

आयकर अपीलीय अधिकरण, 'सी' न्यायपीठ, चेन्नई
IN THE INCOME TAX APPELLATE TRIBUNAL
'C' 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 No.:1011/Chny/2025

निर्धारण वर्ष / **Assessment Year: 2011-12**

Dhanabalan Selvamuthu Kumar, 54/2, Eraniyan Street, Erode – 638 002.	vs.	ITO, Ward -1(5), Erode.
[PAN:APCPS-5057-C] (अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/Appellant by : Shri. N. Arjun Raj, Advocate

प्रत्यर्थी की ओर से/Respondent by : Ms. R. Anitha, Addl. CIT

सुनवाई की तारीख/Date of Hearing : 19.11.2025

घोषणा की तारीख/Date of Pronouncement : 02.02.2026

आदेश / O R D E R

PER S. R. RAGHUNATHA, AM:

The present appeal of the assessee is directed against the order dated 07.02.2025 passed by the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi [hereinafter referred to as "the Ld.CIT(A)"] arising out of the assessment order dated 31.12.2018 framed u/s.143(3) r.w.s 254 of the Income Tax Act, 1961 [hereinafter referred to as "the Act"] by the Income Tax Officer, Ward 1(5), Erode [hereinafter referred to as "the AO"] pertaining to the Assessment Year 2011-12.

2. The brief facts of the case are that the assessee is a partner in the firm M/s. Erode Paints and had filed his return of income for the assessment year under consideration on 13.12.2011, declaring a total income of Rs.1,56,360/-. The case

was selected for scrutiny and the assessment was completed u/s.143(3) of the Act, vide order dated 31.01.2014, wherein the AO made the additions towards: (i) unexplained source for cash deposits in bank accounts amounting to Rs. 65,69,350/-, (ii) unexplained investment in land of Rs. 12,35,579/-, (iii) suppression of capital gains of Rs. 3,50,000/-, and (iv) suppression of interest income amounting to Rs. 6,89,270/-.

3. Aggrieved by the said additions, the assessee preferred an appeal before the learned Commissioner of Income Tax (Appeals)-3, Coimbatore. The Ld.CIT(A), vide order dated 30.12.2015, deleted the additions made towards unexplained source for cash deposits in the bank accounts and suppression of capital gains. However, the Ld.CIT(A) sustained the additions made towards unexplained investment in land amounting to Rs. 12,35,579/- and suppression of interest income of Rs. 6,89,271/-.

4. Being aggrieved by the order of the Ld.CIT(A), both assessee and the Revenue preferred appeals before this Tribunal in ITA No. 678/Mds/2016. The Tribunal, vide order dated 09.06.2017, confirmed the findings of the Ld.CIT(A) insofar as sustaining the additions towards unexplained investment in land and suppression of interest income. However, with respect to the deletion of addition on account of unexplained source for cash deposits in the bank accounts amounting to Rs. 65,69,350/-, the Tribunal set aside the issue and restored the same to the file of the AO for fresh consideration.

5. Pursuant to the directions of the Tribunal, the AO issued notices to the assessee calling upon him to substantiate the source of cash deposits and credits aggregating to Rs.65,69,350/- in his bank accounts. The AO observed that the assessee had deposited cash of Rs. 40,00,000/- and Rs. 12,00,000/- in his bank accounts maintained with UCO Bank and Indian Overseas Bank, aggregating to Rs. 52,00,000/- during the relevant assessment year. Further, the total credits in the said bank accounts during the year amounted to Rs. 13,69,350/-.

6. In response, the assessee submitted that he had received cash advances of Rs. 25,00,000/- on 26.06.2010 and Rs. 12,00,000/- on 02.08.2010 from various persons, which were subsequently deposited into the bank accounts. The AO issued notices to the persons stated to have advanced the amounts to the assessee. It was noted that confirmations were not received from 13 parties, and the advances attributable to such parties amounted to Rs. 14,95,000/-. The AO treated the said amount as unexplained and made an addition accordingly.

7. The AO further observed that the assessee had deposited cash of Rs. 20,00,000/- in the UCO Bank on three different dates. In the absence of satisfactory explanation and supporting details from the assessee, the AO treated the same as unexplained and made an addition.

8. Further, it was observed by the AO that the assessee had received a cheque of Rs. 5,00,000/- on 30.11.2010 in his bank account. As the assessee failed to furnish any explanation or evidence regarding the nature and source of the said credit, the same was also treated as unexplained.

9. Accordingly, the AO completed the assessment vide order dated 31.12.2018 passed u/s.143(3) r.w.s 254 of the Act, making an aggregate addition of Rs. 39,95,000/- towards unexplained source for cash deposits and credits in the bank accounts.

10. Aggrieved, assessee carried the matter in appeal before the Ld.CIT(A), who vide the impugned appellate order dated 07.02.2025 dismissed the appeal of the assessee upholding the additions made by the AO.

11. Aggrieved of the order of the Ld.CIT(A), assessee is in further appeal before us.

12. The Ld.AR appearing on behalf of the assessee submitted that the credit of Rs.5,00,000/- appearing in the assessee's bank account on 30.11.2010 represents a refund of advance made earlier and does not constitute any unexplained credit. With regard to the cash deposits in the bank accounts, the Ld.AR submitted that

the assessee had admittedly received total cash advances aggregating to Rs.37,00,000/- on 26.06.2010 and 02.08.2010. Out of the said advances, confirmations to the extent of Rs.22,05,000/- were duly furnished before the lower authorities. It was further contended that the cash deposit of Rs.20,00,000/- treated as unexplained and added by the AO ought to be telescoped against the aforesaid cash advances already received by the assessee. Accordingly, the Ld. AR prayed that the additions made by the AO be deleted.

13. Per contra, the Ld.DR appearing for the Revenue placed reliance on the orders of the AO and the Ld.CIT(A) and vehemently contended that the assessee had failed to furnish adequate and cogent documentary evidence in support of his claim. It was further submitted that the Ld.CIT(A) was justified in confirming the addition made by the AO.

14. We have carefully considered the rival submissions, perused the orders of the lower authorities and examined the material available on record. The limited issue before us is with regard to the sustainability of the addition of addition of Rs.39,95,000/- made by the AO towards unexplained cash deposits and credits in the bank accounts.

15. It is an admitted fact that the assessee had received cash advances aggregating to Rs.37,00,000/- on 26.06.2010 and 02.08.2010. Out of the said advances, confirmations to the extent of Rs.22,05,000/- were duly furnished and accepted by the lower authorities, whereas the balance amount of Rs.14,95,000/- was treated as unexplained for want of confirmations and has been sustained. As regards the cash deposit of Rs.20,00,000/- made in the UCO Bank on different dates, it is seen that the AO has made the addition solely on the ground that the assessee failed to furnish a separate and independent explanation for the said deposits.

16. In our considered view, once it is accepted that the assessee was in receipt of cash advances aggregating to Rs.37,00,000/- during the relevant period, and the source of a substantial part thereof stands explained, the possibility of

utilisation of such cash for subsequent deposits into the bank accounts cannot be ruled out. The principle of telescoping, which is well recognised in income-tax proceedings, is clearly applicable to the facts of the present case. The cash deposits of Rs.20,00,000/- do not represent any independent or separate source of income, but are capable of being reasonably explained out of the cash advances already received by the assessee and partly accepted by the Department.

17. Therefore, in the interest of justice and to avoid double taxation of the same source, we hold that the addition of Rs.20,00,000/- out of total addition of Rs.39,95,000/- made by the AO deserves to be telescoped against the explained portion of cash advances and consequently deleted. To this extent, the order of the Ld.CIT(A) is set aside and the AO is directed to delete the addition of Rs.20,00,000/-. Accordingly, the addition of Rs.20,00,000/- out of the total addition of Rs.39,95,000/- is deleted, while the balance additions are sustained. The grounds raised by the assessee are partly allowed.

18. In the result, the appeal of the assessee is partly allowed.

Order pronounced in the open court on 02nd February, 2026 at Chennai.

Sd/-

(मनु कुमार गिरि)

(MANU KUMAR GIRI)

न्यायिक सदस्य/**Judicial Member**

चेन्नई/Chennai,

दिनांक/Dated, the 02nd February, 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

Sd/-

(एस. आर. रघुनाथा)

(S. R. RAGHUNATHA)

लेखा सदस्य/**Accountant Member**