

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

SHRI MANJUNATHA G, HON'BLE ACCOUNTANT MEMBER
AND
SHRI RAVISH SOOD, HON'BLE JUDICIAL MEMBER

आयकरअपीलसं./I.T.A. No.158/Hyd/2025
(निर्धारणवर्ष/ **Assessment Year: 2020-21**)

Maddirala Srinivasa Rao, Hyderabad. PAN: ARNPM9481H	VS.	ACIT, Central Circle-3(1), Hyderabad.
(अपीलार्थी/ Appellant)		(प्रत्यर्थी/ Respondent)

आयकरअपीलसं./I.T.A. No.159/Hyd/2025
(निर्धारणवर्ष/ **Assessment Year:2021-22**)

Srinivasa Rao Maddirala, Hyderabad. PAN: ARNPM9481H	VS.	ACIT, Central Circle-3(1), Hyderabad.
(अपीलार्थी/ Appellant)		(प्रत्यर्थी/ Respondent)

करदाताकाप्रतिनिधित्व/ Assessee Represented by	:	Shri A. Srinivas, CA
राजस्वकाप्रतिनिधित्व/ Department Represented by	:	Dr. Sachin Kumar, Sr. AR
सुनवाईसमाप्तहोनेकीतिथि/ Date of Conclusion of Hearing	:	22/12/2025
घोषणा की तारीख/ Date of Pronouncement	:	21/01/2026

ORDER**PER RAVISH SOOD, JM:**

The captioned appeals filed by the assessee are directed against the orders passed by the Commissioner of Income Tax (Appeals), Hyderabad-11, dated 30/11/2024 and 04/12/2024, which in turn arises from the respective orders passed by the Assessing Officer under section 143(3) r.w.s 153A, dated 31/03/2022 and under section 143(3) of the Act, dated 31/03/2022 for AY 2020-21 and AY 2021-22, respectively. As certain common issues are involved in the captioned appeals, therefore, the same are being taken up and disposed of vide a consolidated order. We shall first take up the appeal filed by the assessee for AY 2020-21 and the order therein passed to the extent common issues are involved shall apply mutatis mutandis for the purpose of disposing the other appeal. The assessee has assailed the impugned order of the CIT(A) on the following grounds of appeal:

- “1. The order of the Appellate Commissioner is contrary to law. facts and circumstances of the case.
2. The Appellate Commissioner erred in confirming the order of the A O, who had treated the additional income of Rs.50,46,500/- as unexplained sources, and thus treated the same as income to be taxed under the provisions of u/s 1588E.
3. The Appellate Commissioner erred in coming to a conclusion that the income offered in the original return of the income, before the date of search is true picture of the order.

4. The Appellate Commissioner erred in confirming the order of the A.O. who had completed the assessment without considering the submissions of the Appellant.

5. Any other grounds which the Assessee may urge either before or at the time of the hearing.”

2. Succinctly stated, the assessee who is engaged in printing/graphic design business under the name and style of M/s. Dinamics, had filed his return of income for AY 2020-21 on 04/09/2020, declaring an income of Rs.8,30,930/-. The return of income filed by the assessee was processed as such under section 143(1) of the Act.

3. Ostensibly, the police authorities during the implementation of Model Code of Conduct-GHMC Elections on 20/11/2020 found the assessee in possession of cash of Rs.25,50,000/-. Thereafter, a warrant of authorization under section 132 of the Act was issued on 21/11/2020 and a search and seizure operation was conducted at the residential premises of the assessee. During the course of the search and seizure operation, cash of Rs.19.50 lakhs was found and seized. Apart from that, warrant of authorization under section 132A of the Act was issued on 23/11/2020 and cash of Rs.25.50 lakhs (supra) was requisitioned by the Department from the police authorities.

4. During the course of the search proceedings at the residential premises of the assessee, certain loose sheets, documents, printed sheets taken from the assessee's laptop (make: Lenovo) were seized vide Annexure: A/MSR/Res/01. On an analysis of the seized material, it

was observed that the assessee was in receipt of an amount of Rs.3,31,42,000/- during the different periods spread over AY 2019-20 to AY 2021-22. On being queried, the assessee in his statement recorded on 21/01/2021 admitted an amount of Rs.56,46,500/- as his additional income for the subject year, i.e., AY 2020-21.

5. Thereafter, the assessee in response to notice under section 153A of the Act filed his return of income for AY 2020-21 on 30/11/2021 declaring an income of Rs.65,20,110/-. The assessee in the course of the assessment proceedings on being queried about the additional income to the tune of Rs.56,46,500/- submitted that the same was sourced out of his business receipts and collections from debtors. However, the assessee failed to furnish any details to verify his claim that the additional income disclosed by him in his return of income was sourced out of his business receipts. Consequently, the AO treated the amount of Rs.56,46,500/- as receipts from unexplained sources and subjected the same to tax at the special rates prescribed under section 115BBE of the Act, i.e., @ 60%.

6. Aggrieved, the assessee assailed the assessment order before the CIT(A) wherein the additional income of Rs.56,46,500/- disclosed by him in his return of income was subjected to tax as per the special rates prescribed under section 115BBE of the Act.

7. On a perusal of the record, we find that the CIT(A) did not find any infirmity in the view taken by the AO and upheld his observation that the additional income of Rs.56,46,500/- disclosed by the assessee in his return of income was sourced from his unexplained sources and was thus, liable to be brought to tax as per the special rates contemplated under section 115BBE of the Act. For the sake of clarity, the observations of the CIT(A) are culled out as under:

“6. Decision:

6.1. Appellant is engaged in printing/graphic design business carried in the name and style of M/s Dinamics. The return of income for the impugned A.Y. 2020- 21 was filed on 04.09.2020 admitting income of Rs. 8,30,930/-. During implementation of model code of conduct - GHMC elections on 20.11.2020 Police Authorities found cash of Rs. 25,50,000/- in possession of the appellant. A warrant of authorization u/s. 132 was issued on 21.11.2020 and a search & seizure operation was conducted on the residential premises of the appellant. During search and seizure operation of cash of Rs 19,50,000/- was found and seized. Further, warrant of authorization u/s. 132A of Act was issued on 23.11.2020 and cash of Rs 25,50,000/- was requisitioned from police authorities.

6.1.1. During the search proceedings at the residential premises of the appellant, certain loose sheets, documents, printed sheets taken from assessee's Lenovo laptop were seized vide Annex. A/MSR/RES/01 the said contents of seized material were analysed and it was noticed that appellant was in receipt of Rs. 3,31,42,000/- during different periods relevant for A.Ys 2019-20 to 2021-22. In sworn statement recorded on 21.01.2021 appellant admitted Rs. 56,46,500/- as additional income for impugned A.Y. 2020-21. In response to notice issued u/s. 153A of the Act. appellant filed return of income on 30.11.2021 declaring total income of Rs. 65,20,110/-. During assessment proceedings, appellant was questioned on the sources for additional income admitted to the tune of Rs. 56,46,500/-. Appellant submitted that the same was out of business receipt and collections from debtors. However, no details were furnished during assessment proceeding in support of his claim that the additional income is out of business receipts. Consequently AO treated Rs. 56,46,500/- as receipt from unexplained sources and taxed at the rate prescribed u/s. 115BBE of the Act. Aggrieved by the AO's action of treating Rs. 56,46 ,500/- as taxable as per rates prescribed u/s. 115BBE, appellant filed the present appeal.

6.2. Appellant raised 6 grounds of appeal, out of which grounds of appeal no. 1 and 6 are general in nature and need no separate

adjudication. Ground of appeal no. 5 is consequential in nature and is not adjudicated separately.

6.3. In ground of appeal no. 2, 3 and 4, appellant contended that AO erred in treating the admitted additional income of Rs. 56,46,500/- as received from unexplained sources and bringing to tax u/s. 115BBE of the Act. I had carefully examined the assessment order, grounds of appeal and written submissions made by the appellant. The only issue which arises for adjudication is whether admitted additional income of Rs. 56,46,500/- are out of business receipts of the appellant or not. The issue is dealt as below:

6.3.1. Appellant filed original return of income for impugned A.Y. 2020-21 on 04.09.2020. In this return of income appellant offered income on presumptive basis u/s. 44ADA. On gross receipt of Rs. 13,84,076/-, 50% was offered as income on presumptive basis being Rs. 6,92,038/- . According to the appellant gross receipts from the work related to designing yields higher profit as the work is skill based and lesser expenses are involved. Rs. 13,84,076/- was received on account of work related to designing. This was also evident from Form 26AS of the appellant in which, TDS for the work related to designing was deducted u/s. 194J (fees for professional or technical services) at the rate of 10%.

6.3.2. On gross receipts of Rs. 48,69,207/-, 6% was offered as income on presumptive basis being Rs. 2,92,153/-. According to the appellant gross receipts for the work related to printing etc., yields lesser profit as the work involves labour, material and other expenses. Rs. 48,69,207/- was received from work related to printing. This was also evident from the Form 26AS of the appellant in which, TDS for the work related to printing was deducted u/s. 194C (payments to contractors) at the rate of 1%. Accordingly, in the original return of income appellant offered Rs. 9,84,191/-(Rs. 6,92,038/- (+) Rs. 2,92,153/-) as income from business on presumptive basis. This income of Rs. 9,84,191/- was offered on gross receipts of Rs. 62,53,283/- (Rs. 13,84,076/- (+) Rs. 48,69,207/-). The original return of income was filed on 04.09.2020 prior to the date of search that is on 21.11.2020. During the search assessment proceedings, the appellant admitted Rs. 56,46,500/- as additional income and contended that the same is from business operations. The gross receipt before and after search remained the same. If the version of the appellant is agreed then on gross receipt of Rs. 62,53,283/- the profit margin would be 90.29%. Such profit margin is impossible to achieve in the line of business of the appellant. Except for arguing that the additional income offered is from business sources appellant had not furnished any details to substantiate his argument. Appellant contends and submits that the Department should accept the abnormal profit from the business receipts. This reasoning of the appellant is farfetched and beyond imagination. No evidence was produced to substantiate that Rs. 56,46,500/- was out of business operations. The contentions of the appellant in facts of the case should be considered as baseless and illogical. The true picture remains as offered in original return of income filed before the date of search. In such circumstances, the decision

taken by the AO that Rs. 56,46,500/- is from unexplained sources is liable to be upheld. In such circumstances, taxing the additional admitted income of Rs. 56.46.500/-u/s. 115BBE of the Act is correct and needs no interference. The grounds of appeal no. 2, 3 and 4 are hereby dismissed.

6.4. In the result, the appeal is dismissed.”

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

9. We have heard the Learned Authorized Representatives of both parties, perused the orders of the authorities below and the material available on record as well as considered the judicial pronouncements that have been pressed into service by the Ld. AR to drive home his contentions.

10. Shri A. Srinivas, CA, Learned Authorized Representative (for short, “Ld. AR”) for the assessee at the threshold of hearing of the appeal, submitted that both the authorities below had grossly erred in law and facts of the case in treating the additional income of Rs.56,46,500/- that was clearly sourced out of the business receipts of the assessee as his unexplained income for the subject year. Elaborating on his contention, the Ld. AR submitted that the documents seized in the course of the search proceedings, viz., Annexure: A/MSR/Res/01, revealed the receipts of amounts by the assessee over the period, i.e., AY 2019-20 to AY 2021-22 aggregating Rs.3,31,42,000/- . The Ld. AR submitted that the assessee had in his statement recorded

on 15/01/2021, on being queried about the aforementioned amount of Rs.3,31,42,000/- provided the details of the transactions for an amount of Rs.1,54,04,100/-, but only because of unavailability of supporting details had offered the balance of Rs.1,77,37,900/- as his additional income spread over the years, viz., (i) AY 2019-20: Rs.40,91,800/-; (ii) AY 2020-21: Rs.56,46,500/-; and (iii) AY 2021-22: Rs.83,80,000/-. The Ld. AR submitted that it has been the claim of the assessee that the balance amount of Rs.1,77,37,900/- was sourced from his business of designing and printing. Carrying his contention further, the Ld. AR submitted that the amount of Rs.40,91,800/- (supra) that was offered by the assessee as his additional income for AY 2019-20 had been accepted by the AO while framing the assessment for the said year vide his order passed under section 153A of the Act, dated 31/03/2022. Accordingly, it was submitted by the Ld. AR that as the claim of the assessee that the additional income offered by him for AY 2019-20 to AY 2021-22 was sourced from his business income had been partly accepted after necessary scrutiny by the AO while framing the assessment in his case for AY 2019-20, therefore, there was no justification for him to adopt an inconsistent approach and reject the said claim in so far the remaining two years were concerned, i.e., AY 2020-21 and AY 2021-22. The Ld. AR to buttress his contention had taken us through the assessment order passed in the case of the assessee for the AY 2019-20, Page Nos.19-20 of the APB. The Ld. AR in his attempt

to fortify his aforesaid contention had drawn support from the GST returns in Form-GSTR-3B that were filed by the assessee during the subject year.

11. Per contra, Dr. Sachin Kumar, Learned Senior Departmental Representative (for short, "Ld. Sr-DR") relied upon the orders of the authorities below. The Ld. DR had specifically drawn our attention to the observations of the CIT(A) recorded at Para 6.3.2 of his order. The Ld. DR submitted that as the assessee had miserably failed to substantiate his claim that the additional income of Rs.56,46,500/- offered by him in his return of income for the subject year was sourced out of his business of designing and printing, therefore, the AO has rightly held the same as his income from undisclosed sources and brought the same to tax as per the special rates contemplated under section 115BBE of the Act.

12. We have considered the contentions of the Learned Authorized Representatives of both parties in the backdrop of the orders of the authorities below.

13. As observed by us herein above, the assessee in his original return of income filed on 04/09/2020 for AY 2020-21, had offered on a presumptive basis 50% of the gross receipts of his business of designing aggregating to Rs.13,84,076/- as his business income. Ostensibly, it was the claim of the assessee in the course of the

assessment proceedings that the aforesaid gross receipts disclosed in his original return of income related to the designing work, which being a skill based work involved lesser expenses and yielded higher profit. Also, to substantiate his claim the Ld. AR had drawn support from the fact that the tax on the designing work was deducted at source under section 194J @ 10%. Apart from that, the assessee had disclosed an income @ 6% (on presumptive basis) on the gross receipts from the work related to printing of Rs.48,69,207/-, and arrived at an income of Rs.2,92,153/-. It was the assessee's claim that the printing work involved labour, material and other expenses and yielded low profit. The assessee to support his claim had referred to the fact that the tax deducted at source (TDS) on the said receipts from printing work was deducted under section 194C @1%. Accordingly, the assessee in his original return of income that was filed on 04/09/2020, i.e., prior to the date of search conducted on 21/11/2020, disclosed an income aggregating to Rs.9,84,191/- (viz., income from designing: Rs.6,92,038/- (i.e., 50% of gross receipts of Rs.13,84,076/-) + income from printing: Rs.2,92,153/- (i.e., 6% of gross receipts of Rs.48,69,207/-).

14. As observed by us herein above, the assessee in the course of the search proceedings had admitted additional income of Rs.56,46,500/-, which was claimed by him to have been sourced from his business receipts. However, we find that the assessee in his return

of income filed in compliance to notice issued under section 153A of the Act, i.e., on 30/11/2021 had on the same gross receipts of Rs.62,53,283/- disclosed the profit (on presumptive basis) under section 44AD of the Act of Rs.56,28,000/-. As observed by the CIT(A), and rightly so, profit of Rs.56,28,000/- disclosed by the assessee on the same gross receipts of Rs.62,53,283/- leads to a profit margin of 90.29%, which is not only incomprehensible, but was impossible to achieve in the line of business of the assessee. In our view, the CIT(A) had rightly observed that the assessee except for claiming that the additional income of Rs.56,46,500/-, disclosed by him in his return of income filed in compliance to notice under section 153A of the Act was received from his aforesaid two stream of business, i.e., printing and designing, had however miserably failed to substantiate his said claim which is difficult to fathom. In fact, we concur with the CIT(A) that abnormal profit disclosed by the assessee, i.e., 90.29% on the same amount of gross receipts as was earlier disclosed by him in his original return of income is not only far fetched but beyond imagination.

15. Be that as it may, we find no infirmity in the view taken by the CIT(A) who has rightly observed that as the assessee had failed to substantiate the source of the additional income of Rs.56,46,500/- that was offered by him as additional income in his return of income, therefore, the same was to be held as his income from undisclosed

sources and was liable to be taxed as per the special rates contemplated under section 115BBE of the Act.

16. Apropos, the claim of the Ld. AR that as the AO had accepted his explanation regarding the source of the additional income that was offered by him in his return of income for the immediately preceding year, i.e., AY 2019-20, as having been sourced out of his business receipts, therefore, an inconsistent and contrary view could not have been adopted for the year under question, i.e., AY 2020-21, we are unable to concur with the same. As observed by the **Hon'ble Supreme Court in Distributors (Baroda) Pvt. Ltd. Vs. Union of India and Ors (1985) 115 ITR 120 (SC)** the doctrine of *stare decisis* should not deter the Court from overruling an earlier decision, if it is satisfied that such decision is manifestly wrong or proceeds upon a mistaken assumption. The Hon'ble Apex Court while concluding as herein above, had relied upon the judgment of Jackson-J, in *Massachusetts v. United States*, 333 U.S. 611 (1948) wherein it was held that "I see no reason why I should be consciously wrong today because I was unconsciously wrong yesterday", and had observed that an incorrect view earlier taken cannot be allowed to perpetuate in light of consistency. We thus, are of firm conviction that in the absence of any explanation by the assessee regarding the source of the additional income of Rs.56,46,500/-, the same had rightly been held by the authorities below as an unexplained

income of the assessee, which, thus, was liable to be subjected to tax as per the special rates contemplated under section 115BBE of the Act.

17. Resultantly, the appeal filed by the assessee being devoid and bereft of any substance is dismissed.

ITA No.159/Hyd/2025
(AY: 2021-22)

18. As the facts and the issue involved in the present appeal remain the same, therefore, our order passed while disposing the appeal for the immediately preceding year in ITA No.158/Hyd/2025 for AY 2020-21 shall apply mutatis mutandis for the purpose of disposing of the present appeal.

19. Resultantly, the captioned appeal filed by the assessee is on the same terms dismissed.

20. In the result, both the appeals filed by the assessee, i.e., ITA No. 158/Hyd/2025 for the AY 2020-21 and ITA No. 159/Hyd/2025 for the AY 2021-22 are dismissed.

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

Sd/- (MANJUNATHA G) लेखासदस्य/ACCOUNTANT MEMBER	Sd/- (RAVISH SOOD) न्यायिकसदस्य/JUDICIAL MEMBER
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Hyderabad, dated 21/01/2026.
OKK/sps

आदेशकीप्रतिलिपिअग्रेषित/ Copy of the order forwarded to:-

1.	निर्धारित/ The Assessee	:	Srinivasa Rao Maddirala, 188/2, RT, Vijayanagar Colony, Near St. Anns School, Hyderabad, Telangana-500057.
2.	राजस्व/ The Revenue	:	ACIT, Central Circle-3(1), 7 th Floor, Aayakar Bhavan, Basheerbagh, Hyderabad, Telangana-500004.
3.	The Principal Commissioner of Income Tax, Central Circle, Hyderabad.		
4.	विभागीयप्रतिनिधि, आयकरअपीलीयअधिकरण /DR,ITAT, Hyderabad.		
5.	The Commissioner of Income Tax		
6.	गार्डफाईल / Guard file		

आदेशानुसार / BY ORDER

Sr. Private Secretary
ITAT, Hyderabad.