

IN THE INCOME TAX APPELLATE TRIBUNAL “RANCHI” BENCH, RANCHI
(VIRTUAL HEARING AT KOLKATA)

SHRI SONJOY SARMA, JUDICIAL MEMBER
SHRI RATNESH NANDAN SAHAY, ACCOUNTANT MEMBER

I.T.A. No. 498/RAN/2024
Assessment Year : 2017-2018

Rajesh Jalan,

C/o POJ Furniture Beside Rani
Sati Mandir, Opp. H.P. Pump,
Govindpur road, P.O. K.G. Ashrma,
Dhanbad - 828109
[PAN: ABZPJ5347B]

..... **Appellant**
vs.

DCIT/ACIT, Circle-1,
Dhanbad-826001

..... **Respondent**

Appearances by:

Assessee represented by : P.K. Himmatsinghka, AR
Department represented by : Khubchand T. Pandya, Sr. DR

Date of concluding the hearing : 07.11.2025
Date of pronouncing the order : 26.11.2025

ORDER

PER SONJOY SARMA, JUDICIAL MEMBER:

This appeal filed by the assessee is directed against the order of the Learned Commissioner of Income-tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi [hereinafter referred to as “CIT(A)”] dated 26.12.2023, arising out of the order passed under section 250 of the Income-tax Act, 1961 (“the Act”) for the assessment year 2017-18.

2. Brief facts of the Case are that the assessee, an individual, is engaged in the business of furniture trading under the proprietorship concerns M/s R.K. Traders and M/s New Furniture Bazar. The assessee filed the return of income for A.Y. 2017–18 declaring a total income of

₹48,64,780/-. The case was selected for scrutiny and notices under Sections 143(2) and 142(1) of the Income-tax Act, 1961 were duly issued. The assessee produced books of account, bank statements, and other evidences. The Assessing Officer, however, made additions under Sections 68 and 69A of the Act. The relevant additions under dispute are:

1. Addition of ₹7,40,000/- under Section 68 of the Act alleged unexplained unsecured loan from M/s Grihsobha Interior Pvt. Ltd.
2. Addition of ₹20,86,500/- under Section 69A of the Act alleged unexplained investment in capital.
3. The CIT(A) granted partial relief but sustained the above additions, against which the assessee is now in appeal before us.

Addition under Section 68 – ₹7,40,000/- (Unsecured Loan)

The Assessing Officer observed that the assessee had received unsecured loans aggregating to ₹20,00,000/- from M/s Shobha Interior Pvt. Ltd., where the assessee himself is a director. The AO held that the assessee failed to furnish complete details such as balance sheet of the lender and accordingly made addition under Section 68 of the Act.

The assessee contended that the entire loan was received through banking channels out of the Overdraft (OD) facility enjoyed by M/s Grihsobha Interior Pvt. Ltd. with Allahabad Bank, Dhanbad Branch. The assessee furnished the following documents before the AO and the CIT(A) Loan confirmation, Certificate of incorporation and PAN of the lender, Sales tax registration, Bank statement of the lender showing debit balance of ₹15,95,930.37/- prior to and ₹35,95,987.37/- after

granting the loan, Bank statement of the assessee showing receipt and partial repayment of ₹15,75,000/- out of ₹20,00,000/-. It was thus submitted that the immediate source of the loan was the OD facility from the lender's bank account and the transaction was fully explained.

6. The CIT(A) partly accepted the explanation and deleted addition of ₹12,60,000/-, but sustained ₹7,40,000/- without assigning any cogent reason.

7. We have heard the rival submissions and perused the materials on record. The evidences produced clearly demonstrate that the lender company had advanced the loan out of its OD facility from Allahabad Bank and that the transaction was routed through banking channels. The identity of the creditor, its creditworthiness, and the genuineness of the transaction stand duly established. The Assessing Officer has not made any independent enquiry or issued notice under Section 133(6) of the Act to the lender to verify the correctness of the claim. In such circumstances, no adverse inference could have been drawn merely on surmise. The Hon'ble Supreme Court in DCIT v. Rohini Builders [(2002) 256 ITR 360 (SC)] has held that the onus of the assessee stands discharged once the identity of the creditor and the genuineness of the transaction through banking channels are proved. If at all any doubt remains about the source of funds in the hands of the creditor, the proper course would be to examine the same in the hands of the creditor and not in the hands of the assessee. Following the above principle, we direct the Assessing Officer to delete the addition of ₹7,40,000/- made under Section 68 of the Act.

8. Addition under Section 69A of the Act ₹20,86,500/- (Introduction of Capital) The Assessing Officer further noted that the assessee had

introduced total capital of ₹27,02,500/- in his proprietary business during the year, of which ₹6,16,000/- was through bank and the balance ₹20,86,500/- was claimed to be out of cash in hand. The Ld. AO rejected the explanation and treated ₹20,86,500/- as unexplained investment under Section 69A of the Act. The assessee explained that he has been a regular taxpayer for more than 25 years and had shown cash in hand of ₹33,98,242/- in the balance sheet as on 31.03.2016, which was duly audited under Section 44AB of the Act and filed along with the return of income for A.Y. 2016-17. Out of this cash balance, ₹27,02,500/- was introduced as capital in the current year. The books of account were duly maintained and audited.

9. The Ld. AR stated that the AO, without rejecting the books or pointing out any defect therein, doubted the explanation merely because the assessee maintained a bank account and, therefore, in his opinion, could not have held cash in hand. Therefore, claim of assessee was disallowed. On the other hand, the Ld. DR supported the order of authority below.

10. We after hearing the rival submission of the parties find that the cash in hand of ₹33,98,242/- as on 31.03.2016 was duly reflected in the audited balance sheet forming part of the return of income for the earlier year. There is no finding by the AO that such balance sheet was incorrect or fabricated. When the assessee had sufficient cash balance duly recorded in the books, the introduction of ₹27,02,500/- as capital in the subsequent year cannot be treated as unexplained. Section 69A of the Act applies only where the assessee is found to be the owner of any money or valuable article not recorded in the books of account maintained by him. Here, in the present case of the assessee the investment is duly recorded and explained from the earlier year's cash

balance; hence, the provision has no application. The Hon'ble Supreme Court in Dhakeshwari Cotton Mills Ltd. v. CIT [(1954) 26 ITR 775 (SC)] has held that no addition can be made merely on suspicion or conjecture. In the present case, the AO has proceeded solely on presumption without any evidence of unaccounted investment. Therefore, the addition made in the case of assessee is bad in law.

11. Accordingly, the addition of ₹20,86,500/- as made under Section 69A of the Act is hereby directed to be deleted.

12. In view of the above discussion the addition of ₹7,40,000/- under Section 68 of the Act and the addition of ₹20,86,500/- made under Section 69A of the Act are deleted.

13. Accordingly, the appeal of the assessee is allowed in full.

Order pronounced on 26.11.2025

Sd/-
(Ratnesh Nandan Sahay)
Accountant Member

Sd/-
(Sonjoy Sarma)
Judicial Member

Dated: 26.11.2025
AK, Sr. P.S.

Copy of the order forwarded to:

1. Appellant
2. Respondent
3. Pr. CIT
4. CIT(A)
5. CIT(DR)

//True copy//

By order

Assistant Registrar, Kolkata Benches