

आयकर अपीलिय अधिकरण, 'बी' न्यायपीठ, चेन्नई
**IN THE INCOME TAX APPELLATE TRIBUNAL
'B' BENCH, CHENNAI**

श्री जॉर्ज जॉर्ज के, उपाध्यक्ष एवं श्री एस.आर.रघुनाथा, लेखा सदस्य के समक्ष
**BEFORE SHRI GEORGE GEORGE K, VICE PRESIDENT AND
SHRI S.R. RAGHUNATHA, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No.:1628/Chny/2025

निर्धारण वर्ष / **Assessment Year: 2013-14**

ACIT, Central Circle -2, Trichy.	vs.	Maragathamani Shanmugam, 54A, Muthu Nagar, Sengunthapuram, Karur – 639 002.
(अपीलार्थी/Appellant)		[PAN:ABKPS-2816-H] (प्रत्यर्थी/Respondent)

आयकर अपील सं./ITA No.:1629/Chny/2025

निर्धारण वर्ष / **Assessment Year: 2013-14**

ACIT, Central Circle -2, Trichy.	vs.	Ramasamy Moolimangalam Vaishnava Priya, 33, B7 Adhisri Apartments, Kothari Road, Nungambakkam, Chennai – 600 034.
(अपीलार्थी/Appellant)		[PAN:ADWPV-0050-A] (प्रत्यर्थी/Respondent)

आयकर अपील सं./ITA No.:1631/Chny/2025

निर्धारण वर्ष / **Assessment Year: 2013-14**

ACIT, Central Circle -1, Trichy.	vs.	Karuppanna Gounder Palaniappa Gounder Mariappan, No.1, 80 Feet Road, Sengunthapuram, Karur – 639 002.
(अपीलार्थी/Appellant)		[PAN:AGPPM-2363-M] (प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/Appellant by : Shri. Shiva Srinivas, C.I.T.

प्रत्यर्थी की ओर से/Respondent by : Shri. R. Venkata Raman, C.A.

सुनवाई की तारीख/Date of Hearing : 11.11.2025

घोषणा की तारीख/Date of Pronouncement : 20.01.2026

आदेश / O R D E R**PER S. R. RAGHUNATHA, AM:**

These three appeals filed by the Revenue are directed against the respective orders of the Learned Commissioner of Income Tax (Appeals)-19, Chennai [hereinafter referred to as "the Ld. CIT(A)"], arising out of the assessments framed u/s.143(3) r.w.s 153A of the Income-tax Act, 1961 [hereinafter referred to as "the Act"], pertaining to the Assessment Year 2013-14. Since the issues involved in all the three appeals are common and identical, these appeals were heard together and are being disposed of by this consolidated order for the sake of convenience. The details of the appeals preferred by the Revenue are as under:

S. No	Assessee	ITA No	Date of AO's order	Date of CIT(A)'s order
1	Ramasamy Moolimangalam Vaishnava Priya	1629 / CHNY / 2025	31.03.2022	14.03.2025
2	Karuppanna Gounder Palaniappa Gounder Mariappan	1631 / CHNY / 2025	31.03.2022	17.03.2025
3	Maragathamani Shanmugam	1628 / CHNY / 2025	31.03.2022	18.03.2025

2. We find that the aforesaid appeals (ITA Nos.1628 & 1629/Chny/2025) are filed with a delay of 3 days. The AO filed affidavits for condonation of delay stating the reasons for belated filing of the appeals. On hearing both the parties and on examination of the said affidavits, we find the reasons stated by the Revenue are bonafide and no latches can be attributed to them. Hence, the delay of 3 days in filing the appeals are condoned and the cases are adjudicated on merits.

3. With the consent of both the parties, the Revenue's appeal in ITA No.1629/CHNY/2025 is taken up as the lead case. Our findings recorded, reasons assigned, and adjudication rendered herein shall, *mutatis mutandis*,

apply with equal force to the Revenue's appeals in ITA Nos.1631 and 1628/CHNY/2025.

ITA No.1629/CHNY/2025

4. The Revenue has raised the following grounds of appeal:-

1. *The order of the learned Commissioner of Income Tax (Appeals) is erroneous on facts of the case and in law.*
2. *The Ld.CIT(A) erred in deleting the addition made on account of unexplained investment for AY 2013-14 as the sources for the said advances remained unexplained u/s.69 of the Act.*
3. *The Ld.CIT(A) erred in allowing the appeal of the assessee on the issue of jurisdiction u/s 153A without appreciating the provisions of Section 153A(1) of Income Tax Act, 1961, as amended by Finance Act, 2017 (vide circular no.2/2018); Para No.80.4 of the circular clearly states which are the years covered by the new amendment.*
4. *For these grounds and any other ground including amendment of grounds that may be raised during the course of the appeal proceedings, the order of learned CIT(Appeals) may be set aside and that of the Assessing Officer be restored.*

5. The brief facts of the case are that the assessee is an individual. The present appeal emanates from the consequences of a search action conducted u/s.132 of the Act in the case of M/s.Arunai Group of concerns. Pursuant thereto, a survey u/s.133A of the Act was carried out in the case of M/s.Life Line Auto Finance on 25.03.2021. In continuation of the said search proceedings, the business premises of M/s.Vasuki Enterprises were also subjected to search. Further, the connected business concerns and the residential premises of key persons of the group were also covered under the search action u/s.132 of the Act. Consequent to the said proceedings, the assessee, being one of the partners in M/s.Life Line Auto Finance, was also subjected to search u/s.132 of the Act on 25.03.2021.

6. During the course of assessment proceedings, the AO, on the basis of the seized materials, inferred that the assessee is a partner in M/s.Life Line Auto Finance and, placing reliance on a seized loose sheet being page No.49

seized vide ANN/JN/VE/LS/S, and on the deposition of Shri K.S.Ravindran, concluded that the assessee had made an investment of Rs.2,00,00,000/- in the Life Line group during FY 2012-13 relevant to AY 2013-14. The AO further observed that a diary/noting found in the premises of M/s.Vasuki Enterprises reflected that the assessee was earning "cover amount" from M/s. Life Line Auto Finance. The AO held that the alleged investment was made in cash and had not been recorded in the assessee's regular books/financial statements.

7. On the basis of the search findings, the AO initiated proceedings u/s.153A of the Act by issuing notice dated 23.02.2022 for the assessment year under consideration. In response, the assessee filed the return of income on 01.03.2022 declaring total income of Rs.6,06,070/-. Thereafter, notice u/s.143(2) of the Act was issued on 07.03.2022. The AO called for details by issuing notice u/s.142(1) of the Act. The assessee furnished submissions vide letter dated 17.03.2022. The AO also issued a detailed questionnaire dated 04.03.2022 seeking explanation regarding the alleged investment and related receipts.

8. In response thereto, the assessee vide submission dated 16.03.2022 submitted that the investment in M/s.Life Line Auto Finance was made by the family comprising Shri Ram Rajesh Kumar, Smt.R.Vasanthi, Shri Rajendran and Shri Paneer Selvam, and that the contributions were not made in a single financial year but were spread over FYs 2012-13 to 2015-16. It was stated that the sources for the contributions in FYs 2012-13 and 2013-14 were out of loan recoveries, and that the balance amount invested in FY 2015-16 was apportioned among the family members and treated as cash outflow.

9. The AO, however, rejected the above submissions and held that the assessee's investment of Rs.2.00 crores in M/s.Life Line Auto Finance stood established from the seized loose sheet (ANN/JN/VE/LS/S) which, according to the AO, was corroborated by the sworn statement of Shri K.S.Ravindran,

wherein the assessee's contribution was stated to have been made by way of fixed deposits. The AO observed that the source of such deposit/investment remained unsubstantiated and accordingly treated the entire sum of Rs.2.00 crores as liable for assessment. The AO further referred to loose sheets seized from the premises of M/s.Vasuki Enterprises marked as Ann.JN/VE/LS/S-2, which allegedly revealed payment of "cover amount" aggregating to Rs.3.82 crores to the partners of M/s. Life Line Auto Finance, calculated at Rs.1,50,000/- per share. It was also observed that the assessee had received interest and cover amounts in her own name, thereby, according to the AO, indicating that the investment was made personally by the assessee.

10. Although the assessee claimed that the investment had been made over a period of three years, the AO noted that no supporting cash flow statements or corroborative evidences were filed. Relying primarily on the statement of Shri K.S.Ravindran, the AO treated the entire investment as having been made in FY 2012-13 relevant to AY 2013-14. The AO also held that the regular receipt of "cover amounts" by the assessee fortified such conclusion. The explanation that the funds emanated from earlier loan recoveries was held to be unsubstantiated for want of documentary support, as no loan ledgers or supporting records were produced. Since the source of the cash investment of Rs.2,00,00,000/- remained unexplained, the AO made addition u/s.69 of the Act and completed the assessment by passing order u/s.143(3) r.w.s 153A of the Act dated 31.03.2022.

11. Aggrieved by the assessment order passed by the AO wherein an addition of Rs.2,00,00,000/- was made u/s.69 of the Act, the assessee preferred an appeal before the Ld.CIT(A) who vide the impugned appellate order dated 14.03.2025, deleted the said addition made by the AO, inter alia, observing as under:-

“6.2.3 The undersigned has carefully examined the issue under consideration. The core contention of the appellant is that the AO proceeded to make the addition of Rs. 2 Crore in the hands of the Appellant as unexplained investment u/s 69 of the Act. The AO has chosen to make the addition on the basis of the following evidence i.e.

Extract of the seized material for reference:

22.02.2021

Lifeline Auto Finance

Total Deposit - 2,00,00,000

Deposit Refunded = $\frac{29,50,000}{1,70,50,000}$

Balance

6.2.4 The above narration contained in the seized material seized vide ANN/JN/VE/LS/S-2 dated 26.03.2021 at the business premises of M/s. Vasuki Enterprises. Further the AO relied upon the statement recorded from Shri. K.S. Ravindran (Partner of M/s. Vasuki Enterprises). The relevant extract of the statement recorded from Shri. K.S. Ravindran is as under

Q.No.11 Please give details of investments of the following persons to whom the interest paid in cash every month;

Shri E V Kumaran, Shri K P Mariappan, Shri S Ramasamy, Smt S maragathamani, Smt Ram Vaisanavapriya, Smt R vasanthi, Shri M Rasappa Gounder, Shri m p Ramesh, Shri K Vadivel, Shri Paneerselvam, Shri P Karppannan, Shri V Sakthivel, Shri K Karappannan, Shri R Ramasamy and Smt P Parmeswari.

Ans. The investment in cash in M/s Lifeline Auto Finance is as under;

S.No.	Name	Amount
1.	E V Kumaran	2 Crores
2.	K P Mariappan	2 Crores
3.	S Ramasamy	2 Crores
4.	Ram Vaisanavapriya, R Vasanthi, R Ramasamy	2 Crores
5.	Our Family	2 Crores

The above investments were made during the F.Y.2012-13 however the actual business during the F.Y. 2014-15, 2015-16 and 2016-17.

6.2.5 Further the AO has relied upon the “Cover money” Which means that in each finance company, the finance entity used to earmark certain money out of the interest earned in a cover to be given to the various depositors

including the partners who have deposited funds with them. The relevant extract of the details of such cover money is given in the relevant years found and seized is appended herewith.

<u>Cover Money Details</u> (3)	
01.05.2014 to 31.10.2016	30 Shares (8 x 1,00,000) 30 x 12,00,000 ⇒ 3,60,00,000/-
8% 5 Shares (11 Shares) 3 Share Small Deposits (8 x 1,00,000) 5 x 4,50,000/-	⇒ 22,50,000/-
1 Share 30 Shares 30 x 1,00,000 = 45,00,000/-	3,82,50,000/-
	M. Gopinath 26.3.21

6.2.6 The above loose sheet containing the above narration was found and seized vide ANN/JN/VE/LS/S-2 dated 26.03.2021 from the premises of M/s. Vasuki Enterprises. The AO has also relied upon this loose sheet to prove that the appellant has received income in the form of "cover money".

6.2.7 The undersigned on examination of the above listed evidences relied upon by the AO is of the view that the seized material was not found and seized at the premises of the appellant. As the seized materials were found and seized from a third-party premise, the provisions of section 132(4A) and 292C of the Act will not apply to the facts and circumstances to the case of the appellant. The AO while making the addition has relied upon the statement recorded from Shri. K.S. Ravindran and the evidences collected as discussed supra.

6.2.8 Now the issue before the undersigned is whether the appellant has actually made any deposit amounting Rs.2 Crores with M/s. Life Line Auto Finance during the year under consideration so as to receive any cover money towards the deposit made. The appellant has made detailed submission upon this issue. The relevant extract of the same is reproduced here as under.

6.2.9 On examination of the above submission and the seized material relied upon by the AO, it can be seen that nowhere in the seized material there contained any narration about the receipt of Rs. 2 Crore by the entity M/s. Life Line Auto Finance from the appellant. It may be appreciated that the

said loose sheet relied upon by the AO was neither seized from the premises of the appellant nor was the same found to be in the handwriting of the appellant. Such material seized in the case of a third party which is not in the hand writing of the appellant does not constitute adequate evidence to draw any adverse inference against the Appellant, in the absence of any other corroborative evidence. This proposition has been laid down by the Hon'ble Delhi High Court in the case of CIT Vs Sant Lal [2020] 118 taxmann com 432 (Del) , wherein it was held therein that where a diary was seized in search of the premises of a third party allegedly containing entries of hundi transactions on behalf of various parties including the assessee, no addition could be made based on the said entries since the diary was neither found from premises of assessee nor was it in handwriting of assessee and revenue failed to produce any other cogent material to link the assessee to the diary. The ratio of the said decision is squarely applicable to the case of the appellant as the AO has not referred to any cogent evidence applicable to the case of the appellant. As the AO has not referred to any cogent material to corroborate that the entries made in the loose sheet seized from a third party which are purportedly the transactions made by the Appellant. There is absolutely no mention in the seized material regarding the nature of the said transactions of cash payments, the purpose of such payments and the precise identity of such transaction.

6.2.10 A narration made in a loose sheet by a third person with scant details cannot be used to fasten tax liability upon the person whose name does not appear at all. In the absence of any corroborative evidence to attribute the entries to such a person. Such seized material is liable to be treated as a defective document, which does not have any evidentiary value in respect of the entries found therein, unless corroborative evidence is available which can provide necessary reliable basis for deciphering the nature and character of the said entries.

6.2.11 At this juncture, it would be relevant to refer to the decision of Hon'ble ITAT, Jabalpur in the case of ACIT Vs Satyapal Wassan [TS-5104-ITAT 2007(Jabalpur)-O] (2008) 5 DTR 0202, wherein the Hon'ble ITAT stressed the importance of gathering corroborative evidence in support of the contents of a document, particularly when the document is bereft of necessary details and is not complete in all respects, by stating as under:

"For the sake of argument if we accept the submission of the learned Departmental Representative that the learned CIT(A) erred in accepting fresh evidence then what is left after ignoring those affidavits is the bare document No. 7 with the bare details as referred to above. The moot question now arises is whether any addition can be made on the basis of that document. We have already pointed out above that this document is bereft of necessary details about year of transaction, ownership of transaction, nature of transaction, necessary code for deciphering the figures. It may be possible that a document may not be complete in all respects as the businessmen or tax evaders may choose to record minimum details on a document and keep the rest in their memory. It is the duty of the AO to carry out necessary investigations by correlating the impugned document with other documents seized, with regular books of account, with record kept by outside agencies, such as banks or financial institutions or debtors/creditors and finally, by recording the statements of concerned

parties so as to fill up the gaps in confirming the inference arising from the documents for a proper charge of tax. Such correlation is necessary unless the document is capable of speaking giving full details so as to enable any intelligent person to find out the nature of transaction, the year of transaction, the ownership of the transaction and quantum thereof. Even in that situation, it is necessary to give opportunity to the assessee to offer his explanation and investigation be carried out to strengthen the direct inference arising from this document.”

6.2.12 The proposition that addition cannot be made merely on the basis of entries in loose sheets found in the premises of a third party without bringing on record independent evidence to corroborate such entries has been reiterated in several decisions. Some of the decisions to this effect are MM Financiers (P) Ltd Vs. DCIT (2007) 107 TTJ (Chennai) 200, Regency Mahavir Properties Vs ACIT [2018] 169 ITD 35 (ITAT-Mumbai), ACIT Vs. Katrina Rosemary Turcotte [2017] 190 TTJ 681 (ITAT-Mumbai), DCIT Vs. Vipin Aggarwal [2017] 83 taxmann.com 6 (ITAT Chandigarh), S.P Goyal Vs DCIT [2002] 82 ITD 85 (TM) IPAT, T.S Venkatesan Vs ACIT [2000] 74 ITD 298 (Cal) and Monga Metals (P) Ltd Vs ACTT [2000] 67 TTJ 247 (All).

6.2.13 In particular, it is of critical importance that the evidence to corroborate the narrations indicating payments in the seized material found with a third party is available with specific reference to the fact regarding actual transfer of money from the said third party to the recipient named in the said entries in the seized material. The Hon'ble ITAT, Mumbai held in the case of Riveria Properties Private Limited Vs ITO in ITA No.250/MUM/2013 that the AO is required to bring further evidence on record to show that the money was actually exchanged between the parties in a case where there is no other evidence on record to prove that on-money was paid except the loose sheet found in the premise of a third party and admission made by the third party. The relevant part of the said decision is reproduced as under:

"In the present case on hand, except loose sheet found in the premises of third party and admission made by the third party in their assessment proceedings, there is no other evidence on record to prove that on money is paid. The assessing officer, without brought on record any evidence to prove that on money is exchanged between the parties, merely harping upon the loose sheet and the third party admission, which cannot be considered as conclusive evidence against the assessee to bring on money to tax as undisclosed income. The AO is required to bring further evidence on record to show that actual on money is exchanged between the parties, but literally failed to do so. The A.O. did not conduct any independent enquiry relating to the value of the property instead, merely relied upon the statement given by the purchasers of the property, which is not correct. Further, there is no proof of origin and destination of on money. The A.O failed to prove the source of the purchasers as to how the money was arranged and also failed to prove the deployment of unaccounted money by the seller by any form of evidence. Under these circumstances, based on paper jottings as conclusive evidence on money cannot be brought to tax as income from undisclosed sources."

6.2.14 Further as per the decisions of the Hon'ble Apex Court in the case of Dhakeshwari Cotton Mills Lids. CIT (1954) 26 ITR 775 (SC) corroborative

evidence is essential to support the evidence found in third party premise. In order to properly appreciate the issue, it is useful to refer to the following extract from the decision of Hon'ble Apex Court in the case of Dakeswari Cotton Mills Ltd Vs. CIT (1954) 26 ITR 775 (SC):

"As regards the second contention, we are in entire agreement with the learned Solicitor-General when he says that the Income-tax Officer is not fettered by technical rules of evidence and pleadings, and that he is entitled to act on material which may not be accepted as evidence, a court of law, but there the agreement ends; because it is equally clear that in making the assessment under sub-section (3) of Section 23 of the Act, the Income Tax Officer is not entitled to make a pure guess and make an assessment without reference to any evidence or any material at all. There must be something more than bare suspicion to support the assessment under section 23(3). The rule of law on this subject has, in our opinion, been fairly and rightly stated by the Lahore High Court in the case of Seth Gurmukh Singh (supra)".

6.2.15 As evident from the decisions cited above, though it is true that the provisions of Evidence Act do not apply with the same rigor to the Income Tax proceedings, but the AO is not entitled to make a pure guess and make an assessment without reference to any evidence/material. It follows there from that addition cannot be made unless there is corroborative evidence to validate the entries found in the material seized from a third party.

6.2.16 As discussed supra, the seized material relied upon by the AO, more particularly the loose sheet which was found and seized at third party premise when the same was not in the handwriting of the Appellant as well as the receivers of the alleged deposits, obviously such loose sheets can only be in the nature of a defective document. The AO cannot arrive at any conclusion based solely on the said material that the Appellant has actually made deposits to the tune of Rs. 2 Crores. There is no corroborative evidence to prove that the payments noted in the seized material have actually materialised between the appellant and M/s. Life Line Auto Finance.

6.2.17 As already discussed in detail in the preceding paragraphs, the seized materials are in the nature of a defective document(s) which does not contain complete and unambiguous information to arrive at any conclusion that the appellant has made a deposit of Rs. 2 Crore with M/s. Life Line auto Finance in the FY 2012-13 relevant to AY 2013-14. There is no corroborative evidence to prove that the deposits noted in the seized material have actually materialised between the concerned parties. Further, it is also significant to bring on record that neither the Authorized Officer nor the AO had any occasion to cross verify the facts narrated in the seized material by way of recording statement from the Appellant. Thus, it can be very-well stated that the AO had completed the assessment in a mechanical manner without appreciation of facts.

6.2.18 The jurisdictional tribunal in the following cases has held that without there being any corroborative evidence addition cannot be made in the hands of the appellant based upon the defective documents and unsupported sworn statements viz..

i) DCIT Central Circle-2(4) Chennai vs. O Pannerselvam in ITA No. 581 & 582/Chny/2023 dated 05.04.2024

ii) DCIT Central Circle-2(2) Chennai vs Karuppagounder Palaniswami in ITA No. 125, 126, 127 and 213, 214, 215 / Chny/2023 dated 03.04.2024

iii) DCIT Central Circle-2(4) Chennai vs Vaithialingam in ITA No. 604,605,606/chny/2023 dated03.04.2024

iv) DCIT Central Circle-2(4) Chennai vs Vivek papisetty in ITA No. 211, 212 and 405/Chny/2023 dated 02.04.2024

v) DCIT Central Circle-2(4) Chennai vs P Ram Mohan Rao in ITA No. 223,224,225/Chny dated 02.04.2024

6.2.19 Further the AO has relied upon the statement recorded from Shri. K.S. Ravindran wherein he has categorically stated the appellant along with Smt. R Vasanthi, Shri. Ramasamy has together deposited a sum for Rs. 2 Crores . The relevant extract is appended here as under.

Q.No.11 Please give details of investments of the following persons to whom the interest paid in cash every month;

Shri E V Kumaran, Shri K P Mariappan, Shri S Ramasamy, Smt S maragathamani, Smt Ram Vaisanavapriya, Smt R vasanthi, Shri M Rasappa Gounder, Shri m p Ramesh, Shri K Vadivel, Shri Paneerselvam, Shri P Karppannan, Shri V Sakthivel, Shri K Karappannan, Shri R Ramasamy and Smt P Parmeswari.

Ans. The investment in cash in M/s Lifeline Auto Finance is as under;

S.No.	Name	Amount
1.	E V Kumaran	2 Crores
2.	K P Mariappan	2 Crores
3.	S Ramasamy	2 Crores
4.	Ram Vaisanavapriya, R Vasanthi, R Ramasamy	2 Crores
5.	Our Family	2 Crores

The above investments were made during the F.Y.2012-13 however the actual business during the F.Y. 2014-15, 2015-16 and 2016-17.

6.2.20 The undersigned upon examination of the above deposition is of the view that Shri. K.S. Ravindran has never deposed that the appellant has invested a sum of Rs. 2 Crores. He has only stated that the appellant (Smt. Ramvaisanava Priya) along with Smt. R Vasanthi, Shri. Ramasamy has together deposited a sum for Rs. 2 Crores. The AR, in this regard has made a detailed submission upon this issue. The relevant extract of the same is reproduced here as under.

6.2.21 The undersigned has carefully examined the issue under consideration. The narration contained in the loose sheet as well as the statement recorded do not reveal any indication to arrive at a conclusion that the appellant solely has deposited a sum of Rs. 2 Crores with M/s. life Line Auto Finance. Further there exists no evidence to arrive at a conclusion that the appellant has made a deposit to the tune of Rs. 2 Crores in the FY 2012-13 relevant to AY 2013-14, even though Shri. K.S. Ravindran had stated in his sworn statement that the appellant had invested Rs.2 crores in the FY 2012-13 relevant to AY 2013-14. When the statement of the third person is relied upon, there must a cogent and corroborative evidence to substantiate the fact that the appellant has made a deposit of Rs. 2 Crores during the FY 2012-13 relevant to AY 2013-14.

6.2.22 As evident in the assessment order passed , it can be seen that the AO has relied upon the statement of Shri. K.S. Ravindran and arrived at a erroneous conclusion that the appellant has actually made a deposit of Rs. 2 Crores with M/s life Line Auto Finance during the FY 2012-13 relevant to AY 2013-14. In this regard the Hon'ble Chennai Tribunal in the case of ACIT v. Saveeta Institute of Medical and Technical Sciences [2012] 25 taxmann.com 138 (Chennai -Trib) has held that addition made on the basis of the sworn statement recorded u/s 132(4) of the Act cannot be sustainable and further held that the admission made u/s 132(4) by the Special Officer of the College could not even be treated as a valid piece of evidence.

6.2.23 Further the Apex Court in the case of Pullangode Rubber Produce Co Ltd v State of Kerala [1973] ITR 18 (SC) has held that an admission is an extremely important piece of evidence but it cannot be said that it is conclusive. Further the appellant has rightly relied upon the following decisions in this regard viz..

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6.2.24 In view of the judicial decision(s) and the detailed discussion made supra the undersigned is of the view that the AO has erroneously presumed that the appellant has individually made a deposit of Rs. 2 Crore with M/s. Life Line Auto Finance during the FY 2012-13 relevant to the AY 2013-14. When the deposit itself is not made by the appellant solely, the question of receipt of cover money towards such phantom deposits cannot arise. Therefore, it can be concluded that the appellant has not made any deposit amounting Rs.2 Crores with M/s. Life Line Auto Finance during the year under consideration and the addition was made purely on the basis of a defective document(s) and unsupported statement recorded from Shri. K.S. Ravindran. In this back drop the addition made in the case of the appellant for the AY 2013-14 is legally not sustainable.

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6.3.3 The undersigned has carefully examined the submission made upon this issue. The appellant claims that the initiation of proceedings u/s 153A of the Act for AY 2013-14 is invalid. The search was conducted in 25.03.2021, and the period under consideration (AY 2013-14) which is beyond the six-year limit specified u/s 153A of the Act. The Appellant further contends that

there is no unaccounted income more than Rs. 50 lakhs in the form of underlying asset as per Explanation 2 to section 153A of the Act, and based on this, the initiation of proceedings for AY 2013 14 is claimed to be bad in law.

6.3.4 A search u/s 132 of the Act was carried out in the case of the appellant on 25.03.2021. When the period of six years is calculated, obviously the A.Y. 2013-14 falls beyond six years. However, on the part of the AO., no satisfaction is necessary to initiate proceedings u/s 153A of the Act up to the period of six years. The AO upon arriving a satisfaction that there should exist an unaccounted income more than Rs. 50 lakhs in the form of underlying asset as per Explanation 2 to section 153A of the Act, to initiate proceedings u/s 153A of the Act beyond a period of six years and up to the period of ten years.

6.3.5 [Assessment in case of search or requisition. In order to understand and appreciate the import of the appellant's contentions, it is necessary to advert to the provisions of Section 153A(1) of the Act, which are reproduced below:-

[Assessment in case of search or requisition.

153 A. ((1)) Notwithstanding anything contained in section 139, section 147, section 148, section 149, section 151 and section 153, in the case of a person where a search is initiated under section 132 or books of account, other documents or any assets are requisitioned under section 132A after the 31st day of May, 2003 [but on or before the 31st day of March, 2021], the Assessing Officer shall-

(a) issue notice to such person requiring him to furnish within such period, as may be relevant in the notice, the return of income in respect of each assessment year falling within six assessment years (and for the relevant assessment year or years] referred to in clause (b), in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed and the provisions of this Act shall, so far as may be, apply accordingly as if such return were a return required to be furnished under section 139

(b) assess or reassess the total income of six assessment years immediately preceding the assessment year relevant to the previous year in which such search is conducted or requisition is made [and for the relevant assessment year or years]

Provided that the Assessing Officer shall assess or reassess the total income in respect of each assessment year falling within such six assessment years [and for the relevant assessment year or years):

Provided further that assessment or reassessment, if any, relating to any assessment year falling within the period of six assessment years (and for the relevant assessment year or years) referred to in this (sub-section] pending on the date of initiation of the search under section 132 or making of requisition under section 132A, as the case may be, shall abate:

[Provided also that the Central Government may by rules made by it and published in the Official Gazette (except in cases where any assessment or reassessment has abated under the second proviso), specify the class or classes of cases in which the Assessing Officer shall not be required to issue notice for assessing or reassessing the total income for six assessment years immediately preceding the assessment year relevant to the previous year in which search is conducted or requisition is made (and for the relevant assessment year or years)]

[Provided also that no notice for assessment or reassessment shall be issued by the Assessing Officer for the relevant assessment year or years unless-

a) the Assessing Officer has in his possession books of account or other documents or evidence which reveal that the income, represented in the form of asset, which has escaped assessment amounts to or is likely to amount to fifty lakh rupees or more in the relevant assessment year or in aggregate in the relevant assessment years;

b) the income referred to in clause (a) or part thereof has escaped assessment for such year or years, and

c) the search under section 132 is initiated or requisition under section 132A is made on or after the 1st day of April, 2017.

Explanation 1.-For the purposes of this sub-section, the expression "relevant assessment year" shall mean an assessment year preceding the assessment year relevant to the previous year in which search is conducted or requisition is made which falls beyond six assessment years but not later than ten assessment years from the end of the assessment year relevant to the previous year in which search is conducted or requisition is made

Explanation 2.-For the purposes of the fourth proviso, "asset" shall include immovable property being land or building or both, shares and securities, loans and advances, deposits in bank account.)

[(2) If any proceeding initiated or any order of assessment or reassessment made under sub-section (1) has been annulled in appeal or any other legal proceeding, then, notwithstanding anything contained in sub-section (1) or section 153, the assessment or reassessment relating to any assessment year which has abated under the second proviso to sub-section (1), shall stand revived with effect from the date of receipt of the order of such annulment by the [Principal Commissioner or] Commissioner:

Provided that such revival shall cease to have effect, if such order of annulment is set aside.]

Explanation- For the removal of doubts, it is hereby declared that,

(i) save as otherwise provided in this section, section 1538 and section 1530, all other provisions of this Act shall apply to the assessment made under this section;

(ii) in an assessment or reassessment made in respect of an assessment year under this section, the tax shall be chargeable at the rate or rates as applicable to such assessment year.

6.3.6 It is clear from the above provision that, the jurisdiction to issue notice u/s 153A of the Act is automatically vested in the AO for six assessment years immediately preceding the assessment year relevant to the previous year in which search is conducted, as no further conditions other than conducting of search u/s 132 of the Act in the case of the an assessee are prescribed for the issue of notice u/s 153A of the Act. On the other hand, the jurisdiction to issue notice u/s 153A of the Act for the 'relevant assessment or years', being the assessment years which fall beyond six assessment years but not later than ten assessment years from the end of the assessment years relevant to the previous year in which search is conducted, is vested with the AO only on fulfilment of certain conditions laid down in the fourth proviso to section 153A(1) of the Act, which was inserted in the Act with effect from 01.04.2017 by the Finance Act 2017. This becomes very clear when the language employed in the fourth proviso is taken into consideration. The said proviso starts with the phrase that "no notice for assessment or reassessment shall be issued by the assessing officer for the relevant assessment years or year unless" followed the enumeration of the specific conditions which need to fulfilled. Unless the conditions laid down in clauses (a), (b) and (c) specified in the said proviso are fulfilled, the assessing officer does not get the jurisdiction to issue notice u/s 153A of the Act for the "relevant assessment years or years". Since the said conditions represent the conditions precedent for assuming the jurisdiction to issue notice u/s 153A of the Act, it is necessary for the assessing officer to demonstrate that he was satisfied regarding the fulfilment of the said conditions before he can proceed with issue of notices u/s 153A of the Act. Though, the fourth proviso does not explicitly state that the assessing officer should be satisfied regarding the fulfilment of the conditions specified therein, such requirement of satisfaction of the assessing officer is implicit by necessary implication, having regard to restriction imposed on the powers of the assessing officer to issue notice unless the conditions specified therein are satisfied. Moreover, since the satisfaction of the said conditions is a jurisdictional requirement, the same is required to be reduced in writing by the assessing officer in order to unambiguously demonstrate that he has assumed jurisdiction correctly as per the provisions of the Act and facts of the case.

6.3.7 In this regard, it is to be observed that the satisfaction should be recorded in writing by the assessing officer with reference to books of accounts, other documents or evidences found and seized during the course of search. Notice u/s 153A of the Act for the relevant assessment year or years should be issued on concurrent fulfilment of certain conditions spelt out in Fourth Proviso to Section 153A (1) of the Act. The conditions are (a) that income has escaped assessment (b) the fact of income escaping assessment is evident from the books of accounts, other documents or evidences found in the course of search which are in the possession of the officer (c) that the escaped income pertains to the relevant assessment year or years (d) that the income escaping assessment is represented by undisclosed specified asset (e) that the undisclosed specified asset was acquired with the income of the relevant assessment year or years (1) that

the quantum of income escaping assessment is Rs.50 Lakhs or more in the aggregate for the relevant assessment years.

6.3.8 The AO is debarred from issuing a notice under the Fourth Proviso unless these conditions are proved to exist. Such a satisfaction cannot be a borrowed satisfaction, but should be that of the AO himself. He can take the aid of reports and other official correspondence in arriving at the conclusion that all the conditions spelt out in the fourth proviso are fulfilled in the case of the assessee. Such conclusion must be that of the assessing officer alone who is issuing the notice. Such conclusion must be reduced in writing to dispel any doubt about the existence of satisfaction of the assessing officer and should not remain within the personal knowledge of the assessing officer issuing the notice so that it is identifiable and known to all that the conditions precedent to issuing of notice under Section 153A(1) of the Act read with the Fourth Proviso existed prior to the issue of notice and that the assessing officer issuing the notice was seized of their existence.

6.3.9 The AO should satisfy himself that he is empowered under the provisions of Section 153A of the Act read with Fourth Proviso to issue a notice u/s 153A of the Act to assess or reassess the income for 'relevant assessment year or years' and for this purpose he must record in writing as to why and how in his opinion and belief the conditions enumerated in the Fourth Proviso are in existence and are satisfied. Reasons for harbouring such satisfaction must be reflected from the record of reasons recorded by the AO. Recording of satisfaction makes the process of issuing the notice transparent and is a vital safeguard against arbitrary issue of notice. Let us assume for a moment a scenario where the AO has issued a notice under Section 153A of the Act read with Fourth Proviso because he has in his possession books of account or other documents or evidence which reveal that the income of the searched person has escaped assessment but there are no undisclosed specified assets which confirm to condition that the income escaping assessment is represented by an undisclosed specified asset. In such a situation, the AO has no jurisdiction to issue a notice u/s 153A of the Act and a notice, if at all issued, would be void ab initio for patent lack of jurisdiction.

6.3.10 At this juncture, it is appropriate to rely upon the decision of the Hon'ble High Court of Bombay in the case of Ashok Commercial enterprises Vs. ACIT in [2023] 154 taxmann.com 144 (Bombay) wherein the Hon'ble high Court held that "A plain reading of section 153A(1)(b) shows that Commissioner having jurisdiction under the said section is empowered to assess or reassess the total income of six years immediately preceding the assessment year relevant to the previous year in which the search was conducted and for the relevant assessment year or years. Explanation 1 below section 153A of the Act defines the expression relevant assessment. In order to make an assessment for assessment year which falls beyond six assessment years but not later than ten assessment years from the end of the assessment year relevant to the previous year, in which the search was conducted, the 4th proviso to section 153(A)(1) sets out certain further conditions which are required to be fulfilled before a notice can be issued for the relevant assessment years. Clause (a) of the 4th proviso requires that the Assessing Officer must have in his possession books, documents or evidence which reveal that income represented in the form of an asset which

has escaped assessment amounts to or is likely to amount to rupees fifty lakhs or more. Explanation 2 to section 153A(1) sets out an expanded definition of the word "asset" for the purposes of the 4th proviso.

6.3.11 Further, the jurisdictional tribunal in the case of M/s. KAG India Private Limited Vs. DCIT Central circle-2(1), Chennai in ITA No. ITA No.669/Chny/2023 dated 10.07.2024 by relying upon the decision of the decision of Hon'ble Guwahati High Court in the case of Goldstone Cements Ltd. (ITA No.10 of 2022 & Ors. Dated 29-09-2023) held that "it is quite clear the impugned AY fall beyond 6 years from relevant assessment year (AY 2021-22) from the end of the previous year (2020-21) in which the search was conducted on the assessee (26-02-2021). In such a situation, the Ld. AO would be subjected to further conditions as stipulated in fourth proviso to Sec.153A(1). These conditions are (a) that certain income has escaped assessment; (b) the fact of income escaping assessment is evident from the books of accounts, other documents or evidences found in the course of search which are in the possession of the assessing officer; (c) that the escaped income pertains to the relevant assessment year or years; (d) that the income escaping assessment is represented by undisclosed specified asset; (e) that the undisclosed specified asset was acquired with the income of the relevant assessment year or years; (f) that the quantum of income escaping assessment is Rs.50 Lacs or more in the aggregate for the relevant assessment years. One of the prime condition is that income should be represented in the form of asset which has escaped assessment. As per Explanation 2, asset includes immovable property being land and building or both, share and securities, loans and advances, deposits in bank accounts.

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"We find that even the contents of the satisfaction note (supra) recorded by the AO prior to issuance of the notice u/s 153C dated 05-12-2019, does not reveal/point out the 'undisclosed/unaccounted asset' which escaped assessment in the relevant AY. It is to be kept in mind that the satisfaction note is to be examined on a standalone basis. Nothing can now be added to the satisfaction note, nor anything be deleted from the satisfaction note. It is for the AO to disclose and open his mind through the satisfaction note as to which seized material revealed existence of undisclosed/unaccounted asset valued Rs.50 lacs or more, so as to establish the existence of jurisdictional

fact for assuming valid jurisdiction in terms of the fourth proviso to Section 153A read with Section 153C of the Act for reopening the assessment for 7th-10th AY. The satisfaction note cannot now be supplemented but it is to be examined only as they were recorded by the AO prior to the issue of the notice.”

and held that

“It is imperative that before issuance of notice u/s 153C [for the extended period], the AO sets out his objective satisfaction from the seized material, the details of the specified/undisclosed assets in his possession qua the assessee for AY 2011-12 valued Rs. 50 lakhs or more. If this essential requirement of law is not satisfied, the AO does not get the authority of law to invoke the jurisdiction u/s 153A of the Act for 7th to 10th AY. For this, we rely upon the dictum of the Privy Council in *Nazir Ahmed Vs. King Emperor* AIR 1936 PC 253 (which has since been accepted and later followed by Hon'ble Supreme Court), that when a statute requires a thing to be done in a particular manner, it must be done in that manner or not at all. As discussed at Para 13 (supra), the language of the fourth proviso to section 153A of the Act show that issuance of notice can be resorted to by the AO only after he is in possession of the jurisdictional fact, which is found to be absent in the present case. Therefore, according to us, the AO only after having in his possession the jurisdictional fact could have assumed jurisdiction and issued notice u/s. 153C of the Act or else he could not have issued notice, as done in this case. For the reasons elaborately discussed by us in the foregoing, we thus hold that the notice u/s. 153C dated 05-12-2019 was issued by the AO for AY 2011-12 without authority of law and without satisfying the essential jurisdictional fact, and hence the issuance of notice u/s. 153C of the Act is held to be bad in law.

6.3.13 Therefore, unless the AO has material in possession to prove that the assessee has 'assets', which is not disclosed in the books, the income cannot be said to have escaped assessment for the purpose of section 153A. Here, the statute specifically mentioned “ Asset “ shall include

- a) Immovable Property being land and building or both
- b) Shares & Securities
- c) Loans and Advances
- d) Deposits in Bank accounts

Hence, the re-opening beyond a period of six years can be made only if, where AO possess books of accounts, documents or evidence which reveals that 'assets' are found to be undisclosed or unaccounted as specified supra, in the regular books of account maintained by the assessee, resulting in escapement of income.

6.3.14 The facts of the case are squarely covered by the decision rendered by the Hon'ble Guwahati Bench of ITAT in the case of *Goldstone Cements Ltd, Meghalaya* in IT Nos. 126 to 131/Gau/2020 dated 10.12.2021 wherein it was held that the undisclosed asset exceeding a value of Rs. 50 Lakhs unearthed at the time of search should be clearly identifiable. The Hon'ble Bench has observed in para 8.22 of its order that :

"8.22. From our discussion (supra) it is clear that, only if any of specified 'asset/s' as defined in Explanation (2) is unearthed during the course of search and the acquisition of such an asset' being unexplained or undisclosed, which is valued Rs 50 Lakhs or more, that the AO can be said to be in possession of the jurisdictional fact to initiate proceedings u/s 153A for 7th 10th AY (AY 2011-12, in the instant case)."

6.3.15 The above finding of the Hon'ble Tribunal was ratified by the Hon'ble Guwahati High Court in ITA/7/2022 on 29 September, 2023 on further appeal by the Revenue u/s 260A of the Act in the case of CIT V. Goldstone Cements Ltd wherein it has been held that "It was emphasized that an expenditure, irrespective of its character, does not fall within the definition of 'asset' defined in Explanation 2 to S.153A and therefore the Jurisdiction assumed by the AO is unsustainable".

6.3.16 A jurisdictional fact is one on existence or non-existence of which depends assumption or refusal to assume jurisdiction by a court, tribunal or an authority. In 'Black's Legal Dictionary, it is explained as a fact which must exist before a court can properly assume jurisdiction of a particular case. Mistake of fact in relation to jurisdiction is an error of jurisdictional fact. No statutory authority or tribunal can assume jurisdiction in respect of subject matter which the statute does not confer on it and if by deciding erroneously the fact on which jurisdiction depends the court or tribunal exercises the jurisdiction, then the order is vitiated.

6.3.17 In 'Halsbury's Laws of England' it has been stated that where the jurisdiction of a tribunal is dependent on the existence of a particular state of affairs, that state of affairs may be described as preliminary to, or collateral to the merits of the issue. If, at the inception of an inquiry by an inferior tribunal, a challenge is made to its jurisdiction, the Tribunal has to make up its mind whether to Act or not and can give a ruling on the preliminary or collateral issue; but that ruling is not conclusive.

6.3.18 In the case of Arun Kumar & Ors. vs. Union of India & Ors. (2006) 205 CTR (SC) 193: (2006) 286 ITR 89 (SC) it has been held:

"A "jurisdictional fact" is a fact which must exist before a Court, Tribunal or an assumes jurisdiction over a particular matter. A jurisdictional fact is one on existence or non-existence of which depends jurisdiction of a court, a tribunal or an authority. It is the fact upon which an administrative agency's power to act depends. If the jurisdictional fact does not exist, the court, authority or officer cannot act. If a Court or authority wrongly assumes the existence of such fact, the order can be questioned by a writ of certiorari. The underlying principle is that by erroneously assuming existence of such jurisdictional fact, no authority can confer upon itself jurisdiction which it otherwise does not possess

6.3.19 The existence of a 'jurisdictional fact' is the sine qua non for the exercise of power. In its absence, the power cannot be exercised lawfully. When the jurisdictional fact is established, the AO is empowered to proceed with the case and make decisions in accordance with the provisions of law. In this context, the fulfilment of the preconditions set forth u/s 153A of the Act is considered a 'jurisdictional fact.' The AO is required to carefully

examine and ascertain whether these specific conditions are satisfied before proceeding. Only after deciding on this issue, and recording a clear finding regarding the presence or absence of these conditions, can the AO issue a notice u/s 153A for the relevant assessment year. Only upon satisfying this crucial prerequisite can the AO lawfully proceed to assess the income of the assessee for the relevant year, as the presence of the jurisdictional fact is indispensable for validly initiating the assessment process u/s 153A of the Act

6.3.20 Such conclusion of satisfaction must manifest itself in writing. The AO issuing the notice must be able to justify that his action is valid because all conditions mentioned in the Fourth Proviso are fulfilled. This is all the more so because issuing of a notice for the 'relevant assessment year or years' is not a ritualistic formality; rather it sets in motion the process which can culminate into imposition of a civil liability and may even invite criminal prosecution for tax evasion on the assessee. It is the vested right of an assessee to examine whether the conditions precedent to issue of notice are satisfied or not so that he may, in a situation where according to his knowledge and belief the condition precedent to issue of notice are not satisfied, challenge the notice issued before appropriate judicial forum as regards its legal validity. This is possible only if the satisfaction is properly recorded by the assessing officer before a notice is issued under Section 153A of the Act read with Fourth Proviso and provided to the assessee to enable him to rebut the satisfaction of the assessing officer. The only way that the assessee can know that a valid notice was issued, is when the satisfaction that all conditions are fulfilled is recorded by the assessing officer before the notice is issued and a copy of the same is provided to the assessee on being demanded.

6.3.21 In view of the above discussions the undersigned is of the considered view that the AO must record his satisfaction before issuing the notice under Section 153A of the Act read with Fourth Proviso, and give a finding that the conditions prescribed in the Fourth Proviso were present, enabling him to issue the notice for the 'relevant assessment year or years'. Issue of such a notice without recording satisfaction would be arbitrary and capricious. The satisfaction recorded by the assessing officer should be given to the assessee, if demanded, allowing the assessee to raise objections, if any, and such objections should be dealt with by the AO by way of a speaking order. If such satisfaction is not recorded before issuing the notice, then the notice issued u/s 153A of the Act will be void ab initio and all actions following the void notice will be a nullity.

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6.3.23 On examination of the above reasons narrated by the AO in the assessment order, it can be seen that the AO on the basis of the narration contained in the seized material and the sworn statement recorded from Shri. K. S. Ravindran has arrived at a conclusion that the appellant has made a deposit of Rs. 2 Crore with M/s. Life Line Auto Finance during the FY 2012-13 relevant to the AY 2013-14. The undersigned in the preceding para(s) has dealt the issue of reliance placed by the AO upon the seized material and has held the same to be a defective document and the statements deposed

by Shri. K.S. Ravindran as unresponsive. Furthermore, it is also significant to bring on record that the appellant's premises were subjected to search u/s 132 of the Act on 25.03.2021. As evident in the loose sheet the date mentioned is 22.02.2021. The AO was of the view that the investment was made during the AY 2013-14 without there being any corroborative material and only based on the statement of Shri. K.S. Ravindran, who is a third party as far as the appellant is concerned. Neither the Investigation Officer nor the AO confronted the facts by recording any statement from the appellant. In addition there exists no other incriminating material were found to substantiate the transactions have taken place during the year under consideration. Besides, during the course of the search at the appellant's own premises, no incriminating materials were unearthed to indicate the alleged escapement of income in the form of an "asset" of value of fifty lakh rupees or more for the AY 2013-14. Therefore, in the absence of any such findings, the initiation of proceedings u/s 153A of the Act for AY 2013-14 by the AO is not legally sustainable. In view of the detailed discussion made supra about the assumption of jurisdiction by the AO, the undersigned is of the view that the AO has failed to bring on record about the existence of any asset of a value of Rs. Fifty lakhs or more that has escaped assessment for the year under consideration and thereby lacked jurisdiction to initiate proceedings u/s 153A of the Act for the AY 2013-14. Accordingly, the grounds raised by the appellant upon this issue are here by treated as allowed.

6.3.24 As the undersigned has allowed all the grounds raised upon the legality of the addition made, the AO is directed to delete the addition of Rs. 2,00,00,000/- made as unexplained investment u/s 69 of the Act for the AY 2013-14."

12. The Ld.DR submitted that the Ld.CIT(A) erred in deleting the addition, contending that the seized materials and statement constitute incriminating evidence sufficient to sustain the addition. It was argued that "cover money" entries clearly indicate existence of unaccounted deposits and the assessee's name was involved in deposit of Rs.2 crores.

13. Per contra, the Ld.AR supported the order of the Ld.CIT(A) and submitted that: (i) the seized material was recovered from a third party and not from assessee; (ii) the seized loose sheets do not bear assessee's handwriting/signature; (iii) there is no corroborative evidence such as bank trail, confirmations, or actual flow of funds; (iv) the alleged statement of third party cannot be used against assessee without cogent corroboration and opportunity of cross-examination; (v) AY 2013-14 falls beyond six years from the year of search, hence jurisdiction could be assumed only if undisclosed specified asset

exceeding Rs.50 lakhs is found and satisfaction is recorded; neither condition is met; therefore proceedings are void ab initio. Accordingly, the Ld.AR prayed for upholding the order of the Ld.CIT(A) by dismissing the appeal of the Revenue.

14. We have heard the rival submissions and perused the material available on record. The Revenue is aggrieved by the order of the Ld.CIT(A), whereby the addition of Rs.2,00,00,000/- made by the AO u/s.69 of the Act as unexplained investment, allegedly representing deposit made with M/s.Life Line Auto Finance, has been deleted. The Revenue's principal grievance is that the Ld.CIT(A) erred in deleting the addition when seized materials recovered from the premises of M/s.Vasuki Enterprises and the statement of Shri K.S.Ravindran, partner of M/s.Vasuki Enterprises, allegedly established that the assessee had deposited Rs.2.00 crores and earned "cover money".

15. On the other hand, the assessee supported the order of the Ld.CIT(A) and submitted that (i) the addition was based on loose sheets seized from a third party premise, (ii) there was no corroborative evidence of actual deposit by the assessee, (iii) the seized papers were not in assessee's handwriting nor recovered from assessee's possession, (iv) statement of third party cannot by itself fasten liability without independent corroboration and cross examination, and (v) proceedings for AY 2013-14 were without jurisdiction as it fell beyond the normal six-year limit and the conditions of fourth proviso to section 153A were not satisfied.

16. We find that the Ld.CIT(A), after an elaborate factual and legal analysis, has categorically recorded a finding that the seized loose sheets relied upon by the AO were not found from the premises of the assessee, but were recovered from the premises of a third party i.e., M/s.Vasuki Enterprises. It is not the case of the Revenue that the seized material was authored by the assessee or that

it was written in the handwriting of the assessee. Further, the seized material does not bear any signature of the assessee nor does it demonstrate any actual flow of funds from the assessee to the alleged recipient.

17. The Ld. CIT(A) has further noted that the seized document is, at best, a dumb / defective document, bereft of essential particulars like (a) nature of transaction, (b) year of transaction conclusively linked to A.Y. 2013-14, (c) mode of payment, (d) bank trail, (e) confirmation from the alleged recipient finance entity, and (f) cogent linkage of assessee with the alleged deposit. We find no infirmity in such finding.

18. It is a trite law that addition cannot be sustained merely on the basis of uncorroborated loose sheets seized from a third party. The presumption u/s. 132(4A)/292C of the Act regarding truth of contents is primarily applicable in relation to documents found from the possession of the assessee searched, and cannot automatically be extended to a third-party seized document to draw adverse inference against another person without corroboration. The Ld.CIT(A) has correctly relied upon judicial precedents including CIT v. Sant Lal [2020] 118 taxmann.com 432 (Del) wherein it was held that no addition could be made based on diary seized from third party as it was neither recovered from assessee nor written by him and no other material linked assessee with the entries.

19. We further note that section 69 of the Act contemplates that the assessee should be found to have made an investment which is not recorded in books and the assessee offers no satisfactory explanation. Therefore, the foundation for invoking section 69 must be evidence showing that (i) investment was in fact made, and (ii) it was made by the assessee. In the present case, beyond the third-party loose sheets, there is no independent evidence such as bank entries, cash flow evidence, asset trail, confirmation from Life Line Auto Finance, seized

cash, statement from assessee, or any document recovered from assessee indicating the alleged deposit. Thus, the condition precedent for section 69 itself fails.

20. As regards reliance on the statement of Shri K.S. Ravindran, we find that the Ld.CIT(A) has undertaken a careful reading of the deposition and has reached a plausible factual conclusion that the witness did not specifically state that the assessee alone invested Rs.2 crores; rather, he stated that the assessee along with two other persons collectively deposited Rs.2.00 crores. The AO has erroneously proceeded as though the assessee individually deposited Rs.2 crores.

21. Even otherwise, it is well settled that statement of a third party cannot, by itself, be conclusive evidence for making addition in the hands of the assessee, unless supported by corroborative material and unless opportunity of cross-examination is afforded. The Ld.CIT(A) has rightly applied the principle laid down by the Hon'ble Apex Court in Pullangode Rubber Produce Co. Ltd. v. State of Kerala [1973] 91 ITR 18 (SC) that admission is an important piece of evidence but not conclusive and can be shown to be erroneous. Further, reliance only on suspicion or surmise is impermissible, as held in Dhakeshwari Cotton Mills Ltd. v. CIT [1954] 26 ITR 775 (SC).

22. The AO, in the present case, did not bring on record any evidence showing actual receipt of funds by Life Line Auto Finance from assessee or actual generation/payment of "cover money" to the assessee. Therefore, the statement remains an unsupported assertion, insufficient to form the sole basis of addition. Consequently, we concur with Ld. CIT(A) that the addition is not sustainable on merits.

23. We find merit in the reasoning of Ld.CIT(A) that loose sheets without supporting evidence are inherently weak. The Ld.CIT(A) has relied on the principle that where the document is incomplete, ambiguous, and does not speak by itself, the AO is duty bound to conduct necessary investigation and correlation. The decision of ITAT Jabalpur Bench in ACIT v. Satyapal Wassan emphasizing need for correlation, investigation, and corroboration is directly applicable. Further, the proposition that addition cannot be made based only on third party loose sheets has been consistently taken in several decisions (Chennai, Mumbai, Chandigarh benches etc.), and the Ld.CIT(A) has rightly followed these precedents. Therefore, deletion of addition on merits is based on sound appreciation of facts and law. We find no perversity in the Ld.CIT(A)'s factual findings and hence no interference is called for.

24. We further find that the Ld.CIT(A) has separately adjudicated the jurisdictional ground in respect of initiation of proceedings u/s.153A of the Act for A.Y.2013-14. The search in the present case was conducted on 25.03.2021. Therefore, A.Y.2013-14 falls beyond the normal six assessment years, and the Revenue could assume jurisdiction only if the conditions in the fourth proviso to section 153A(1) of the Act are satisfied namely, existence of evidence revealing escaped income represented in the form of "asset" as defined in Explanation 2, exceeding Rs.50 lakhs, etc.

25. The Ld.CIT(A) has rightly held that such jurisdiction for extended period is not automatic, and recording of satisfaction is implicit, mandatory and jurisdictional. Importantly, the Ld.CIT(A) recorded that (i) no incriminating material was found from assessee's premises showing escapement of income in the form of specified asset exceeding Rs.50.00 lakhs for AY 2013-14, and (ii) the AO proceeded only on third-party loose sheet and statement which themselves do not establish existence of such asset and do not satisfy the threshold requirement of fourth proviso.

26. The Ld.CIT(A) also relied on binding decisions including Ashok Commercial Enterprises v. ACIT [2023] 154 taxmann.com 144 (Bom) explaining the strict requirement of fourth proviso compliance. Similar view has been taken by various benches of the Tribunal that satisfaction note must reveal undisclosed specified asset and cannot be supplemented later, failing which proceedings are without jurisdiction. The Ld.CIT(A) concluded that the AO lacked jurisdiction for A.Y.2013-14 for want of jurisdictional facts and satisfaction as required by statute.

27. We find that the above approach of the Ld.CIT(A) is fully in accordance with the scheme of section 153A as amended. Extended jurisdiction (7th–10th year) is conditional and requires strict compliance. When jurisdiction fails, the entire proceedings become void ab initio, and addition cannot survive.

28. In view of the foregoing discussion, we hold that the Ld.CIT(A) has passed a well-reasoned order after considering seized material, statements, legal requirements u/s.69 of the Act and the jurisdictional mandate u/s.153A of the Act. The Revenue has not brought any tangible material to controvert the findings of the Ld.CIT(A) or to show perversity therein. Accordingly, we uphold the order of the Ld.CIT(A)'s direction for deletion of the addition of Rs.2,00,00,000/-.

29. In the result, the appeal filed by the Revenue is dismissed.

ITA Nos.1631 & 1628 / CHNY / 2025

30. As the facts and issues involved in the Revenue's appeal in ITA No.1629/Chny/2025 are identical to those in ITA Nos.1631/Chny/2025 and 1628/Chny/2025, our findings and reasoning in ITA No.1629/Chny/2025 shall

apply mutatis mutandis to ITA Nos.1631/Chny/2025 and 1628/Chny/2025 as well. Accordingly, for the same reasons, we uphold the order of the Ld.CIT(A) and dismiss the appeals of the Revenue in ITA Nos.1631/Chny/2025 and 1628/Chny/2025.

31. In the result, all the three appeals of the Revenue are dismissed.

Order pronounced in the court on 20th January, 2026 at Chennai.

Sd/-
(जॉर्ज जॉर्ज के)
(GEORGE GEORGE K)
उपाध्यक्ष /**VICE PRESIDENT**

Sd/-
(एस. आर. रघुनाथा)
(S. R. RAGHUNATHA)
लेखा सदस्य/**ACCOUNTANT MEMBER**

चेन्नई/Chennai,

दिनांक/Dated, the 20th January, 2026

SP

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT– Chennai/Coimbatore/Madurai/Salem
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF