)") dated 08.11.2023 for the A.Y 2016-17.

2. The assessee has raised the following grounds of appeal:

"1. The learned CIT (Appeals) is erred in facts and law while passing the order.

2. The learned CIT(Appeals) is not justified in confirming the addition made of Rs.63,00,000/- as unexplained investment in money lending business.

3. The learned CIT(Appeals) is not justified in confirming the addition made towards unexplained credit in capital account by way of gift received from Sri N. Subba Reddy of Rs.10,00,000/-.

4. The appellant craves to add to, amend or modify the above grounds of appeal either before or at the time of hearing of the appeal if it is considered necessary.

3. The brief facts of the case are that a search and seizure operation under section 132 of the Income Tax Act, 1961 (“the Act”) was conducted in the case of the assessee on 27.12.2016. Pursuant thereto, notice under section 153A of the Act was issued to the assessee by the Learned Assessing Officer (“Ld. AO”) on 23.02.2018, calling for the return of income for Assessment Year 2016–17. In response, the assessee filed return of income on 15.05.2018, admitting total income of Rs.12,39,260/- and agricultural income of Rs.2,82,720/-. The case of the assessee was selected for scrutiny and notice under section 143(2) of the Act was issued on 04.07.2018. After considering the submissions of the assessee, the Ld. AO completed assessment under section 143(3) r.w.s. 153A of the Act on 09.04.2019, making the following additions:

- (a) Rs.63,00,000/- on account of unexplained investment in money-lending business
- (b) Rs.22,70,970/- on account of unexplained investment in house construction

- (c) Rs.10,00,000/- on account of unexplained credit in capital account (gift from Sri N. Subba Reddy)
- (d) Rs.6,56,948/- on account of unexplained gifts from friends and relatives

Thus, the total income of the assessee was assessed at Rs.1,14,67,178/- and agricultural income of Rs.2,82,720/-.

4. Aggrieved with the order of the Ld. AO, the assessee preferred appeal before the Ld. CIT(A), who partly allowed the appeal of the assessee.

5. Aggrieved with the order of the Ld. CIT (A), the assessee had filed appeal before this Tribunal. In the first round of appeal, the appeal of the assessee was dismissed by this Tribunal vide order dated 07.10.2024, due to withdrawal of appeal by the assessee. However, the case of the assessee could not cover under the Direct Taxes Vivad-se-Vishwas Scheme 2024, the case of the assessee has been recalled in M.A No.09/Hyd/2025 dated 25.02.2025 for adjudication on merits.

6. At the outset, the Learned Authorized Representative ("Ld. AR") submitted that the ground nos. 1 and 4 of the assessee are general in nature and do not require any separate adjudication. Accordingly, ground nos. 1 and 4 of the assessee are dismissed being not pressed.

7. The ground no.2 of the assessee relates to the addition of Rs.63,00,000/- made on account of investment made by the assessee in the money-lending business. In this regard, the Ld. AR submitted that during the search operation, one diary and certain

promissory notes were seized from the premises of the assessee, wherein transactions relating to the assessee's money-lending activity were recorded. Based on these documents, the Ld. AO determined the peak balance of money involved in money-lending business of Rs.78 lakhs for the year. It was further noticed by the Ld. AO that out of Rs.78 lakhs, Rs.4 lakhs belonged to the wife of the assessee and Rs.11 lakhs belonged to the assessee's mother. After excluding these amounts, the Ld. AO treated Rs.63 lakhs as unexplained investment in the hands of the assessee. The Ld. AR further submitted that the peak balance of Rs.63 lakhs includes amounts actually advanced out of the funds of the assessee's HUF (A.Y. 2016-17) also. He invited our attention to page nos. 11 and 12 of the assessment order, wherein the yearly peak balances from F.Y. 2010-11 to 2015-16 have been tabulated. Further, the Ld. AR drew our attention to the balance sheet of the assessee's HUF for F.Y. 2015-16 placed at page no. 4 of the paper book, showing total sundry debtors of Rs.23,25,213/- as on 31.03.2016. He submitted that out of the balance of sundry debtors of HUF as on 31.03.2016 the amount of advances of Rs. 6 lakhs, Rs. 6 lakhs and Rs.2 lakhs were given to Shri Y Anil Kumar on 25.07.2015, 03.08.2015 and 03.08.2015 respectively. Accordingly, he submitted that the amount which is belonging to assessee's HUF may be reduced out of the peak balance of Rs.63 lakhs. Further, the Ld. AR submitted that the peak balance for F.Y. 2011-12 was Rs.20 lakhs, and therefore the assessee should be allowed telescoping of Rs.20 lakhs against the peak of F.Y. 2015-16. Thus, the Ld. AR argued that HUF-fund component and telescoping for earlier peak (F.Y. 2011-12) of Rs.20 lakhs should be reduced from the peak balance of Rs.63 lakhs.

8. Per contra, the Ld. DR relied on the orders of the lower authorities and submitted that the balance sheet and return of income of the assessee's HUF placed at page nos. 2 to 5 of the paper book were not filed by the assessee before the Ld. AO or the Ld. CIT(A). Therefore, the claim of the assessee that part of the loans was advanced from HUF funds requires verification. Accordingly, the Ld. DR requested that the matter may be remanded to the file of the Ld. AO for proper verification.

9. We have heard the rival contentions and perused the material available on record. We observe that the peak balance computation, entries in diary and promissory notes were the primary basis of the addition of Rs.63 lakhs by the Ld. AO. The assessee's claim that some amount out of the peak balance pertains to HUF funds is supported by the HUF balance sheet and loan details placed in the paper book. The assessee has also claimed telescoping benefit of Rs.20 lakhs based on the peak balance of F.Y. 2011-12, as reflected at page no. 11 of the assessment order. However, the HUF balance sheet, loan details, and related evidence were admittedly not filed before the lower authorities and therefore require verification. Given these facts, and in the interest of justice, we consider it appropriate to remand the issue of addition of Rs.63 lakhs to the file of the Ld. AO for proper examination of the assessee's claims. Accordingly, the issue relating to the addition of Rs.63 lakhs on account of alleged unexplained investment in money-lending activity is restored to the file of the Ld. AO with the following specific directions:

- (a) The Ld. AO shall allow telescoping of Rs.20 lakhs, being the peak balance of F.Y. 2011-12, while recomputing the peak balance for F.Y. 2015-16.
- (b) The Ld. AO shall verify the assessee's contention that some amount out of the peak balance was advanced from the funds of the assessee's HUF.
- (c) The assessee shall furnish necessary documentary evidence before the Ld. AO in support of its claim. If the assessee's claim is found correct, the Ld. AO shall grant appropriate relief as per law.
- (d) The assessee shall be given due opportunity of being heard and to submit all supporting evidence.

10. Ground no.3 of the assessee relates to the addition of Rs.10,00,000/- towards Unexplained Credit in Capital Account of the assessee. In this regard, the Ld. AR submitted that the assessee had received a gift of Rs.10,00,000/- during the year from Shri N. Subba Reddy, who is the brother of the assessee's father. It was submitted that during the assessment proceedings, the assessee was unable to produce the supporting evidence due to unavoidable circumstances. Consequently, the Ld. AO treated the amount as unexplained credit and made the addition under section 68 of the Act. The Ld. AR further submitted that Shri N. Subba Reddy expired, and therefore the assessee has now collected relevant documentary evidence from the wife of Shri N. Subba Reddy. These evidences have been submitted before the Tribunal as additional evidence. The Ld. AR prayed that the Tribunal may admit the same under Rule 29 of the Income Tax (Appellate Tribunal) Rules, 1963,

as such evidence could not be produced earlier for reasons beyond the assessee's control. The Ld. AR further submitted that as the additional evidence now submitted requires verification at the end of the Ld. AO, therefore, he prayed before the Bench to set aside the issue to the file of the Ld. AO for de novo adjudication of the same.

11. Per contra, the Ld. DR submitted that the evidence being furnished for the first time before the Tribunal require proper verification. Therefore, while he has no objection to the Tribunal admitting the evidence under Rule 29, he submitted that the matter may be restored to the file of the Ld. AO for necessary verification in accordance with law.

12. We have considered the rival contention and perused the material available on record including the additional evidence placed before us. These documents are related to the gift of Rs.10 lakhs received by the assessee from Shri N Subba Reddy. In our considered view, the evidence now furnished by the assessee are crucial and vital for adjudicating the correctness of the addition made by the Ld. AO under section 68 of the Act. Accordingly, in the interest of justice, we deem it appropriate to admit the additional evidence under Rule 29 of the ITAT Rules, as the same is essential for proper disposal of the matter. Since these evidences were never examined by the lower authorities, we consider it fit to restore the issue to the file of the Ld. AO for de novo adjudication of the issue as per law.

13. In the result, the appeal of the assessee is allowed for statistical purposes.

Order pronounced in the Open Court on 26th November 2025.

Sd/-

Sd/-

(VIJAY PAL RAO) VICE PRESIDENT	(MADHUSUDAN SAWDIA) ACCOUNTANT MEMBER
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Hyderabad, dated 26th November 2025

Vinodan/sps

Copy to:

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3	Pr. CIT – Central, Tirupati
4	DR, ITAT Hyderabad Benches
5	Guard File

By Order