

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

श्री मनु कुमार गिरि, न्यायिक सदस्य एवं श्री एस. आर. रघुनाथा, लेखा सदस्य के समक्ष
**BEFORE SHRI MANU KUMAR GIRI, JUDICIAL MEMBER AND
SHRI S. R. RAGHUNATHA, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA Nos.:913 & 915/Chny/2025
निर्धारण वर्ष / **Assessment Years: 2021-22 & 2020-21**

DCIT, Central Circle-2, Madurai.	vs.	Sitaram Jewellers, 72, South Masi Street, Madurai – 625 001.
(अपीलार्थी/Appellant)		[PAN: AADFS-4859-A] (प्रत्यर्थी/Respondent)

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

सुनवाई की तारीख/Date of Hearing : 26.11.2025
घोषणा की तारीख/Date of Pronouncement : 21.01.2026

आदेश / O R D E R

PER S. R. RAGHUNATHA, AM:

These two appeals are filed by the revenue against two separate orders of the Learned Commissioner of Income Tax, Appeal, CIT(A), Chennai -19, for the assessment years 2021-22 & 2020-21 both dated 29.01.2025 respectively.

2. The common grounds raised by the revenue are as under:

1. The Ld. CIT (A) erred in restricting the addition of Rs.48,26,392/- for AY 2021-22 (Rs.16,22,950 for AY 2020-21) made towards unaccounted business income on account of unaccounted purchases, to Rs.5,62,845/-for AY 2021-22 (Rs.2,43,869/- for AY 2020-21) by directing the AO to restrict to 2% of the value assessed by the AO on account the assessee firm's unaccounted purchases from MJPL.

2. The Ld. CIT (A) erred in not appreciating the fact that the AO has adopted the gross profit rate as admitted by the assessee in the return of Income.

3. The Ld.CIT (A) erred in deleting the addition of Rs.1,49,84,905/- for AY 2021-22 (Rs.1,23,76,930/- for AY 2020-21) made towards unexplained expenditure u/s.69C on account of unaccounted transactions.

4. The Ld.CIT(A) erred in deleting the addition made towards unexplained expenditure on account of unaccounted purchases while accepting that there exist unaccounted sales on which 2% GP was sustained.

6. The Ld.CIT(A) erred in not appreciating the fact that there cannot be unaccounted sales without there being unaccounted purchases.

7. The Ld.CIT(A) erred in not observing that the unaccounted transactions were unearthed during the course of search, in the group case of M/s.Mohanlal Jewellers Private Limited (MJPL), on comparison of ledger named "Sitaram Sir MD" with the details of purchase of gold ornaments from MJPL submitted by the assessee firm.

8. For these grounds and any other ground including amendment of grounds that may be raised during the course of appeal proceedings, the Order of the Ld.CIT(Appeals) may be set aside and that of the Assessing Officer may be restored.

3. The brief facts of the case emanating from the records are that the assessee is a firm engaged in the business of purchase and selling of gold ornaments. The case of the assessee emanates from the findings of the search u/s.132 of the Act conducted in the group case of M/s.Mohanlal Jewellers Pvt. Ltd., Shri Suresh Kumar Khatri & others on 10.11.2020.

4. During the course of search at the office premises of MJPL, the search team ascertained that the group was using customised software named 'JPACK' for recording their unaccounted gold and cash transactions carried out by MJPL concerns. Further, During the course of search at the residential premises of Shri Suresh Kumar khatri incriminating documents containing 'party balance sheet' were found and seized.

5. Additionally, during the course of search at the branch of MJPL located at Madurai a small notebook was found with the heading 'Sitaram" and party balance as on 08.11.2020 in that premises. The search team ascertained that the assessee form is also involved in the unaccounted transactions with MJPL in the form of cash and gold and the quantum mentioned in the notebook

matches with the quantum in the 'J PACK' account. The authorised officer confronted the above findings with Shri S. Soundarajan and recorded the statement u/s.131(1A) of the Act. In the statement recorded Shri. S. Soundarajan admitted that all the business transactions with the MJPL comes around 3 to 4% of their overall business transactions and he did not have purchase invoices for the transactions reflected in the seized books in Madurai Branch office of MJPL.

6. On the basis of search material, it was found that the assessee had given gold (Gross 39,122.73 grams and Net 37,413.04 grams) and cash Rs.2,97,52,584/- to Shri Suresh Khatri (Mohanlal Jewellers). Moreover, gross of gold about 40,079.97 grams and net gold 38,339.83 grams were received back from Shri Suresh Khatri during the F.Ys. 2015-16 to 2020-21(up to 09.11.2020). The difference of 926.79 grams [37,413.04 (-) 38,339.83] stands for unaccounted purchase transactions not reflected in the books of accounts of the assessee firm which is reflecting in the party Balance sheet against "Sitaram Sir MD", this was also admitted by Shri Soundarajan a partner the assessee in the sworn statement recorded u/s.131 on 11.11.2020 vide answer to question No.9.

7. In the circumstances proceedings u/s.153C was initiated by issuing notice u/s.153C of the Act on 24.06.2022 for the A.Y. 2020-21. In response the assessee filed its return of income on 18.01.2023 admitting the same total income of Rs.52,26,260/-.

8. Similarly, for the A.Y.2021-22, the assessee filed its return of income u/s.139(1) of the Act by admitting a total income of Rs.1,70,33,310/- on 25.02.2022. The Assessing Officer initiated assessment proceedings by issuing statutory notices.

9. In the assessment proceedings the assessee produced the details of purchases made from M/s.Mohanlal Jewellers (P) Ltd. and corresponding ledger

accounts. On perusal of the same the AO found that few of the transactions are not matching with the seized materials.

10. Accordingly, the Assessing Officer concluded that the assessee had not disclosed the entire transaction held with the Mohanlal Jewellers Pvt Ltd and treated unaccounted transactions / expenditures as unexplained. Hence, the peak of the unaccounted transactions are arrived to quantify the unexplained expenditure by holding as under:

“Thus the assessee firm has a peak credit of unaccounted transactions towards issue of 24 Carat gold of weight of 3343.58 grams as on 31.03.2020 from Mis Mohanlal Jewellers (P) Ltd. In order to arrive at the value of the unaccounted quantum of gold jewellery, the average gold rate of 10 grams gold for the year FY 2019-20 of Rs. 37,017/- is considered based on the data source of Business Standard / Business Line and Economic Times, Mumbai/IBJA Website for gold and silver price in Mumbai. Thus the assessee firm has a peak credit of unaccounted transactions towards issue of gold jewellery of Rs.1,23,76,930/- [3343.58 x (37.017/10)] as on 31.03.2020 with M/s Mohanlal Jewellers (P) Ltd and the source for which is unexplained.

9.2 Hence the peak credit of unaccounted transactions towards issue of gold jewellery of Rs. 1,23,76,930/- as on 31.03.2020 with Mis Mohanlal Jewellers (P) Ltd is added to the total income as unexplained expenditure under section 69C r.w.s 115BBE of the IT Act, 1961. For this reason, Penalty under section 271AAC is initiated separately.”

Thus made an addition of Rs.1,23,76,930/- for the A.Y. 2020-21 and Rs.1,49,84,905/- for the A.Y.2021-22.

11. Further, the Assessing Officer also made an addition under the head unaccounted business income by holding as under:

“In light of the analysis of the J pack account, the undisclosed income for the AY 2020-21 is to be determined It will be reasonable to assume that the gold jewellery and other items that the assessee has bought from M/s.Mohanlal Jewellers Private Limited have been sold by you during the financial year and earned gross profit on such sales. Further, from the 'J Pack' account, it is also seen that during the AY 2020-21, the assessee have bought gold jewellery of net weight of 5531.43 gms (as per ledger named "Sitaram Sir MD) from M/s. Mohanlal Jewellers Private Limited. In the books of accounts, the net weight of purchase from Mis. Mohanlal Jewellers Private Limited is 2236.790 gms only. Thus gold jewellery of net weight 3294.64 gms (5531.43 - 2236.790) was unaccounted purchase during FY relevant to the AY 2020-21. Taking the average rate of pure gold during FY 2019-20 as Rs.3701/- per gram, the amount of the unaccounted purchases comes to Rs. 1,21,93,462/ The assessee firm has declared 13.31% as gross profit (as per Form 3CD) in trading of gold ornament as per the Trading Account for the year ended 31-03-2020. By applying the gross

profit @ 13.31%, the unaccounted income earned on these purchases is arrived at Rs.16,22,950/-

10.2 Hence, the sum of Rs.16,22,950/- is added to the total income as unaccounted business income. For this reason, Penalty under section 270A(9) is initiated separately for under reporting of income in consequence to misreporting of income.”

Thus made an addition of Rs.16,22,950/- for the A.Y. 2020-21 and Rs.48,26,392/- for the A.Y. 2021-22.

12. The Assessing Officer also noted that the certain expenditures have been made by the assessee are to be treated as unexplained in respect of unaccounted cash transactions by holding as under:

“On verification of the ledger name "Sitaram Sir MD in comparison with the details submitted by the assessee, it is seen cash transactions of Rs. 5,00,000/- on 03.06.2019 and Rs.15,320/- on 29.12.2019 were unaccounted This unaccounted cash transaction of Rs. 5,15,320/- is carried out towards unaccounted purchase of gold jewellery from M/s Mohanlal Jewellers Private Limited and the source of such unaccounted cash transactions remain unexplained

11.2 Hence, the sum of Rs.5,15,320/- is added to the total income as unaccounted business income. For this reason, Penalty under section 271AAC is initiated separately.”

Thus made an addition of Rs.5,15,320/- for the A.Y.2020-21 and Rs.47,54,440/- for the A.Y. 2021-22.

13. Aggrieved by the additions made by the Assessing Officer, the assessee preferred an appeal before the Id.CIT(A) for both the assessment years.

14. On perusal of the submissions made by the assessee, the Id.CIT(A) decided the issue of addition under business income for unaccounted purchases in favour of the assessee relying on the decision of the coordinate bench of Chennai in the case of Gold AIK v. ITO Central Circle 3(3) vide ITA No.1046 to 1051/Chny/2024 dated 06.11.2024. In the said case the Tribunal has observed that a reasonable estimate of gross profit of 2% will meet the ends of justice for both the sides under consideration for unaccounted purchases only of gold from MJPL not recorded in the regular books of accounts and directed the AO to apply gross profit rate of 2% on cash payments made for unaccounted

purchases of gold from MJPL for the relevant AYs and not on recorded purchases.

15. In respect of certain unexplained expenditure of unaccounted cash transactions from MJPL by the assessee and consequent profit arising out of such transactions requires to be taxed. The Id.CIT(A) noted that the AO has already quantified details of unaccounted purchases from MJPL and brought to tax as unaccounted business income and considering the same transaction under the nomenclature as 'unexplained expenditure in cash' tantamount to taxing the same transactions twice which is against the basic principles of taxation. Accordingly, the Id.CIT(A) directed the AO delete the additions made on account of unexplained expenditure in respect of unaccounted cash transactions.

16. The Id.CIT(A) also decided the issue of addition of unexplained expenditure made u/s.69C of the Act in favour of the assessee by observing that the section 69C of the Act cannot be invoked by the AO unless it is proved that the assessee has failed to demonstrate or explain the source of the expenditure. Therefore, the Id.CIT(A) directed the AO to delete the entire additions by allowing the corresponding grounds of the assessee. The relevant paragraphs of the order of the Id.CIT(A) is given below :

"6.6 On examination of the facts it can be seen that the entire addition(s) were made upon the findings unearthed during the course of search in the case of MJPL and others. In the seized materials there existed three types of transactions viz.. transactions in regular course recorded in the regular books of accounts as payment through banking channels, second transaction is exchange of old gold and third transactions are cash purchases. The AO in the assessment order(s) has contemplated three kinds of addition, they are discussed and dealt as under.

(i)Addition under Business Income for Unaccounted Purchases

6.6.1 The appellant submits that the AO's addition under the head "Business Income" was based on seized materials from M/s. Mohanlal Jewellers Pvt. Ltd. These materials were presumed accurate u/s 132(4A) of the Act However, this presumption is only applicable to the person whose premises were searched, ie.. M/s. MJPL, and not to the appellant. The appellant categorically denied any transactions outside the books of accounts and provided detailed submissions to the AO, including a ledger confirmation from Mis. MJPL, corroborating the appellant's stance that all transactions were conducted through authorized

banking channels Additionally, the AO failed to provide the appellant with an opportunity to cross-examine M/s. MJPL, thereby violating the principle of natural justice.

6.6.2 The undersigned has carefully considered the above issue(s). The undersigned on examination of the facts and circumstances of the instant case at hand is of the view that the decision of the jurisdictional tribunal in the case of **M/s. Gold AIK vs. ITO Central Circle 3(3)** (ITA Nos. 1046 to 1051/Chny/2024 dated 06.11.2024) will squarely apply to the case of the appellant.

6.6.3 In the case of **M/s, Gold AIK**, the AO on the basis of the findings from the search in the case of MJPL and others has made addition(s) purely from the narrations extracted from the "J PACK software. Whereas in the case of the appellant when the "SITARAM SIR MD which was maintained by MJPL was confronted with Shri. S. Soundarapandian admitted that these transactions recorded in, the ledger SITARAM SIR MD pertains to the appellant firm and these transactions are either exchange of old gold or cash transactions entered into by the appellant firm with MJPL Shri. S. Soundarapandian also admitted that the transactions are not recorded in the books of the appellant firm. Further during the search in the case of Shri. Suresh Khatri at his residential premises, on 10.11.2020, incriminating material in the form of loose sheet containing party balance as on 08.11.2020 was found and seized. When these loose sheets were confronted Shri. Soundarapandian of the appellant firm confirmed that "SITARAM SIR MD pertains to the appellant firm. The AO has brought the complete chart in the order(s) passed as under:

Group	SITARAM SIR MD					
	Receipt			Issued		
Ledger/Year	Metal in gms.		Cash in Rs	Metal in gms.		Cash in Rs
	Gross	Net		Gross	Net	
2015-16				703.39	674.18	
2016-17	6,866.26	6,574.20	6,00,000	8,054.89	7,712.55	6,06,000
2017-18	10,522.27	10,071.24	50,97,134	9,999.19	9,583.66	50,91,134
2018-19	7,166.34	6,859.00	87,85,690	5,922.20	5,656.54	87,85,690
2019-20	5,768.46	5,531.43	70,15,320	5,808.50	5,569.88	70,15,320
2020-21	8,799.40	8,377.17	82,54,440	9,591.80	9,143.02	82,54,440
TOTAL	39,122.73	37,413.04	2,97,52,584	40,079.97	38,339.83	2,97,52,584

6.6.4 The jurisdictional tribunal, in the case of **Mis. Gold AIK**, where the facts and circumstances are identical and the issue emanate from the same kind of seized materials found at the MJPL in the case of the appellant, has observed that a reasonable estimate of gross profit of 2% will meet the ends of justice for both the sides for the years under consideration for unaccounted

purchases only of gold from MJPL not recorded in the regular books of accounts and directed the AO to apply gross profit rate of 2% on cash payments made for unaccounted purchases of gold from MJPL for the relevant AY(s) and not on recorded purchases.

6.6.5 The principle of consistency and judicial discipline requires that a uniform approach be adopted in similar cases. Accordingly, the additions made in the hands of the appellant, which are based on the same ledger entries in the "J-PACK" software, deserve to be **deleted**.

6.6.6 However, it is significant to note that the search revealed that certain transaction of purchases from MJPL were not accounted for by the appellant. This unaccounted portion relating such purchases from MJPL and the consequent profit arising out of such transaction requires to be taxed. Now the question that arises before the undersigned is how much portion of unaccounted transactions on the unaccounted purchases can be attributable as unaccounted business income for the years under consideration.

6.6.7 The AO in the order(s) passed, has quantified the unaccounted purchases effected from MJPL by the appellant for the years under consideration, the details as under.

Sl No	AY	Unaccounted purchases of gold quantified by the AO	Value determined by the AO (in Rs.)
1	2017-18	6365.14 gms	Rs. 1 ,88,82, 187/-
2	2018-19	8988.84gms	Rs.2,63,37,301 /-
3	2019-20	5691.72gms	Rs. 1 ,77, 52,474/-
4	2020-21	3294.64gms	Rs. 1 ,21 ,93,462/-
5	2021-22	5776.32gms	Rs.2,81 ,42,231 /-

6.6.8 As held by the jurisdictional tribunal in the case of Gold AIK vs. ITO, Central Circle-3(3), the undersigned is of the considered view that the profit element liable for taxation should be restricted to 2% of the value assessed by the AO on account of the appellant firm's unaccounted purchases from MJPL. Accordingly, the profit element is determined as under-

S. No.	AY	Value determined by the AO	Profit @ 2% amounts to
1	2017-18	Rs.1,88,82,187/-	Rs.3,77,644/-
2	2018-19	Rs.2,63,37,301/-	Rs.5,26,746/-
3	2019-20	Rs.1,77,52,474/-	Rs. 3,55,049/-
4	2020-21	Rs.1,21,93,462/-	Rs. 2,43,869/-

5	2021 -22	Rs.2,81 ,42,231/-	Rs. 5,62,845/-
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6.6.9 In view of the above, the addition that requires to be sustained as unaccounted business income on account of the unaccounted purchases effected by the appellant firm from MJPL for the years under consideration and the balance amount(s) that requires to be deleted is as under.

SI No	AY	Amount(s) of Addition made as unaccounted business income by the AO	Amount(s) sustained as unaccounted business income	Amount(s) deleted
1	2017-18	Rs. 26,34,065/-	Rs. 3,77,644/-	Rs. 22,56,421/-
2	2018-19	Rs.30,12,987/-	Rs. 5,26,746/-	Rs. 24,86,241/-
3	2019-20	Rs. 20,48,635/-	Rs. 3,55,049/-	Rs. 16,93,586/-
4	2020-21	Rs. 16,22,950/-	Rs. 2,43,869/-	Rs. 13,79,081/-
5	2021 -22	Rs.48,26,392/-	Rs. 5,62,845/-	Rs. 42,63,547/-

6.6.10 In this back drop, all the grounds raised by the appellant firm upon the issue of addition made as **unaccounted business income** for the years under consideration are hereby treated as **partly allowed** and the AD is directed to delete the additions as determined above

(ii) Addition under section 69C for Unexplained Expenditure

6.6.11 The appellant contests the addition made u/s 68C of the Act for unexplained expenditure, which was based on peak credit derived from unaccounted transactions involving gold jewellery issuance as reflected in the "J-Pack" ledger. The appellant argues that such inferences are not legally valid without corroborative evidence and cannot be presumed as factual. It has been claimed that the AO failed to consider that these amounts had already been added under the different heads in the same assessment years and that the addition should have been limited to the excess amount. Moreover, the AO acknowledged that some of the transactions partially matched the appellant's ledger and were corroborated by statements from M/s MJPL. However, no cross-examination of M/s MJPL was provided, and the AO relied solely on incriminating documents such as diaries and loose sheets, which are insufficient to establish the addition without corroboration. The legal requirements u/s 34 of the Indian Evidence Act regarding the admissibility of evidence were also not adhered to.

6.6.12 The undersigned has carefully examined the issue under consideration. As evident in the assessment order, it can be seen that the AO has worked out the peak credit from the unaccounted transactions effected by the appellant firm

with M/s. MJPL and determined the value of gold jewellery purchased as unexplained expenditure u/s 69C of the Act for the years under consideration.

6.6.13 Now to decide the issue arising in this appeal, it is relevant to analyse the provisions of section 69C of the Act. Section 69C reads as under.

"Unexplained expenditure, etc. 69C Where in any financial year an assessee has incurred any expenditure and he offers no explanation about the source of such expenditure or part thereof, or the explanation, if any, offered by him is not, in the opinion of the Assessing Officer, satisfactory, the amount covered by such expenditure or part thereof, as the case may be, may be deemed to be the income of the assessee for such financial year Provided that, notwithstanding anything contained in any other provision of this Act, such unexplained expenditure which is deemed to be the income of the assessee shall not be allowed as a deduction under any head of income."

A review of the above provision indicates that Section 69C does not apply when an assessee incurs expenditure from known sources. For this section to be invoked, it must be demonstrated that the assessee has failed to explain the source of the expenditure, either in whole or in part. In the present case, the AO has determined the peak credit of unaccounted transactions to assess the unexplained expenditure u/s 69C of the Act. The transactions identified by the AO relate to purchases made by the appellant firm from its related party, M/s. MJPL, for the conduct of its business activity involving the sale of old gold jewellery and the purchase of new gold. The AO failed to establish as to how these transactions partakes the character of unexplained expenditure u/s 69C of the Act.

6.6.14 Based on this analysis, the condition precedent for invoking section 69C- i.e.,

the unexplained nature of the expenditure-has not been demonstrated by the AO. The transactions in question are business-related and cannot be deemed unexplained without concrete evidence. Furthermore, the profit element attributable as income arising out these unaccounted transactions has already been quantified in this common order for the respective years under consideration. Considering the same transactions as unexplained expenditure would lead to duplication of additions, which is contrary to the principles of equity and fairness.

6.6.15 Therefore, the addition(s) contemplated by the AO as unexplained expenditure u/s 69C of the Act, in respect of the transactions involving the issue of old gold jewellery, is unsustainable in the eyes of the law. Accordingly, all grounds raised by the appellant on this issue are hereby treated as allowed. The AO is directed to delete the additions of Rs 57,28,549/- Rs 49,96,324/-, Rs.33, 14,412/-Rs. 1,23,76,930/-, and Rs.1,49,84,905/- made for the assessment years 2017-18, 2018-19, 2019-20, 2020-21, and 2021-22, respectively

(iii) Addition for Unexplained Expenditure of Unaccounted Cash Transactions

6.6.16 The appellant denies the addition for unexplained expenditure of unaccounted cash transactions based on entries in the "J-Pack" ledger maintained by M/s. MJPL. The appellant clarified that the payments reflected in the ledger were made from the sale proceeds of gold jewellery on a credit basis

and that no transactions outside the books of accounts occurred during the relevant period. It is claimed that the AO's reliance on the "J-Pack" ledger, without corroborative evidence or cross-examination of M/s. MJPL is not substantiated and is in violation of the principles of fair assessment. The appellant submitted a letter dated 10.03.2023 asserting that no unaccounted cash transactions occurred.

6.6.17 As evident in the assessment order, the AO has added the cash transactions between the appellant firm and its related party M/s. MJPL and treated the same as unexplained expenditure in respect of unaccounted cash transactions u/s 69C of the Act. At the outset, it is nothing but the unaccounted purchases of gold jewellery from MJPL. The unaccounted purchases have been considered while determining the unaccounted business income of the appellant for the respective assessment years. Considering the same transaction under the nomenclature as unexplained expenditure tantamount to taxing the same transaction(s) twice which is against the basic principles of taxation. Therefore, the undersigned is of the considered view the addition(s) contemplated as unexplained expenditure in respect of unaccounted cash transactions entered into with MJPL is devoid of merits. Accordingly, all the grounds raised by the appellant upon this issue are hereby treated as allowed and the AO is directed to delete the addition of Rs. 19,31,000/-, Rs. 59,68,690/- Rs. 5,15,320/- & Rs.47,54,440/-for the AY(s) 2018-19, 2019-20, 2020-21 & 2021-22 respectively."

17. Aggrieved by the order of the Id.CIT(A) the revenue is in appeal before us.

ITA No.915/Chny/2025 for the A.Y.2020-21

18. At the outset the Id.AR for the assessee relying on Rule 27 of the ITAT Rules, orally raised a legal ground of limitation relating to issue of notice u/s.153C of the Act dated 24.06.2022 for the A.Y.2020-21, which was issued after 01.04.2021. Since, the issue of limitation goes to root of the matter of the case and decides the very foundation of the appeal and hence we are duty bound to adjudicate the same before going into other issues raised by the revenue.

19. The Id.AR for the assessee Sri.T.Vasudevan submitted that the consequent search proceedings u/s.132 of the Act at M/s.Mohanlal Jewellers Pvt. Ltd., Shri Suresh Kumar Khatri & others on 10.11.2020, and on perusal of the search materials i.e. 'J PACK' Software, the ledgers maintained in the name of "SITARAM SIR MD" pertains to the assessee and hence, the proceedings

u/s.153C of the Act was initiated on the assessee and a notice u/s.153C of the Act was issued on 24.06.2022.

20. The Id.AR contended that the search was conducted on third Party on 10.11.2020 and notices u/s.153C issued on the assessee on 24.06.2022 which does not comply with the provisions of Section 153C(3) of the Act. In support of the arguments, the Id.AR for the assessee relied on the judgment of the Hon'ble Madras High Court in the case of Harigovind vs. Assistant Commissioner of Income-tax Non-corporate [2025] 180 taxmann.com 197 (Madras)[28-10-2025], wherein in similar situation the Hon'ble High Court has quashed the notices issued u/s.153C, where search was conducted at third-party premises and seized materials were handed over to assessee's Assessing Officer on 25.11.2022, same was to be construed as date of initiation of search against assessee and since initiation of search was subsequent to 01.04.2021, provisions of section 153C would not apply.

21. Per contra the Id.DR for the revenue Shri Shiva Srinivas, Id.CIT(A) relied on the merits of the case and Assessing Officer's order.

22. We have heard the rival contentions perused the material available on the records and gone through the orders of the authorities along with the judicial precedents relied on. Admittedly search proceedings u/s.132 of the Act conducted at M/s.Mohanlal Jewellers Pvt. Ltd., Shri Suresh Kumar Khatri & others on 10.11.2020, and on perusal of the search materials seized i.e. 'J PACK' Software, the ledgers maintained in the name of "SITARAM SIR MD" pertains to the assessee and hence, the proceedings u/s.153C of the Act was initiated on the assessee and a notice u/s.153C of the Act. Accordingly the notice u/s.153C of the Act was issued on 24.06.2022 to the assessee for the A.Y.2020-21.

23. Therefore, in the present facts of the case, the handing over of seized materials to the Assessing Officer of the assessee was on 24.06.2022. In such

scenario, the said date has to be construed as the date of initiation of search in terms of Section 153C(3) of the Act. The extract of section 153C(3) is give below:

"153C(3). nothing contained in this Section shall apply in relation to a search initiated under Section 132 or books of account, other documents or any assets requisition under Section 132A on or after the 1st day of April, 2021"

24. Therefore, in view of the amended section 153C(3) of the Act, the impugned notice dated 24.06.2022 issued after 01.04.2021 u/s.153C of the Act is invalid.

25. We find that the impugned issue has already been decided in favour of the assessee by quashing the notice as well as the consequential order as invalid by the Hon'ble Madras High Court in the case of Harigovind vs. Assistant Commissioner of Income-tax, Non-corporate(Supra). We also note that co-ordinate bench of the Chennai Tribunal respectfully following the decision of the Hon'ble Madras High Court (supra) in the case Shanmugasundaram Manoharan Vs.Dy.CIT in ITA No.1607, 1608 & 1609/Chny/2025 dated 09.12.2025 has quashed the notice u/s.153C of the Act by holding as under:

"5. The primary issue requiring adjudication is whether the notice issued under Section 153C on 08.09.2022 complies with the requirements prescribed under Section 153C(3) of the Act?

6. Before us, the Id.AR for the assessee pointed out that in the present case, the search was conducted on third Party on 05.02.2020 and notices u/s.153C issued on the assessee on 08.09.2022 which does not complies with the provisions of Section 153C(3) of the Act. To bolster the arguments, the Id.AR for the assessee has referred the judgment of the Hon'ble Jurisdictional High Court in the case of Harigovind vs. Assistant Commissioner of Income-tax Non-corporate [2025] 180 taxmann.com 197 (Madras)[28-10-2025], wherein in similar situation the Hon'ble High Court has quashed the notices issued u/s.153C, where search was conducted at third-party premises and seized materials were handed over to assessee's Assessing Officer on 25.11.2022, same was to be construed as date of initiation of search against assessee and since initiation of search was subsequent to 01.04.2021, provisions of section 153C would not apply.

7. Per contra, the Id.DR Mr. Shiva Srinivas, CIT relied upon the merits of the case and also adopted the same arguments as taken by the Sr. Standing Counsel in the case referred supra.

8. We have considered the rival submissions and examined the judgment of the jurisdictional High Court cited above. It emerges that a search and seizure operation

was carried out on 05.02.2020 in the case of Shri G. N. Anbuhezian and others. During the course of the search, several incriminating materials were recovered, including documents detailing daily cash transactions involving multiple parties from his Chennai office. Upon scrutiny, it was discovered that the assessee had engaged in a loan transaction with Shri G. N. Anbuhezian, a prominent financier in the Tamil Nadu film industry. The seized material further revealed cash dealings between the assessee and Shri G. N. Anbuhezian, which were directly relevant to the computation of the assessee's total income. In light of these findings, the case was centralized to this office by the Pr. CIT-1, Madurai, through Notification Order No. 100/2021-22 dated 15.03.2022, and proceedings under Section 153C were initiated. Accordingly, notices under Section 153C were issued to the assessee on 08.09.2022.

9. In this case, the handing over of seized materials to the Jurisdictional Assessing Officer (JAO) of the assessee was on 08.09.2022. In such case, the said date has to be construed as the date of initiation of search in terms of Section 153C(3) of the Act, which says that nothing contained in Section 153C shall apply in relation to a search initiated under Section 132 or books of account or documents or assets requisitioned under Section 132A on or after the 1st day of April, 2021.

10. Regarding the issue in hand, the judgment of the Hon'ble Jurisdictional High Court in the case of Harigovind vs. Assistant Commissioner of Income-tax Non-corporate [2025] 180 taxmann.com 197 (Madras) has held as under:

"7. Now, the main grievance of the petitioner is that no notice under Section 153C of the Act can be issued after 01.04.2021 for all the AYs in terms of Sub-Section (3) of Section 153C.

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.....
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27. Now, the main issue that is required to be decided is as to whether the issuance of notice, under Section 153C on 07.02.2023, is in accordance with the provision of Section 153C(3) of the Act?

28. According to the petitioner, the initiation of search for the petitioner is the date, on which the materials were handed over by the Assessing Officer of the searched person to the JAO of the petitioner herein. In this regard, a reference was made to the first proviso to Section 153C(1), wherein it was stated that the initiation of search shall be the date, on which the materials were handed over to the concerned JAO, which means, in this case, the date of initiation of search in terms of first proviso to Section 153C(1) is on 25.11.2022, i.e., the date on which the materials were handed over to the JAO of the petitioner.

29. Further, by referring to Sub-Section (3) of Section 153C of the Act, it was contended by the petitioner that if any search was initiated on or after 01.04.2021, no proceedings can be initiated in terms of Section 153C of the Act.

30. In the case on hand, according to the petitioner, the search was initiated on 25.11.2022 and hence, as stated above no proceedings can be initiated in terms of Section 153C of the Act. Thus, the impugned notice came to be issued by the 2nd respondent, illegally and in contrary to Sub Section (3) of Section 153C of the Act.

31. On the other hand, it was contended by the respondents that the first proviso to Section 153C(1) of the Act would apply only with regard to the abatement of the proceedings for a period of 6 years prior to the relevant date and for all other practical purposes, the initiation of search would be either the date, on which the search was conducted on searched person under Section 132 or on the date of making of requisition under Section 132A of the Act. Hence, according to the respondents, in this case, the application of Sub-Section (3) of Section 153 would not at all come into picture.

32. At this juncture, it would be apposite to extract the provisions of Section 153C of the Act, which reads as follows:

153C. Assessment of income of any other person.—

(1) Notwithstanding anything contained in section

139, section 147, section 148, section 149, section 151 and section 153, where the Assessing Officer is satisfied that,—

(a) any money, bullion, jewellery or other valuable article or thing, seized or requisitioned, belongs to; or

(b) any books of account or documents, seized or requisitioned, pertains or pertain to, or any information contained therein, relates to, a person other than the person referred to in section 153A, then, the books of account or documents or assets, seized or requisitioned shall be handed over to the Assessing Officer having jurisdiction over such other person and that Assessing Officer shall proceed against each such other person and issue notice and assess or reassess the income of the other person in accordance with the provisions of section 153A, if, that Assessing Officer is satisfied that the books of account or documents or assets seized or requisitioned have a bearing on the determination of the total income of such other person 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 referred to in subsection (1) of section 153A

Provided that in case of such other person, the reference to the date of initiation of the search under section 132 or making of requisition under section 132A in the second proviso to sub-section (1) of section 153A shall be construed as reference to the date of receiving the books of account or documents or assets seized or requisitioned by the Assessing Officer having jurisdiction over such other person:

Provided further that the Central Government may by rules made by it and published in the Official Gazette, specify the class or classes of cases in respect of such other person, 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 as referred to in sub-section (1) of section 153A except in cases where any assessment or reassessment has abated.

(2) Where books of account or documents or assets seized or requisitioned as referred to in subsection (1) has or have been received by the Assessing Officer having jurisdiction over such other person after the due date for furnishing the return of income for the assessment year relevant to the previous year in which search is conducted under section 132 or requisition is made under section 132A and in respect of such assessment year—

(a) no return of income has been furnished by such other person and no notice under sub-section (1) of section 142 has been issued to him, or

(b) a return of income has been furnished by such other person but no notice under sub-section (2) of section 143 has been served and limitation of serving the notice under sub-section (2) of section 143 has expired, or

(c) assessment or reassessment, if any, has been made, before the date of receiving the books of account or documents or assets seized or requisitioned by the Assessing Officer having jurisdiction over such other person, such Assessing Officer shall issue the notice and assess or reassess total income of such other person of such assessment year in the manner provided in section 153A.

(3) Nothing contained in this Section shall apply in relation to a search initiated under Section 132 or books of account, other documents or any assets requisitioned under Section 132A on or after the 1st day of April, 2021.

33. A reading of the first proviso to Section 153C(1) would show that the date of initiation of search under Section 132 or making requisition under Section 132A in terms of second proviso to Sub Section (1) of Section 153A shall be construed as reference to the date of receiving the books of account or documents or assets seized or requisitioned by the Assessing Officer having jurisdiction over such other person. The date of initiation of search referred in the second proviso to Section 153A(1) only deals with respect to the abatement of proceedings.

34. It would also apposite to extract the provisions of Section 153A(1) of the Act, which reads as follows:

153A. Assessment in case of search or requisition.—

(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, the Assessing Officer shall—

(a) issue notice to such person requiring him to furnish within such period, as may be specified 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

35. A reading of the second proviso to Section 153A(1) would show that the 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, 153C(1) 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. Therefore, any pending proceedings shall be abated as per the above proviso.

36. On the strength of the above second proviso to Section 153A(1), the respondents had strongly contended that the first proviso to Section 153C is only with regard to the abatement of proceedings and not for anything else.

37. On the other hand, the petitioners had contended that it is not only for abatement but for all the other purposes. According to the petitioner, if a particular date is determined for the purpose of abatement of proceedings, then the same would be applicable for all the purposes, including the date of initiation of proceedings under Section 153C against the other person.

38. Even a reading of Section 153C makes it clear that determination of total income of such other person for 6 assessment years immediately preceding the assessment year relevant to the previous year, in which the search was conducted or requisition was made and for the relevant assessment year or years, referred in sub-Section (1) of Section 153C of the Act.

39. As far as the other person is concerned, the six years period would be calculated, the date on which the requisition was made and that would be the date, for the purpose of determination of assessment of income. On the other hand, as far as the searched person is concerned, this 6 years period would vary and the same would be calculated from the date of search made in the premises of searched person. Therefore, for the purpose of initiation and determination of income for 6 assessment years, two different dates have been fixed by the Statute, i.e., for the searched person, it was taken the date of search, whereas, for the other person, it was taken the date, on which the requisition is made to the JAO of the other person.

40. Thus, as far as the searched person is concerned, the date of initiation of search is the date, on which the search was conducted in his premises. The said date would be the date of initiation of search for searched person for all purposes. As far as the other person is concerned, the date of initiation of search would be the date, on which the materials, books of accounts, etc., are handed over to the JAO of the other person and this date would be considered as the date of initiation of search for other person for all purposes. Thus, there cannot be two different date of initiation of search, either for the searched person or for the other person.

41. The provisions of Sub-Section (3) of Section 153C states that

"153C(3). nothing contained in this Section shall apply in relation to a search initiated under Section 132 or books of account, other documents or any assets requisition under Section 132A on or after the 1st day of April, 2021"

which means, if the search is initiated subsequent to 01.04.2021, the provision of Section 153C will not apply and accordingly, no proceedings can be initiated against the other person.

42. According to the petitioner, the date of handing over of the seized materials, i.e., 25.11.2022, is the date of initiation of search. If the said contention of the petitioner is accepted, obviously, the issuance of impugned notices dated 07.02.2023 by the 2nd respondent is without any authority and contrary to Sub-Section (3) of Section 153C of the Act and thus, the same is liable to be quashed."

11. We find the above referred judgment of the Hon'ble jurisdictional High Court is squarely applies in these cases. Hence, respectfully following the judgment of the Hon'ble jurisdictional High Court in the case of Harigovind vs. Assistant Commissioner of Income-tax Non-corporate [2025] 180 taxmann.com 197 (Madras), we set aside /quash all the notices issued u/s.153C on the assessee as the date of handing over of the seized materials, i.e., 08.09.2022, is the date of initiation of

search. The issuance of impugned notices u/s153C dated 08.09.2022 by the AO is without any authority and contrary to Sub-Section (3) of Section 153C of the Act and thus, the same is liable to be quashed.”

26. In the facts and circumstances of the present case, and in respectful reliance upon the judgments of the Hon'ble Madras High Court and the decision of the Tribunal (supra), it is held that the impugned notice issued by the Assessing Officer u/s.153C of the Act dated 24.06.2022 is devoid of jurisdiction and is in clear violation of sub-section (3) of Section 153C of the Act. Accordingly, the impugned notice issued u/s.153C of the Act on 24.06.2022 is hereby quashed.

27. In the result the appeal of the revenue is dismissed.

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28. The Id.DR for the revenue assailing the action of the Id.CIT(A) submitted that the Id.CIT(A) has erred in restricting the gross profit to 2% of unaccounted purchases and also deleting the additions made by the Assessing Officer towards unexplained expenditure u/s.69C of the Act. Further the Id.DR submitted that the Assessing Officer had clearly established and the assessee has also accepted that the transactions found in the search operations of MJPL have not been recorded in their books o accounts before bringing such amounts to taxation in the assessment order. Further, the partner of the assessee in his statement recorded had clearly accepted that these transactions were not recorded in the books of accounts and hence the same has been treated as unaccounted purchases in the assessment. Ignoring these facts, the Id.CIT(A) allowed the grounds of appeal of the assessee which is erroneous and needs to be reversed.

29. On the contrary, the Id.AR for the assessee submitted that the Id.CIT(A) has rightly allowed the appeal following the decision of this Tribunal in the Gold AIK v. ITO Central Circle 3(3) (supra) by restricting the addition to gross

profit of 2% on unaccounted purchases and also deleting the addition of expenditure.

30. The Id.AR submitted that the Id.CIT(A) decided the issue of addition under business income for unaccounted purchases in favour of the assessee by relying on the decision of the coordinate bench of Chennai in the case of Gold AIK v. ITO Central Circle 3(3) vide ITA No.1046 to 1051/Chny/2024 dated 06.11.2024. In the said case the Tribunal has observed that a reasonable estimate of gross profit of 2% will meet the ends of justice for both the sides under consideration for unaccounted purchases only of gold from MJPL not recorded in the regular books of accounts. Further, the Id.CIT(A) clearly stated that the gross profit to be taxed only unaccounted purchases and not on the purchases accounted in the books of accounts. Hence, there is no perversity in the decision taken by the Id.CIT(A) and hence Id.AR prayed for confirming the same by dismissing the corresponding grounds raised by the revenue.

31. The Id.AR also contended that in respect of certain unexplained expenditure of unaccounted cash transactions from MJPL of the assessee and consequent profit arising out of such transactions requires to be taxed. The Id.CIT(A) noted that the AO has already quantified details of unaccounted purchases from MJPL and brought to tax as unaccounted business income and considering the same transaction under the nomenclature as 'unexplained expenditure in cash' tantamount to taxing the same transactions twice which is against the basic principles of taxation. Accordingly, the Id.CIT(A) directed the AO delete the additions made on account of unexplained expenditure in respect of unaccounted cash transactions. Therefore, the Id.AR argued that the decision of the Id.CIT(A) is in accordance with the law and prayed for confirming the same and dismiss the grounds of the revenue.

32. The Id.AR also submitted that the Id.CIT(A) has rightly decided the issue of addition of unexplained expenditure made u/s.69C of the Act in favour of the assessee by observing that the section 69C of the Act cannot be invoked by the AO unless it is proved that the assessee has failed to demonstrate or explain the source of the expenditure. Since, the question of applicability of section 69C has been adjudicated by the Id.CIT(A) as per law, the grounds raised by the revenue do not have legs to stand in law and hence Id.AR prayed for not to interfere in the decision of the Id.CIT(A).

33. In support of his argument the Id.AR relied on this Tribunal decision Lalithaa Jewellery Mart Ltd., v. The DCIT in ITA Nos.675 to 680/Chny/2025 dated 12.06.2025, wherein the Tribunal has deleted the entire additions made by the Assessing Officer for the reason that the revenue has not brought out any other evidence in support of the additions except the third party search materials and the statement recorded of the third parties.

34. We have heard the rival contentions perused the material available on the records and gone through the orders of the authorities along with the judicial precedents relied on. Admittedly search proceedings u/s.132 of the Act conducted at M/s.Mohanlal Jewellers Pvt. Ltd., Shri Suresh Kumar Khatri & others on 10.11.2020, and on perusal of the search materials seized i.e. 'J PACK' Software, the ledgers maintained in the name of "SITARAM SIR MD" pertains to the assessee and hence, the proceedings u/s.153C of the Act was initiated on the assessee and a notice u/s.153C of the Act. Further, the assessee filed Accordingly the notice u/s.153C of the Act was issued on 24.06.2022 to the assessee for the A.Y.2020-21. Similarly, for the A.Y.2021-22, the assessee filed its return of income u/s.139(1) of the Act by admitting a total income of Rs.1,70,33,310/- on 25.02.2022. In the assessment proceedings the assessee produced the details of purchases made from M/s.Mohanlal Jewellers (P) Ltd. and corresponding ledger accounts. On

perusal of the same the AO found that few of the transactions are not matching with the seized materials.

35. Accordingly, the Assessing Officer concluded that the assessee had not disclosed the entire transaction held with the Mohanlal Jewellers Pvt Ltd and treated unaccounted transactions / expenditures as unexplained. Hence, the peak of the unaccounted transactions are arrived to quantify the unexplained expenditure by making an addition of Rs.1,49,84,905/-. Similarly, the Assessing Officer also made an addition under the head un accounted business income of Rs.48,26,392/-. The Assessing Officer also noted that the certain expenditures have been made by the assessee are to be treated as unexplained in respect of unaccounted cash transactions and mad an addition of Rs.47,54,440/- for the A.Y. 2021-22.

36. On appeal the Id.CIT(A) deleted the addition of unaccounted purchases relying on the decision of the coordinate bench of Chennai in the case of Gold AIK v. ITO Central Circle 3(3) vide ITA No.1046 to 1051/Chny/2024 dated 06.11.2024. Considering the identical facts of in the said case the Tribunal has observed that a reasonable estimate of gross profit of 2% will meet the ends of justice for both the sides under consideration for unaccounted purchases only of gold from MJPL not recorded in the regular books of accounts and directed the AO to apply gross profit rate of 2% on cash payments made for unaccounted purchases of gold from MJPL for the relevant AYs and not on recorded purchases.

37. Further, in respect of certain unexplained expenditure of unaccounted cash transactions from MJPL by the assessee and consequent profit arising out of such transactions the Id.CIT(A) noted that the AO has already quantified details of unaccounted purchases from MJPL and brought to tax as unaccounted business income and considering the same transaction under the nomenclature as 'unexplained expenditure in cash' tantamount to taxing the same transactions twice which is against the basic principles of

taxation. Accordingly, the Id.CIT(A) directed the AO to delete the additions made on account of unexplained expenditure in respect of unaccounted cash transactions.

38. The Id.CIT(A) adjudicated the issue relating to the addition made u/s.69C of the Act on account of alleged unexplained expenditure and decided the same in favour of the assessee. The Id.CIT(A) held that the provisions of section 69C can be invoked only when the Assessing Officer establishes that the assessee has failed to satisfactorily explain the source of the expenditure. In the absence of such a finding by the Assessing Officer, the addition was held to be unsustainable.

39. The Id.CIT(A) also decided the issue of addition of unexplained expenditure made u/s.69C of the Act in favour of the assessee by observing that the section 69C of the Act cannot be invoked by the AO unless it is proved that the assessee has failed to demonstrate or explain the source of the expenditure. Therefore, the Id.CIT(A) directed the AO to delete the entire additions by allowing the corresponding grounds of the assessee.

40. Before us the core grievance of the Revenue is that the Id.CIT(A) erred in restricting the addition to 2% gross profit on unaccounted purchases instead of sustaining the addition made by the Assessing Officer on the entire value of such purchases.

41. Admittedly, the unaccounted purchases were detected pursuant to search proceedings conducted u/s.132 of the Act in the case of M/s.Mohanlal Jewellers Pvt. Ltd. (MJPL), based on seized materials, including digital data. It is also not in dispute that certain purchase transactions found in the seized material were not recorded in the regular books of accounts of the assessee and that the partner of the assessee, in his statement, accepted non-recording of such transactions.

42. It is a settled position of law that where unaccounted purchases are found and the corresponding sales are not doubted, only the profit element embedded in such purchases can be brought to tax, and not the entire purchase value. The Assessing Officer, in the present case, has not disputed the existence of business activity nor established that the entire purchase value represents undisclosed income of the assessee.

43. Although the Id.AR placed reliance on the decision of this Tribunal in the case of Lalithaa Jewellery Mart Ltd. v. DCIT in ITA Nos. 675 to 680/Chny/2025 dated 12.06.2025, wherein, on identical facts, the additions were deleted in entirety, it is noted that the assessee has not assailed the order of the Id.CIT(A) by filing a cross-objection. In the absence of any such challenge, we find no infirmity in the order of the Id.CIT(A), and the same is accordingly upheld.

44. The Id.CIT(A), while adjudicating the issue, has relied upon the decision of the coordinate bench of this Tribunal in Gold AIK v. ITO, Central Circle-3(3) (ITA Nos. 1046 to 1051/Chny/2024 dated 06.11.2024), wherein on identical facts involving unaccounted purchases of gold from MJPL, the Tribunal held that estimation of gross profit at 2% would meet the ends of justice. The Id.CIT(A) has further clarified that such estimation applies only to unaccounted purchases and not to purchases already recorded in the books of accounts.

45. We find that the Revenue has not placed any material on record to demonstrate that the gross profit rate of 2% adopted by the Id.CIT(A) is either unreasonable or perverse, nor has it brought any evidence to justify taxation of the entire purchase value as income.

46. In the absence of any distinguishing facts or contrary judicial precedent cited by the Revenue, we find no infirmity in the action of the Id.CIT(A) in restricting the addition to 2% of the value of unaccounted purchases.

46.1 Accordingly, the ground raised by the Revenue on this issue is dismissed.

47. The next issue pertains to deletion of additions made by the Assessing Officer u/s.69C of the Act on account of alleged unexplained expenditure relating to unaccounted cash transactions.

48. The Assessing Officer treated the same set of transactions, which were already considered as unaccounted purchases and brought to tax under the head "business income," as unexplained expenditure u/s.69C of the Act. The Id.CIT(A) deleted such additions holding that the same amounts cannot be taxed twice under different provisions of the Act.

49. We find merit in the reasoning adopted by the Id.CIT(A). Once the Assessing Officer has identified and quantified the unaccounted purchases and brought the profit element thereof to tax as business income, treating the very same transactions again as unexplained expenditure results in double taxation of the same income, which is impermissible in law.

50. Further, section 69C of the Act can be invoked only when the Assessing Officer establishes that the assessee has incurred expenditure, and the assessee has failed to satisfactorily explain the source of such expenditure. In the present case, the Assessing Officer has not recorded any categorical finding that the assessee failed to explain the source of expenditure. On the contrary, the expenditure was directly linked to business purchases, which were already considered for the purpose of estimating business income.

51. The Id.AR has also rightly relied upon the decision of this Tribunal in Lalithaa Jewellery Mart Ltd. v. DCIT (ITA Nos. 675 to 680/Chny/2025 dated 12.06.2025), wherein on similar facts, the Tribunal held that invocation of section 69C without establishing failure to explain the source of expenditure is unsustainable.

52. We therefore hold that the Id. CIT(A) was justified in deleting the additions made u/s.69C of the Act.

53. 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 Tribunal decision. The Revenue has not brought any tangible material to controvert the findings of the Ld.CIT(A) or to show perversity therein. Therefore, we find that the Id.CIT(A) has rightly restricted the addition to 2% gross profit on unaccounted purchases, following binding coordinate bench decisions. The deletion of additions made u/s.69C of the Act and taxation of the same transaction again is in accordance with law, as the Revenue failed to establish unexplained expenditure or justify double taxation. Accordingly, the order of the Id. CIT(A) is confirmed, and the grounds raised by the Revenue are dismissed.

54. In the result, both the appeals of the revenue are dismissed.

Order pronounced in the open court on 21st January, 2026 at Chennai.

Sd/-

(मनु कुमार गिरि)
(MANU KUMAR GIRI)

न्यायिक सदस्य/**Judicial Member**

Sd/-

(एस. आर. रघुनाथा)
(S. R. RAGHUNATHA)

लेखा सदस्य/**Accountant Member**

चेन्नई/Chennai,

दिनांक/Dated, the 21st 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