

**IN THE INCOME TAX APPELLATE TRIBUNAL
'A' BENCH, BANGALORE**

**BEFORE SHRI WASEEM AHMED, ACCOUNTANT MEMBER AND
SHRI SOUNDARARAJAN K, JUDICIAL MEMBER**

ITA No. 882 to 887/Bang/2025
Assessment Year: 2010-11 to 2013-14 & 2016-17 to 2017-18

Kasireddy Ranadheer Reddy, #6, 1 st Floor, Ratan Apartments, Taralabalu Road, MLA Layout, Ganganagar, Bangalore – 560 032. PAN – AMCPR 4790 E	Vs.	The Asst. Commissioner of Income Tax, Circle – 2(1), Bangalore.
APPELLANT		RESPONDENT

Assessee by	:	Shri Shivprasad Reddy, AR & Shri B.S Balachandran, Advocate
Revenue by	:	Shri N Balusamy, JCIT (DR)

Date of hearing	:	17.12.2025
Date of Pronouncement	:	02.02.2026

ORDER

PER WASEEM AHMED, ACCOUNTANT MEMBER:

These 6 appeals, filed by the assessee against the separate order of the learned Commissioner of Income Tax (Appeal) (hereafter- learned CIT(A)) under the provision of section 259 of the Income Tax Act, 1961 (hereafter- the Act), were heard together.

First, we take up ITA No. 882/Bang/2025 pertaining to AY 2010-11

2. The assessee in the memo of appeal raised multiple grounds numbered 1 to 7 and sub-grounds thereunder, which we, for the sake of brevity, are not inclined to reproduce here.

3. First, we proceed to adjudicate the issue raised through Ground No. 3 of the appeal pertaining to the merit of the addition of Rs. 1.12 crore made on account of alleged undisclosed income.

4. The brief facts of the case are that the assessee, an individual, filed its ROI declaring a total income of Rs. 3,20,995/- only. The assessee is deriving income from agricultural activities and interest income from money lending activities. A search and seizure action u/s 132 was conducted in the case of M/s Srinivasa Trust on 23.09.2016 i.e. AY 2017-18 and on the same day, the residential premises of the assessee was also searched in this connection, and materials/documents viz. loose sheets were found at the premises of the assessee. The said document was of the nature of interest earned from money lending activities. The AO made an addition u/s 69 of the Act on account of unexplained money to the tune of Rs. 1,12,00,000 (Rs. 1 Crore principal and Rs. 12 Lakhs interest thereon) based on page 102 of A/ST/KKR/01.

5. Aggrieved by the action of AO, the assessee preferred an appeal before the Ld. CIT (A)

6. Before the Ld. CIT(A), the assessee submitted that the purported amount as per the seized material pertains to FY 2008-09 and therefore can be brought to tax for AY 2009-10 only, if at all required and not to the AY 2010-11. However, the Ld. CIT(A) dismissed the plea of assessee

citing the reason that the amount relates to the period October 2009 which represents FY 2009-10 and thus pertains to AY 2010-11.

7. Aggrieved by the order of the Ld. CIT(A), the assessee has preferred an appeal before us.

8. The Ld. AR before us submitted that the addition made by the Assessing Officer is based solely on a seized document, which does not belong to the assessee. This position was clearly explained by the assessee during the course of search itself and consistently thereafter. Despite this, the authorities below proceeded to rely upon the said document without establishing any nexus between the contents of the document and the assessee.

8.1 The learned AR further submitted that the seized document is a dumb document. It is neither in the handwriting of the assessee nor does it contain any basic identifying particulars such as the names of parties, dates, nature of transaction, or confirmation of receipt or payment. Such an uncorroborated document, by itself, cannot form the basis of an addition.

8.2 It was contended that there is no evidence whatsoever of transfer of funds. The Revenue has not brought on record any proof of receipt of money by the assessee, such as bank entries, cash flow, confirmation from any lender, or any other corroborative material. In the absence of evidence of actual flow of funds, the addition made is purely presumptive.

8.3 The learned AR submitted that the seized document is merely a computer print-out, which does not record any real transaction or undisclosed income. It is well settled that noting or calculations, without supporting evidence, cannot be treated as proof of undisclosed income.

8.4 It was further argued that the presumptions under sections 132(4A) and 292C are rebuttable presumptions and not conclusive. In the present case, the assessee has clearly rebutted the presumption by denying ownership of the document and by pointing out that the document does not reflect any real transaction. Therefore, the presumptions under the said sections have no application.

9. Without prejudice, assessee submitted that even as per the seized document relied upon by the Assessing Officer, an amount of ₹1,00,00,000/- represents an opening balance pertaining to earlier assessment year and hence cannot be brought to tax in the present assessment year. The authorities below failed to appreciate this fundamental aspect.

10. On the other hand, the learned DR before us vehemently supported the orders passed by the authorities below. He submitted that the Assessing Officer had rightly made the additions after due examination of the facts and material available on record, and that the learned Commissioner (Appeals) was fully justified in confirming the same. It was contended that the findings recorded by the lower authorities are well-reasoned, in accordance with law, and do not call for any interference.

11. We have carefully considered the rival submissions of both the parties and perused the materials available on record. The addition in the present case is based entirely on a seized document. On examination, we find that the said document does not contain the name of the assessee, is not in his handwriting, and does not specify the

parties, dates, or nature of transaction. There is also no evidence of receipt of money by the assessee.

11.1 It is well settled that a dumb document, which does not speak for itself and is not supported by any corroborative evidence, cannot be the sole basis for making an addition. In the present case, the Assessing Officer has not brought any independent material on record to establish that the assessee earned any undisclosed income.

11.2 The presumptions under sections 132(4A) and 292C of the Act are not conclusive. These presumptions are rebuttable. The assessee has categorically denied ownership of the documents and has explained that it does not represent any real transaction. In the absence of any contrary evidence, the presumption stands rebutted.

11.3 We also find merit in the alternate contention of the assessee regarding the year of taxability. Even assuming that the seized document has some evidentiary value, income, if any, can be taxed only in the year in which it accrues or is received. The Ld. CIT(A) rejected the assessee's plea by merely observing that October 2009 falls in FY 2009-10 and therefore relates to AY 2010-11. We are unable to agree with this approach. The mere reference to a month or period in a document does not establish accrual or receipt of income. The Revenue has failed to prove that any income accrued to or was received by the assessee in the year under consideration. It is pertinent to have the snapshot of the seized document namely page 102 of A/ST/KKR/01 here for reference:

<i>Date</i>	<i>Amount</i>	<i>%</i>	<i>Interest/Year</i>	<i>Total</i>
<i>Oct-2008-09</i>	<i>1,00,00,000</i>	<i>12</i>	<i>12,00,000</i>	<i>1,12,00,000</i>

<i>Oct-2009-2010</i>	<i>1,12,00,000</i>	<i>12</i>	<i>13,44,000</i>	<i>1,25,44,000</i>
<i>Oct-2010-11</i>	<i>1,25,44,000</i>	<i>12</i>	<i>15,05,280</i>	<i>1,40,49,280</i>
<i>Oct-2011-12</i>	<i>1,40,49,280</i>	<i>12</i>	<i>16,85,914</i>	<i>1,57,35,194</i>
<i>Oct-2012-Feb13</i>	<i>1,57,35,194</i>	<i>12</i>	<i>18,88,223</i>	<i>1,65,21,953</i>

11.4 Further, even as per the seized document itself, a substantial portion represents opening balance of earlier year, which cannot be brought to tax in the present assessment year. Thus, we find that the addition has been made purely on assumptions and presumptions, without any supporting evidence. Such an addition cannot be sustained in law. Accordingly, the ground appeal of assessee is hereby **allowed**.

12. As we have decided the issue on merit favouring the assessee, we are not inclined to adjudicate the other issues raised by the assessee through Ground Nos. 1, 2 and 4 to 7 being technical ground or alternative ground or general or ground relating to levy of interest and initiation of penalty proceedings which are either consequential or premature. Hence, we dismiss all these grounds of appeal as infructuous.

13. In the result, the appeal filed by the assessee is partly allowed.

Coming to ITA No. 883/Bang/2025, an appeal pertaining to A.Y. 2011-12

14. The Ground No. 1 raised by the assessee is general in nature and does not require any separate adjudication. Accordingly, we dismiss the same as infructuous.

15. The issue raised by the assessee through Ground No. 2 and sub grounds thereunder is that the year under consideration does not fall

under the period of 6 assessment years as envisaged under section 153C of the Act, hence assessment made under section 153C r.w.s. 143(3) is void ab initio.

17. The relevant facts are that a search under 132 of the Act was carried out in the case of M/s Srinivasa Trust on 23.09.2016 and the residential premises of the assessee was also covered. From the assessee's residence, certain loose sheets marked as page 102 of annexure A/ST/KRR/01 containing the detail of computation of interest @ 12% was found.

18. The AO in the capacity of the AO of the M/s Srinivasa Trust (search person) recorded a satisfaction note that the impugned loose sheet belongs to or pertain to the assessee as on 28.08.2018. Accordingly, in the capacity of the appellant assessee's, the AO recorded satisfaction that the material has bearing on the income of the assessee on the same day i.e. 28-08-2018 and initiated the proceedings under section 153C of the Act for the 6-assessment years being A.Y. 2011-12 to 2016-17. Thereby, the AO completed the assessment under section 153C r.w.s. 143(3) of the Act for A.Y. 2011-12 and other relevant assessments years after making certain addition or disallowances to the total income of the assessee.

19. Aggrieved by the actions of Ld. AO, the assessee preferred an appeal before the Ld. CIT (A).

20. Before the Ld. CIT(A), the assessee submitted that the notice u/s 153C of the Act for A.Y. 2011-12 is without jurisdiction as the same does not fall under the period of 6 assessment year as provided under Act. The assessee contended that the period of 6 assessment years referred u/s 153A(1)(b) have to reckoned from the date of receiving of

documents from the AO of the searched person for the purpose of proceedings u/s 153C of the Act which in the present case is 28.08.2018 relevant to A.Y. 2019-20. Hence, the six Assessment Years u/s 153C are to be starting from AYs 2013-14 to 2018-19. However, the AO considered AYs from 2011-12 to 2016-17. Therefore, the year under consideration i.e. A.Y. 2011-12 is outside the purview of section 153C proceeding in the given facts. To support the argument, the assessee also relied on various judicial precedence viz. Jasjit Singh (2023) 155 taxmann.com 155 (SC), Shalimar Town Planners Pvt Ltd. (2024) 161 taxmann.com 306 (SC) & CIT vs RRJ Securities Limited (2016) 380 ITR 612 (Delhi) and requested the Ld. CIT(A) to set aside the assessment order for AY 2011-12 and AY 2012-13 as they are barred by limitation.

21. The Ld. CIT(A) dismissed the plea of assessee citing the reason that as the AO for the searched person and other person i.e. assessee is same, therefore the case of the assessee does not involve any handing over the seized assets by the AO of searched person to the AO of the other person.

21.1 Further, the Ld. CIT(A) referred to the amendment made to the First Proviso to section 153C(1) of the Act inserted by Finance Act, 2008 which means that the initiation of search shall be read as handing over seized assets of the other person only for the purpose of abatement of assessments. Hence, the Ld. CIT(A) upheld the addition made by AO and consequently rejected the plea of assessee in this regard.

22. Aggrieved by the order of the Ld. CIT(A), the assessee has preferred an appeal before us.

23. The Ld. AR before us has filed a paper book running from pages 1 to 141, compilation of case laws in support of assessee's claim. The Ld. AR before us submitted that the assessment year 2011-12 falls beyond

the six assessment years prescribed under section 153A(1)(b) read with the first proviso to section 153C(1) of the Act. It was further submitted that even where the Assessing Officer of the searched person and the other person is the same, the relevant date for the purpose of computing the six assessment years proceedings under section 153C of the Act is the date on which the seized material is recorded as belonging to the other person, that is, the date of recording satisfaction or issuance of notice under section 153C of the Act as the case may be.

23.1 The learned AR relying on the judgment of Hon'ble SC in the case of **Commissioner of Income-tax vs. Jasjit Singh [2023]** reported in **155 taxmann.com 155 (SC)/[2023] 295 Taxman 612 (SC)/[2023] 458 ITR 437 (SC)[26-09-2023]** submitted that the amendment in section 153C(1) introduced by the FA, 2008 is not relevant for the purpose of reckoning six AY u/s 153C.

24. On the other hand, the learned DR before us vehemently supported the orders passed by the authorities below. He submitted that the Assessing Officer had rightly made the additions after due examination of the facts and material available on record, and that the learned Commissioner (Appeals) was fully justified in confirming the same. It was contended that the findings recorded by the lower authorities are well-reasoned, in accordance with law, and do not call for any interference.

25. We have heard the rival contentions of both the parties and perused the materials available on record. It is an undisputed fact that the impugned addition of Rs. 13,44,000 pertains to assessment year

2011-12 which has been made pursuant to proceedings initiated under section 153C of the Act.

25.1 On examination of the provisions of section 153A(1)(b) read with the first proviso to section 153C(1) of the Act, it is evident that the AO is empowered to assess or reassess only six assessment years immediately preceding the relevant assessment year in which the seized material is handed over to the Assessing Officer of the other person.

25.2 In the present case, it is also not in dispute that the Assessing Officer of the searched person and the other person is the same. In such circumstances, the relevant date for the purpose of computing the six assessment years is the date of recording of satisfaction or the date of issuance of notice under section 153C of the Act as the case may be. As such, the six assessment years are reckoned from the said date and accordingly, the assessment year 2011-12 clearly falls beyond the permissible period prescribed under the Act.

25.3 The reliance placed by the assessee on the judgment of the Hon'ble Supreme Court in the case of **Commissioner of Income-tax v. Jasjit Singh** reported in **[2023] 155 taxmann.com 155 (SC)** is found to be well founded. The Hon'ble Supreme Court has categorically held that the amendment to section 153C(1) brought in by the Finance Act, 2008 does not alter the manner of computation of the six assessment years for the purposes of section 153C of the Act. The relevant extract of the said judgement is provided here for ready reference:

9. It is evident on a plain interpretation of Section 153C(1) that the Parliamentary intent to enact the proviso was to cater not merely to the

question of abatement but also with regard to the date from which the six year period was to be reckoned, in respect of which the returns were to be filed by the third party (whose premises are not searched and in respect of whom the specific provision under Section 153-C was enacted. The revenue argued that the proviso [to Section 153(c)(1)] is confined in its application to the question of abatement.

10. *This Court is of the opinion that the revenue's argument is insubstantial and without merit. It is quite plausible that without the kind of interpretation which SSP Aviation adopted, the A.O. seized of the materials – of the search party, under section 132 – would take his own time to forward the papers and materials belonging to the third party, to the concerned A.O. In that event if the date would virtually "relate back" as is sought to be contended by the revenue, (to the date of the seizure), the prejudice caused to the third party, who would be drawn into proceedings as it were unwittingly (and in many cases have no concern with it at all), is dis-proportionate. For instance, if the papers are in fact assigned under Section 153-C after a period of four years, the third party assessee's prejudice is writ large as it would have to virtually preserve the records for at latest 10 years which is not the requirement in law. Such disastrous and harsh consequences cannot be attributed to Parliament. On the other hand, a plain reading of section 153-C supports the interpretation which this Court adopts.*

25.4 In view of the above legal position, we hold that the initiation of proceedings under section 153C of the Act for the assessment year 2011-12 is beyond the scope of jurisdiction conferred under the Act. Consequently, the assessment framed for the said assessment year, and the addition made therein are liable to be quashed. Hence, the ground of appeal raised by the assessee is hereby allowed.

26. Since we have decided Ground No. 2 in favour of the assessee quashing the assessment order as invalid and without jurisdiction. The other issues raised by the assessee on the merit of the addition, levy of interest and initiation of penalty proceeding etc vide ground Nos. 3 to 6 become infructuous. Hence, we dismiss the Grounds Nos. 3 to 6 as infructuous.

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

Coming to ITA No. 884/Bang/2025, an appeal pertaining to A.Y. 2012-13

28. At the outset, we note that the issues raised by the assessee in its grounds of appeal for the AY 2012-13 are identical to the issues raised by the assessee in ITA No. 883/Bang/2025 for the assessment year 2011-12. Therefore, the findings given in ITA No. 883/Bang/2025 shall also be applicable for the assessment year 2012-13. The appeal of the assessee for the A.Y. 2011-12 has been decided by us vide paragraph No. 26 of this order wherein we have held that year under consideration is outside the purview of 6 assessment year as provided under section 153C of the Act. Accordingly, the assessment is invalid and without having jurisdiction. As we have decided the legal ground favouring the assessee, the other grounds are dismissed as infructuous. The learned AR and the DR also agreed that whatever will be the findings for the assessment year 2011-12 shall also be applied for the assessment year 2012-13. Hence, the grounds of appeal filed by the assessee on validity of assessment under section 153C of the Act is allowed whereas other grounds are dismissed as infructuous.

28.1. In the result, the appeal of the assessee is hereby partly allowed.

Coming to ITA No. 885/Bang/2025, an appeal pertaining to A.Y. 2013-14

29. The **Ground Nos. 1 & 5** of the assessee's appeal are general grounds which do not require any separate and independent adjudication. Therefore, we dismiss the same as infructuous.

30. The **Ground Nos. 3 & 4** of the assessee's appeal pertain to the initiation of penalty proceedings under section 271(1)(c) of the Act and levy of interest under section 234A, 234B and 234C of the Act. These issues are either premature or consequential in nature which do not require any separate and independent adjudication. Therefore, we dismiss the same as infructuous.

31. The **Ground No. 2 (i) to (vi)** of the assessee's appeal pertains to the addition of alleged unaccounted interest based on loose sheets being page No. 102 of annexure A/ST/KKR/01 found during the search.

32. At the outset, we note that the issues raised by the assessee in the captioned ground of appeal for the AY 2013-14 is identical to the issue raised by the assessee in ITA No. 882/Bang/2025 for the assessment year 2010-11. Therefore, the findings given in ITA No. 882/Bang/2025 shall also be applicable for the assessment year 2013-14. The ground of appeal of the assessee for the A.Y. 2010-11 has been decided by us vide paragraph No. 11 of this order in favour of the assessee. The learned AR and the DR also agreed that whatever will be the findings for the assessment year 2011-12 shall also be applied for the assessment year 2013-14. Hence, the grounds of appeal filed by the assessee is hereby allowed.

32.1. In the result, the appeal of the assessee is hereby partly allowed.

Coming to ITA No. 886/Bang/2025, an appeal pertaining to A.Y. 2016-17

33. The **Ground Nos. 1 & 5** of the assessee's appeal are general grounds which do not require any separate and independent adjudication. Therefore, we dismiss the same as infructuous.
34. The **Ground Nos. 3 & 4** of the assessee's appeal pertain to the initiation of penalty proceedings under section 271(1)(c) of the Act and levy of interest under section 234A, 234B and 234C of the Act. These issues are either premature or consequential in nature which do not require any separate and independent adjudication. Therefore, we dismiss the same as infructuous.
35. **The issue** raised in Ground No. 2.1 to 2.7 pertains to the addition of Rs. 5.5 crores on account of alleged cash payment to M/s Nagamani Construction for execution of sale agreement.
36. The necessary facts are that the during the search at the residence of the assessee, a copy of the registered sale agreement dated 18th February 2016 between M/s Nagamani Construction and the assessee was found. As per the agreement, the assessee agreed to purchase a land property of 27 Guntas at Siddapura Village, Varthur Hubli Bangalore for a consideration of Rs. 6.5 crores. The agreement also mentioned out of total consideration, an amount of Rs. 5.5 crore has already been paid in cash.
- 36.1. During the search, the statement of the assessee was recorded under section 132 of the Act wherein the assessee was confronted

with the impugned agreement vide relevant question Nos. 22, 23, and 24. In reply, the assessee denied the content of the agreement, however the assessee admitted an amount of Rs. 60 lakh was paid in cash which was given by his father. Subsequently, a summon under section 131 of the Act was issued during the post search proceedings and his sworn statement was recorded under-section 131(1) of the Act wherein the assessee stated that the impugned sale agreement dated 18th February 2016 was entered to show prospective customer that there is demand for purchase of the subjected land property.

36.2. Furthermore, the assessee during the assessment proceedings submitted that at the time of search, besides the copy of impugned agreement, an unregistered cancellation deed for the same was also found which the authority ignored. The assessee claimed that there are 2 unregistered cancellation deed 23-03-2016 and 27-08-2016. However, one cancellation deed dated 27th August 2016 was subsequently registered as on 19th November 2016.

36.3. However, the AO dismissed the submission of the assessee by holding the cancellation deed as self-serving document. The AO found that in the sale agreement it is clearly mentioned that the assessee has paid cash amounting to Rs. 5.5 crores to the seller party. In addition, the assessee in sworn statement under section 132(4) of the Act also admitted that he has paid Rs. 60 lakhs to seller. Therefore, the content of the cancellation deed that no amount was exchanged between the assessee and the seller party at the time of the entering of the agreement cannot be relied upon. The AO also noted the cancellation deed was registered after search proceedings. In view of

the above, the AO held that the assessee has made cash payment of Rs. 5.5 crores in pursuance to the sale agreement, sources of which were not explained. Hence, the AO treated the same as unexplained money under section 69 of the Act and added to the total income of the assessee.

37. Aggrieved by the action of AO, the assessee preferred an appeal before the Ld. CIT (A)

38. The assessee submitted that the agreement of sale dated 18.02.2016 was cancelled as the agreed consideration could not be paid. A Deed of Cancellation dated 23.03.2016 and a subsequent Deed of Cancellation dated 27.08.2016 were executed, the latter being registered on 19.11.2016.

38.1. It was submitted that during the search on 23.09.2016, copies of the sale agreement and the cancellation deeds were found at the residential premises of the assessee, though the cancellation deeds were not seized as they were unregistered at that time. The assessee contended that the amount of ₹5,50,00,000 mentioned in the agreement was never paid.

38.2. It was further submitted that pursuant to the cancellation, the assessee and M/s Nagamani Constructions mutually agreed that the assessee would execute construction work on the said land. The construction activity was carried out during FYs 2019-20 to 2022-23, and the related contract income was duly offered to tax. Subsequently, a tripartite Agreement of Sale dated 26.07.2023 was entered into for purchase of apartments towards settlement of the

works contract. Accordingly, it was submitted that the addition made on the basis of the cancelled agreement is without any factual or legal basis.

39. The Ld. CIT(A) held that the seized registered agreement of sale dated 18.02.2016 clearly recorded payment of ₹5.50 crore in cash by the assessee. The assessee's claim that only ₹70 lakh was paid was held to be contrary to the contents of the agreement and therefore not acceptable.

39.1. The cancellation deeds relied upon by the assessee were rejected on the ground that the subsequent deed dated 27.08.2016 was registered only after the search and was therefore an afterthought. It was also observed that the cancellation deeds were silent regarding the alleged non-payment of ₹5.50 crore.

39.2. The Ld. CIT(A) further rejected the assessee's contention that the transaction was later converted into a works contract, noting that the assessee had no prior experience in construction and had not received any payments, amounts merely were shown as receivables. Reliance was also placed on the subsequent tripartite agreement dated 26.07.2023, and it was held that the assessee effectively received 24 flats in lieu of the alleged cash payment. The judicial precedents relied upon by the assessee were held to be distinguishable. Accordingly, the addition made by the Assessing Officer was confirmed and the grounds of appeal were dismissed.

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

41. The Ld. AR before us submitted that the assessee contended that only ₹70,00,000 was paid at the time of execution of the sale agreement dated 18.02.2016 and not ₹5,50,00,000 as alleged. Assessee further contended that enquiries conducted by the Department with M/s Nagamani Constructions confirmed that no such cash payment of ₹5,50,00,000 was received.
- 41.1. The assessee further submitted that 24 flats received were towards execution of construction work and not in lieu of the alleged cash payment. It was contended that the Ld. CIT(A) misread the tripartite agreement dated 26.07.2023 and wrongly concluded that the alleged cash payment was returned in kind.
- 41.2. It was also contended that the Ld. CIT(A) erred in doubting the assessee's construction activity despite the fact that income from the construction contract was duly declared in the returns of income for subsequent assessment year. The finding that no payments were received was stated to be factually incorrect, as the consideration was received in the form of apartments.
- 41.3. The assessee further contended that the Ld. CIT(A) failed to consider and distinguish the judicial precedent relied upon by the assessee and therefore erred in confirming the addition of ₹5,50,00,000.
42. On the other hand, the learned DR before us vehemently supported the orders passed by the authorities below. He submitted that the Assessing Officer had rightly made the additions after due

examination of the facts and material available on record, and that the learned Commissioner (Appeals) was fully justified in confirming the same. It was contended that the findings recorded by the lower authorities are well-reasoned, in accordance with law, and do not call for any interference.

43. We have carefully considered the rival submissions of both the parties and perused the materials placed on record. The issue before us is whether the payment of ₹5,50,00,000/- in the registered agreement of sale dated 18-02-2016, which was ultimately cancelled, can justify an addition as unexplained investment, despite the consistent stand of the assessee that only ₹70,00,000/- was paid and the transaction never culminated in a sale.

43.1. At the outset, it is an undisputed fact that the agreement of sale dated 18-02-2016 was never acted upon and stood cancelled. The assessee has produced two cancellation deeds dated 23-03-2016 and 27-08-2016. Both these documents were found during the course of search, though only the registered agreement of sale was seized by the search party. The cancellation deeds were not seized for reasons as the same were not registered. Merely because the second cancellation deed dated 27-08-2016 was registered subsequently on 19-11-2016, it cannot be held as an afterthought, particularly when the document itself was found during search proceedings.

43.2. We note that the cancellation deeds clearly record that the amount of ₹5,50,00,000/- mentioned in the agreement of sale was not paid by the assessee. This assertion of assessee has not been

held wrong by the Revenue by bringing any cogent material on record. No evidence such as cash trail, bank withdrawals proximate to the agreement, or confirmation of receipt by the seller has been produced by the Assessing Officer.

43.3. Importantly, during the search itself, the assessee in his statement recorded u/s 132(4) of the IT Act categorically stated that he had paid only ₹70,00,000/- and not ₹5,50,00,000/-. The assessee also furnished complete particulars including address and contact details of the seller, M/s. Nagamani Constructions, and specifically requested the Department to verify the facts directly with them. The Department did conduct enquiry with the said seller, who denied having received ₹5,50,00,000/-. This denial by the counterparty goes to the root of the matter and further weakens the Revenue's case.

43.4. We further find that no sale deed was executed pursuant to the agreement of sale dated 18-02-2016. This subsequent conduct is fully consistent with the assessee's stand that the agreement stood cancelled and no consideration as alleged was paid.

43.5. The subsequent conduct of the parties also supports the assessee's explanation. After cancellation of the agreement of sale, the assessee undertook construction activity as a works contractor for M/s Nagamani Constructions on the same land. The construction work was carried out during FYs 2019-20 to 2022-23. The assessee has declared the contract receipts in the respective assessment years, maintained audited books of account, and shown the outstanding amounts as sundry debtors. These returns of income have not been disturbed by the Department.

43.6. Further, the tripartite agreement dated 26-07-2023 clearly demonstrates that the assessee received 24 flats towards adjustment of the outstanding works contract dues and not in lieu of any alleged payment of ₹5,50,00,000/-. This is clearly written in the agreement and is supported by entries in the books of account. All these transactions are duly recorded and have been offered to tax in the relevant years.

43.7. The reliance placed by the assessee on the decision of the Hon'ble Delhi High Court in the case of **Commissioner of Income-tax, (Central)-1, New Delhi vs. Ved Prakash Choudhary [2008]** reported in **169 Taxman 130 (Delhi)/[2008] 305 ITR 245 (Delhi)/[2008] 218 CTR 99 (Delhi)[19-02-2008]** is also apposite. The Hon'ble Court has held that:

"In the instant case, the assessee had stated that in fact there was no transfer of money between him and 'R' and 'M'. On the other hand, 'R' and 'M' had denied receipt of any money from the assessee. In the fact of those denials, there ought to have been corroborative evidence to show that there was in fact such a transfer of money. Both the Commissioner (Appeals) as well as the Tribunal had come to the conclusion that there was no such material on record. [Para 12]

The Assessing Officer relied on certain other transactions entered into by the assessee with 'R' and 'M' for drawing a presumption in respect of the transfer of money, but the Tribunal rightly held that those were independent transactions and had nothing to do with the MoUs, which were the subject-matter of discussion. Even if there was something wrong with some other transactions entered into, that would not give rise to an adverse inference insofar as the subject MoUs were concerned. [Para 13]

Hence, no substantial question of law arose and appeal was liable to be dismissed. [Para 14]"

43.8. The same principle as laid down by the Hon'ble Court discussed above squarely applies to the facts of the present case. We also find merit in the assessee's explanation regarding payment of ₹70,00,000/-, supported by bank withdrawals and availability of

known sources. The lower authorities have not brought any contrary material to disprove this explanation.

43.9. On an overall consideration of the facts and circumstances of the case, we are of the view that the addition has been made purely on suspicion and surmises and conjectures, based solely on the clauses in the agreement of sale, without any independent corroborative evidence. Accordingly, such an addition cannot be sustained in law. In view of the foregoing discussion, we hold that the agreement of sale dated 18-02-2016 stood validly cancelled, no payment of ₹5,50,00,000/- was made by the assessee, and the subsequent transactions clearly support the assessee's version. Accordingly, the addition sustained by the learned CIT(A) is **deleted** and the ground of appeal of the assessee is allowed.

44. In the result appeal filed by the assessee is partly **allowed**.

Coming to ITA No. 887/Bang/2025, an appeal pertaining to A.Y. 2017-18

45. The **Ground Nos. 1 & 7** of the assessee's appeal are general grounds which do not require any separate and independent adjudication. Therefore, we dismiss the same as infructuous.

46. The assessee vide ground No. 2 has challenged the validity of the assessment order because the subjected AY falls within the block of 6 AYs as per 153C of the Act whereas the assessment was made u/s 143(3) of the Act.

47. The relevant facts at the cost of repetition are that a search under 132 of the Act was carried out in the case of M/s Srinivasa Trust on 23.09.2016 wherein the residential premises of the assessee was also covered. From the assessee's residence, certain loose sheets marked as page 102 of annexure A/ST/KRR/01 containing the detail of computation of interest @ 12% was found.
48. The AO in the capacity of the AO of the M/s Srinivasa Trust (search person) recorded a satisfaction note that the impugned loose sheet belongs to or pertain to the assessee as on 28.08.2018. Accordingly, the AO in the capacity of the assessee's AO, recorded satisfaction that the material has bearing on the income of the assessee. Accordingly, the AO initiated the proceedings under section 153C of the Act for the 6-assessment years being A.Y. 2011-12 to 2016-17 and for the year under consideration (A.Y. 2017-18) initiated the proceeding under section 143(3) of the Act. Thereby the AO completed the assessment for other years under section 153C r.w.s. 143(3) of the Act whereas for the year under consideration completed the assessment under section 143(3) of the Act.
49. The aggrieved assessee preferred an appeal before the learned CIT(A) and challenged the assessment framed under section 143(3) of the Act. However, the learned CIT(A) dismissed the assessee's ground of appeal.
50. Being aggrieved by the order of the learned CIT(A), the assessee is in appeal before us.

51. Before us the primary argument of the learned AR of the assessee is that the AO of the search person recorded satisfaction regarding search material belongs to or pertains to the assessee as 28-08-2018 i.e. AY 2019-20. Therefore, as per the provision of 1st proviso to section 153C of the Act impugned year shall be treated as year of search for the assessee and period of 6 preceding assessment years shall be reckoned accordingly. The learned AR claimed that applying the said principle in the case of assessee, the 6 preceding assessment year shall be A.Y. 2013-14 to 2018-19. Therefore, the year under consideration i.e. A.Y. 2017-18 falls under the purview of section 153C of the Act whereas the AO framed assessment under section 143(3) of the Act which is in contravention to special provision of section 153C of the Act.
52. On the other hand, the learned DR before us vehemently supported the orders passed by the authorities below.
53. We have heard the rival contentions of both the parties and perused the materials available on record. At the outset, we note that it is not in dispute that the search u/s 132 was conducted in the case of a third party, namely M/s Srinivasa Trust, and not in the case of the assessee. The assessee's premises were covered only in connection with such search, and certain documents were found and seized.
- 53.1. Once documents are seized during a search which belong to or pertain to a person other than the searched person, the only jurisdictional provision applicable is section 153C of the Act. The statute clearly mandates that the Assessing Officer of the searched person must record satisfaction and hand over the seized material to

the Assessing Officer having jurisdiction over such other person. Thereafter, the assessment of such other person can be made only under section 153C of the Act.

53.2. It is well settled that for the purposes of section 153C of the Act, the date of handing over of seized materials to the Assessing Officer of the other person is to be reckoned as the date of search, and accordingly, the block of six assessment years has to be determined with reference to such date.

53.3. In the present case, it is an admitted position that the seized material was handed over to the jurisdictional Assessing Officer in AY 2019-20. Therefore, the assessment years covered under section 153C of the Act had to be determined with reference to that year. However, the Assessing Officer erroneously treated the year under consideration as a regular assessment year and completed the assessment u/s 143(3) of the Act, instead of initiating proceedings u/s 153C of the Act.

53.4. This approach of the Assessing Officer is contrary to the statutory scheme of section 153C of the Act. Once the conditions of section 153C are triggered, the Assessing Officer has no jurisdiction to frame an assessment under section 143(3) of the Act. The jurisdiction under section 153C is mandatory and exclusive, and not optional.

53.5. We further note that, the notice under section 143(2) of the Act for the year under consideration was issued 19-11-2018 and such 143(2) notice was issued in the context of return filed in response to notice issued under section 153C of the Act. This fact can be verified

from para 4 and 5 of the assessment order. Hence the AO assumed jurisdiction of the assessment under section 153C of the Act, however completed the assessment under section 143(3) of the Act in contravention of the special provision of section 153C and 153A of the Act having overriding effect over regular assessment provision.

53.6. Accordingly, we hold that the assessment framed u/s 143(3) is without authority of law, having been passed in violation of the mandatory provisions of section 153C of the Act. Accordingly, we hereby quash the assessment order. Hence, the ground of appeal of the assessee is hereby allowed.

54. Since we have held that the assessment itself is invalid in law, we refrain from adjudicating the additions on merits. All issues on merits are therefore dismissed as infructuous.

55. In the result, the appeal filed by the assessee is partly **allowed**.

56. In the combined result, all the 6 appeals of the assessee are hereby partly allowed.

Order pronounced in court on 2nd day of February, 2026

Sd/-

(SOUNDARARAJAN K)
Judicial Member

Sd/-

(WASEEM AHMED)
Accountant Member

Bangalore
Dated, 2nd February, 2026

/ vms /

Copy to:

1. The Applicant
2. The Respondent
3. The CIT
4. The CIT(A)
5. The DR, ITAT, Bangalore.
6. Guard file

By order

Asst. Registrar, ITAT, Bangalore