

**IN THE INCOME TAX APPELLATE TRIBUNAL
'C' BENCH: BANGALORE**

**BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT
AND
SHRI SOUNDARARAJAN K., JUDICIAL MEMBER**

ITA No. 643/Bang/2025
Assessment Year:2019-20

M/s. FTSA Holdings B.V. C/o. BBMP Khata, No. 937/138 and 139/38/1, Sy. No. 138, Yelahanka Village &Hobli, Bengaluru - 560064 PAN: AAECF0420A	Vs.	The Deputy Commissioner of Income Tax, International Taxation, Circle 1(1), Bangalore.
APPELLANT		RESPONDENT

Assessee by	:	Shri Aakash Uppal, CA & Shri Deepanshu Grovar, CA
Revenue by	:	Shri Aseem Sharma, CIT-DR

Date of Hearing	:	14-10-2025
Date of Pronouncement	:	23-12-2025

ORDER

PER PRASHANT MAHARISHI, VICE – PRESIDENT

1. ITA No. 643/Bangalore/2025 is filed by M/s. FTSA Holdings B.V., Netherlands (the Assessee/Appellant) for Assessment Year 2019–20 against the Assessment Order passed by the Deputy Commissioner of Income Tax, International Taxation, Circle (1) (1), Bangalore (the Ld. Assessing Officer) for Assessment Year 2019–20 on 30.01.2025 wherein the addition of Rs. 13,20,00,000/-was made in the hands of the Assessee u/s. 69 of the Income Tax Act 1961.
2. The Assessee is aggrieved with the Assessment Order and is in appeal before us.

3. The brief fact of the case shows that, that Assessee is a foreign company resident of Netherlands, the case of the Assessee was reopened u/s. 147 of the Income Tax Act as the Assessee had invested a sum of Rs. 13,20,00,000/- by way of purchase of shares in the Indian company, M/s. Humanetics Innovative Solutions India Private Limited during the financial year 2018-19 relevant to Assessment Year 2019-20. The issue involved is that the Assessee had invested in the above Indian company and therefore in order to ascertain the genuineness of the entire transactions summons u/s. 131 were issued to the Directors of the said Indian entity which was returned unserved with a remark incomplete address. In view of the above once again notice u/s. 142 (1) was issued to the Assessee with a direction to furnish a copy of the Foreign Currency Gross Provisional Return [FC- GPR] as required by the Foreign Direct Investment. Nobody filed any reply and therefore the Ld. Assessing Officer decided the issue as per information available on record and made an addition of Rs. 13,20,00,000/- in a show cause notice invoking the provisions of section 69 of the Income Tax Act. As the Assessee is a foreign resident, draft Assessment Order was passed on 29.03.2024.
4. Aggrieved by the draft Assessment Order, the Assessee preferred objections with the Dispute Resolution Panel at Bangalore who passed the direction that as Assessee has furnished additional evidences including form No. FC-GPR, bank statement showing the remittances, certificate of foreign inward remittance, share certificate, share valuation report with respect to the above investment. Remand report was called for where the Ld. AO accepted the claim of the assessee stating that fund have been received from foreign entity. However, Ld. DRP observed that in additional evidence the Assessee has not provided any evidence to show source of the investment. The Ld. Dispute Resolution Panel made a further observation that

Assessee has not provided even a shred of evidence to show source of these investments, merely showing the remittance to an Indian entity in the bank statement does not show/establish source of investment and further the valuation report submitted by the Assessee Company is on 16.03.2018. However, the shares on right basis were issued in the next financial year in first and second quarter. Further, according to the valuation report the enterprise value is negative. Further the share certificate in form No. SH-1 does not contain those certificates. Therefore, the Ld. Dispute Resolution Panel rejected the objection filed by the Assessee and held that Assessee has failed to establish genuineness of these transactions and show source of income for said investment. Therefore, the action of the Ld. Assessing Officer was upheld.

5. Based on this the Ld. Assessing Officer passed an assessment order u/s. 147 r.w.s. 144C (13) of the act on 30.01.2025 wherein the total income of the Assessee was assessed at Rs. 13,20,00,000/-.
6. The Assessee aggrieved with the same is in appeal before us.
7. The Assessee furnished a paper book containing 76 pages wherein Assessee submitted copy of acknowledgment for filing income tax return u/s. 148 by the Assessee for the Assessment Year 2019-20, computation of income of the Assessee, copy of valuation report dated 16.03.2018 of M/s. Humanetics Innovative Solutions India Private Limited evidencing the value of Rs. 196/- per share including share premium of Rs. 186/- per share as required under the provision of the foreign exchange control regulation, form No. FC-GPR filed by M/s. Humanetics Innovative Solutions India Private Limited and as approved by the Reserve Bank of India in respect of allotment of 1,63,265 equity shares wherein the share allotment was made on 30.05.2018, certificate issued by a practicing company secretary certifying that Indian entity has issued 5,10,204 equity shares on

17.07.2018, board resolution and other filings made by Indian entity before the Reserve Bank of India in respect of allotment made to the assessee, register of members of Indian entity wherein the share allotment stated above in 2 trenches are shown along with initial allotment of equity shares at the time of incorporation of Indian entity, share certificate for share allotment issued by Indian entity along with payment of stamp duty certificate on 30.07.2018, bank statement of Netherland bank account of the Assessee evidencing the relevant transactions for share allotment on 27.03.2018 and 06.06.2018 respectively, foreign inward remittance certificate dated 14 May 2018 and Foreign Inward Remittance Certificates dated 10.07.2018 evidencing the remittances made by the Assessee for share allotment, corporate income tax return of the Assessee for the calendar year 2018 along with the financial statements for the above calendar year prepared and filed in Netherland of the Assessee, submission made by the Assessee on 27.06.2023 before the Assessing Officer and submission made on 10.10.2023 before the Assessing Officer, submission dated 13.11.2024 before the Ld. Dispute Resolution Panel, remand report, rejoinder to the remand report.

8. The Ld. Authorised Representative submitted that Assessee has submitted all these details before the Ld. lower authorities. He referred to the relevant extract of financial statement of the Assessee Company for the calendar year submitted before the lower authorities evidencing accounting of such share premium contribution received from USA entity. He submitted that M/s. Humanetics USA is the parent entity of the Appellant. The sum was received as paid-up share capital of € 18,000, share premium of € 1,73,30,443 which is the source of the fund. It was submitted that Assessee has received Rs. 70,18,03,018 equivalent to € 90,28,333 as share premium contribution out of which investment is made in the Indian

entity of Rs. 13,20,00,000/-. The above said investment is very small compared to the net worth of the Assessee. The Assessee further referred to the bank statement wherein the contribution received by the Assessee was shown. He referred to the fact that € 1,25,15,064 were received from US entity and Rs. 10,00,00,000/-were invested on 06.06.2018 in the Assessee Company. Further he referred to the extract of the bank statement of the Assessee for May 2018 and March 2018 wherein further € 4,02,081 were received out of which Rs. 3,20,00,000/-were invested on 27.03.2018. According to that the Assessee submitted that these documents clearly provide the source of investment in the hands of the Appellant. The Assessee has received funds from its overseas shareholders based in US companies and investments made in Indian subsidiary. He further made a tabular representation of the fund flow statement. Based on the above facts he submitted that that the taxpayer has made an investment which are recorded in the books of accounts of the Assessee also evidencing the proper sources of the funds and therefore the addition made by the Ld. Assessing Officer u/s. 69 of the Income Tax Act is not sustainable

9. The Ld. Authorised Representative further referred to the decision of the Delhi Tribunal in the case of Deputy Commissioner of Income Tax v/s. Finlay Corporation Ltd (86 ITD 626) wherein it has been held that if the income is not taxable in the hands of a non-resident taxpayer under section 5 (2) of the act, that same cannot be held taxable in view of provisions of section 69 of the Income Tax Act.
10. The Ld. Departmental Representative vehemently submitted and supported the orders of the Ld. lower authorities. On the issue of the taxability u/s. 69 in the hands of a non-resident entity he submitted that there is no provision in the Act which says that the addition u/s. 69 of the act cannot be made in the hands of a non-resident entity.

He submitted that these are the deeming provisions which should be given full effect to.

11. We have carefully considered the rival contention and perused the orders of the Ld. lower authorities. The facts clearly show that Assessee is a non-resident entity based at Netherland. It is a subsidiary of US Company. It has a subsidiary in India. The facts show that during the year under consideration the Assessee Company had invested an amount of Rs. 13,20,00,000/- by way of subscription to the share capital of the Indian company M/s. Humanetics Innovative Solutions India Private Limited. As the Assessee did not have any source of income in India, this entity has not filed any return of income for the impugned Assessment Year. Therefore, it was found that the Assessee has invested Rs. 13,20,00,000/- in the capital of its Indian subsidiary. The notice u/s. 148 of the Act was issued on 31.03.2023. During assessment proceedings, the Assessee could not appear and therefore the learned Ld. Assessing Officer passed a draft Assessment Order on 29.03.2024 and passed the reassessment order by making the above addition by invoking the provisions of section 69 of the Act.
12. The Assessee preferred an objection before the Ld. Dispute Resolution Panel where the Assessee submitted the complete details. The additional evidence was also furnished and the Ld. Assessing Officer submitted a remand report on 11.12.2024. In the remand report, the Ld. Assessing Officer submitted that the Assessee was given enough opportunity during assessment proceedings. Further the Assessing Officer commented that Assessee has purchased 6,73,469 shares of M/s. Humanetics Innovative Solutions India Private Limited for a consideration of Rs. 13,20,00,000/- having value of Rs. 196/- per share during the year under consideration. The Assessee has submitted the FC-GPR form for the above investment. However, the Assessee has failed to submit the source of the investment. The bank

statement reflected the above transaction and therefore at the time of passing of the draft Assessment Order the addition was made. He stated that during the remand proceedings the bank statements were submitted by the Assessee, and the Assessee has submitted the entries reflecting the remittance of the share capital to the M/s. Humanetics Innovative Solution India Private Limited and therefore based on the above facts the additional submission made by the Assessee, the contention of the Assessee are acceptable. Therefore, in the remand report, the Ld. Assessing Officer accepted the contention of the Assessee.

13. However, the direction of the Ld. Dispute Resolution Panel in paragraph No. 2.1.5, the Ld. Dispute Resolution Panel has held that Assessee has not provided even a shred of evidence to show the sources of these investments and merely showing the remittance to an Indian entity in the bank statement does not show/establish source of said investment. The valuation report submitted by the Assessee Company is dated 16.03.2018. However, the shares on right basis were issued in next financial year. The said certificate in form No. SH-1 does not contain date of those certificates. Therefore, he held that until and unless the source of income is proved for these investments, the addition made by the Assessing Officer holds good. Therefore, the assessment was made making the above addition.
14. We find that the assessee has produced overwhelming evidence with respect to the sources of investment made by the assessee. The Assessee has made investment on 06.06.2018. On 11 May 2018, the Assessee received transfer of funds from its US entity. Further on 27.03.2018, the investment was made in an Indian entity, and the funds were received from its foreign holding company. The annual accounts of the assessee prepared in Euros was also produced wherein it apparently shows that the paid-up capital and called up share capital of the Assessee is € 18,000, the share premium is € 1,73,30,453. Therefore, the Assessee has shown the sources of funds

also. When the source of the fund, capacity of the assessee is shown coupled with the bank statement, foreign inward remittance certificates, approval of the reserve bank of India is also shown, thereleaves no doubt that the investment made by the Assessee is genuine. Even in the remand report the Assessing Officer has accepted that Assessee has submitted the bank statement, and he observes that the Assessee has submitted the entries reflecting the remittance to Indian entity and therefore the submission made by the Assessee are acceptable. Despite the above remand report of the Assessing Officer which is placed at page No. 65 of the paper book the Ld. Dispute Resolution Panel directed the Assessing Officer to make the addition. The valuation is irrelevant, the sources of fund and the annual accounts of the assessee coupled with the bank account shows that the amount of investment made by the Assessee in the Indian entity is the sources of the funds received by the Assessee from its holding company in United States of America. Other than that, no other evidence could have been produced.

15. Evidence produced before us as stated in above paragraph clearly shows that the sources of funds invested in Indian entity are funds available through investment by the parent company of the Assessee. This is also depicted by the following chart.

S. No	Particulars	Euro
1.	Money Received from Shareholder	
	- On March 22, 2018 (A)	4,02,081.82
	- On May 11, 2018 (B)	12,51,564.46
2.	Opening Balance (C)	92,523.00
	Total cash Available for Investment in Indian Subsidiary (D)=(A)+(B)+(C)	17,46,169.28
3.	Investment made in Indian Subsidiary (Humanetics India)	
	- On March 27, 2018 (E)	4,03,411.86
	- On June 06,2018 (F)	12,86,448.30
4.	Total Investment made (G)=(E)+(F)	16,89,860.16

16. Provisions of section 69 provides that Where in the financial year immediately preceding the assessment year the assessee has made investments which are not recorded in the books of account, if any, maintained by him for any source of income, and the assessee offers no explanation about the nature and source of the investments or the explanation offered by him is not, in the opinion of the ⁴⁹[Assessing] Officer, satisfactory, the value of the investments may be deemed to be the income of the assessee of such financial year.
17. It is a fact that investments are recorded in the books of the assessee, for which explanation is provided that the sources of fund are the investments in shares of the assessee company by its US parent. The Assessee on received I it from its US parent, invested in India subsidiary. These transactions are supported by the evidence from the assessee as well as its Indian Subsidiary placed before various regulators such as RBI etc.Thus, books show investment duly recorded, nature of such investments is properly explained. With respect to sources, it needs to be shown only if it is not recorded in the books of account of the assessee, otherwise the sources are the regular fund available in books of accounts maintained by the assessee. Thus, the lower authorities have wrongly interpreted the provision of section 69 of the Act.
18. In view of the above facts, we do not find any reason to not to agree with the contention of the Assessee that the amount of investment made in the Indian subsidiary of the assessee company of Rs. 13,20,00,000/- which is sourced by the assessee from its US parent company which is disclosed in the bank statement of the Assessee as well as in the annual accounts of the Assessee, it cannot be said that the amount of investment made by the Assessee is chargeable to tax

in the hands of the non-resident entity (Assessee) u/s. 69 of the Income Tax Act.

19. However, as the Id. AO and LD DRP are of the view that assessee has not shown the lower authorities where from the fund have been acquired by the assessee company from making investment in the Indian Entity. These facts are available in the annual accounts of the assessee as well as tax return filed before Netherlands authorities. Therefore, we direct the assessee to show the annual accounts to the assessing officer that the money came from US parent of the assessee company which are invested in Indian subsidiary of the assessee. The Id. AO may verify the same and then delete the addition, if found in order.
20. In the result ground No. 3-8 of the Appeal are allowed.
21. All other grounds are consequential or general in nature and hence dismissed.
22. In the result appeal of the assessee is partly allowed.

Order pronounced in the open court on 23rd December 2025.

Sd/-
(SOUNDARARAJAN K.)
JUDICIAL MEMBER

Sd/-
(PRASHANT MAHARISHI)
VICE-PRESIDENT

Bangalore,
Dated, the 23rd December 2025.

TNTS

Copy to:

1. Appellant
2. Respondent
3. CIT
4. DR, ITAT, Bangalore
5. CIT(A)

By order

Assistant Registrar,
ITAT, Bangalore