

आयकर अपीलीय अधिकरण, हैदराबाद पीठ
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'A' Bench, Hyderabad

Before Shri Manjunatha G., Accountant Member
and
Shri Ravish Sood, Judicial Member

आ.अपी.सं /ITA No. 556/Hyd/2025
(निर्धारण वर्ष/Assessment Year:2016-17)

Balatripura Sundari Donepudi, Hyderabad. PAN: AFHPD2082B	Vs.	Deputy Commissioner of Income Tax, Central Circle-1(4), Hyderabad.
(Appellant)		(Respondent)
निर्धारिती द्वारा/Assessee by:	Shri P. Murali Mohan Rao, CA	
राजस्व द्वारा/Revenue by:	Shri Gurpreet Singh, Sr. AR	
सुनवाई की तारीख/Date of Hearing:	16/10/2025	
घोषणा की तारीख/Date of Pronouncement:	26/11/2025	

आदेश / ORDER

PER. RAVISH SOOD, J.M:

The present appeal filed by the assessee is directed against the order passed by the Commissioner of Income Tax (Appeals), dated 20.02.2025, which in turn arises from the order passed by the Assessing Officer (for short, "AO") under section 143(3) r.w. Section 153C of the Income-tax Act, 1961, for the Assessment Year 2016–17. The assessee has assailed the impugned order on the following grounds of appeal before us:

1. The Order of the CIT(A) u/s 250 of the Act dated 20/02/2025 is erroneous both on facts and in law to the extent the order is prejudicial to the interests of the appellant.
2. The Ld. CIT(A) erred in dismissing the appeal.
3. The Ld. CIT(A) has erred in upholding the addition of Rs 16,26,250/- without considering the explanations and submissions made by the appellant during the appellate proceedings.
4. The Ld. CIT (A) ought to have deleted the addition of Rs. 16,26,250/- made u/s 69 of the Act, since the transactions have been duly accounted for and explained as per books of accounts of the assessee.
5. The Ld. CIT(A) ought to have appreciated that the AO erred in invoking the provisions of Sec 153C of the I.T Act, there being no incriminating material belonging to the appellant.
6. The Ld. CIT(A) erred in not appreciating that the notice issued u/s 153C of the Act is based on loose sheets and unsigned letter heads, which cannot take the character of incriminating material and would not meet the requirement of concept of "satisfaction" used in section 153C of the Act.
7. The Ld. CIT (A) erred in upholding the addition of Rs 8,231/- towards difference amount in Pension income offered by the appellant.
8. The Ld. CIT (A) has erred in not appreciating that the assessee used to receive pension of Rs 40,540/- p.m. where by the total income becomes only Rs 4,86,480 per annum.
9. The appellant may add or alter or amend or modify or substitute or delete and/or rescind all or any of the grounds of appeal at any time before or at the time of hearing of the appeal."

2. Succinctly stated, the assessee, who is receiving pension income and also earns some professional income, had filed her return of income for the subject year, i.e., AY 2016-17, on 31.03.2017, declaring an income of Rs. 3,73,930/-.

3. Search and seizure proceedings under section 132 of the Act were conducted in the cases of M/s Sumeru Infrastructure Park and its group concerns on 08.02.2019. During the course of the search and seizure proceedings conducted at the residence of Smt. Sandhya Sree, Director of M/s Frontier Infra Projects (India) Pvt. Ltd., certain loose papers were

seized from her residence. Based on those papers, the AO, who was common for the searched party and the assessee, recorded his satisfaction that the seized documents related to the assessee and issued her a notice under section 153C of the Act.

4. In compliance, the assessee filed her return of income for AY 2016-17 on 23.12.2021, declaring the same income as was earlier returned by her. However, the AO completed the assessment after making two additions, viz. (i) an addition made under section 69 of the Act, holding that the assessee had made unexplained cash payments for the purchase of flat: Rs. 16,26,250/-; and (ii) an addition towards the difference in pension income based on Form 16: Rs. 8,231/-.

5. Aggrieved, the assessee carried the matter in appeal before the CIT(Appeals), wherein she challenged both the validity of the proceedings initiated in her case under section 153C of the Act, and also the merits of the additions made in her case. However, the CIT(A) did not find favour with the contentions advanced by the assessee and dismissed the appeal.

6. The assessee, being aggrieved with the order of the CIT(A), has carried the matter in appeal before us.

7. We have heard the Ld. Authorised Representatives of both parties, perused the orders of the lower authorities and the material available on record, as well as considered the judicial pronouncements that have been pressed into service by them to drive home their respective contentions.

8. We find that our indulgence has been sought by the assessee appellant for adjudicating two issues, viz. (i) that as to whether the AO had validly assumed jurisdiction under section 153C of the Act; and (ii) that as to whether the additions made by the AO are justified.

9. Apropos the assumption of jurisdiction by the AO, the seized papers were found during the course of the search and seizure proceedings conducted at the residence of Smt. Sandhya Sree, Director of M/s Frontier Infra Projects (India) Pvt. Ltd., i.e., the company that had sold a flat to the assessee. Ostensibly, the seized papers contained notings about the transaction of the sale of the flat by M/s. Frontier Infra Projects (India) Pvt. Ltd. to the assessee. The AO recorded satisfaction that the papers relate to the assessee. Since the AO was common to both the searched person and the assessee, and the satisfaction note clearly refers to the assessee, therefore, we hold that the proceedings under section 153C were validly initiated.

10. Coming to the sustainability of the addition made by the AO under Section 69 of the Act towards unexplained investment in the subject flat purchased by the assessee, we find that the AO observed that the assessee had made unexplained cash payments of Rs. 16,26,250/- for the purchase of the subject flat. On the other hand, the assessee had raised an unsubstantiated claim that she had made the subject payments out of her retirement benefits and past savings.

11. We have perused the contents of the seized papers relied upon by the AO, which form the genesis of the impugned addition made in the hands of the assessee, i.e., Annexure A/VMR/RES/01 – Page nos. 44 & 45 (as reproduced in the assessment order). On a perusal of the seized documents, the facts that emanate therefrom are, viz. (i) the total sale consideration of the flat is recorded as Rs. 56,26,250/- (Page 45); (ii) cheque payments are disclosed at Rs. 40,00,000/- (Page 44); (iii) cash payments in two tranches are mentioned at Rs. 5,50,000/- (Page 44); (iv) there is a further entry of Rs. 4,50,000/- dated 31.12.2015, though the mode of payment is not mentioned (Page 45); and (v) a balance of Rs. 6,26,250/- is still shown as unpaid (Page 45). Also, there is a note that a loan instalment of Rs. 6,00,000/- is still due, which further indicates that the full consideration was not yet received by the searched party during the relevant year.

12. Based on the contents of the seized papers, viz. Annexure A/VMR/RES/01 – Page nos. 44 & 45, we are of the considered view that the assessee can be linked only with cash or unverified payments totalling Rs. 10,00,000/-, viz. (i).Rs. 5,50,000/- (Page 44); and Rs. 4,50,000/- (Page 45). We find on thoroughly scrutinising the seized papers, viz. Annexure A/VMR/RES/01 – Page nos. 44 & 45, that there is no evidence that the remaining balance amount of Rs. 6,26,250/- was paid during the subject year. The AO's conclusion that the assessee paid Rs. 16,26,250/- in cash is neither supported by the contents of the seized papers nor any independent material has been produced before us which would support the said view. Also, we do not concur with the observation of the AO that the entry of Rs. 2 lacs relating to woodwork as mentioned in the seized documents (Page 44) refers to a cash receipt from the assessee, as the said entry does not show any payment from the assessee. Rather, the fact that the total payments of Rs. 40 lacs (Page 44) are carried forward as such on the next page (Page 45) fortifies the fact that the amount of Rs. 2 lac (supra) was not a payment made by the assessee.

13. We thus, in terms of our aforesaid observations, restrict the addition under section 69 of the Act to the extent of Rs. 10,00,000/- and delete the balance addition of Rs. 6,26,250/-.

14. As regards the addition of Rs. 8,231/- towards pension income, we are of the view that, as the assessee had not placed on record any evidence, such as pension statements or "Form 16A" to explain the difference, therefore, the addition to the said extent is confirmed.

15. Resultantly, the appeal filed by the assessee is partly allowed in terms of our aforesaid observations.

Order pronounced in the open court on 26th November, 2025.

Sd/- (MANJUNATHA G.) ACCOUNTANT MEMBER	Sd/- (RAVISH SOOD) JUDICIAL MEMBER
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Hyderabad,

Dated: 26th November, 2025

OKK / SPS

Copy to:

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1	Balatripura Sundari Donepudi, C/o. P. Murali & Co, Chartered Accountants, 6-3-655/2/3, Somjajiguda, Hyderabad, Telangana-500082.
2	Deputy Commissioner of Income Tax, Central Circle-1(4), Hyderabad, Telangana.
3	The Pr.CIT, Central Circle, Hyderabad
4	The DR, ITAT Hyderabad Benches
5	Guard File

By Order

Sr. Private Secretary,
ITAT, Hyderabad.