

आयकर अपीलीय अधिकरण, 'ए' न्यायपीठ, चेन्नई
**IN THE INCOME TAX APPELLATE TRIBUNAL
'A' 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**

आयकरअपीलसं./I.T.A.No.2348/Chny/2025 &
C.O.No.83/Chny/2025
(In ITA No.2348/Chny/2025)
&
S.A.No.121/Chny/2025
[Arising in CO No.: 83/Chny/2025]
(निर्धारणवर्ष / Assessment Year: 2011-12)

Income Tax Officer, Non-Corporate Ward-19(6), Chennai -34.	Vs.	Shri. Chinnan Vaithyalingam, No.19/8, Kripasankari Street, West Mambalam, Chennai – 600 033.
(अपीलार्थी/Appellant)		[PAN: AASPV-5447-L] (प्रत्यर्थी/Respondent /Cross Objector)

Assessee by : Shri. T. Vasudevan, Advocate
Department by : Shri. C. Sivakumar, Addl. C.I.T.

सुनवाई की तारीख/Date of Hearing : 07.01.2026
घोषणा की तारीख/Date of Pronouncement : 05.02.2026

आदेश / O R D E R

PER S. R. RAGHUNATHA, AM :

The present appeal of the Revenue, Cross objections and Stay petition of the assessee are directed against the order dated 04.06.2025 of 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 24.12.2018 passed u/s.144 r.w.s 147 of the Income-tax Act, 1961 [hereinafter referred to as "the Act"] by the Income Tax Officer, Non Corporate

Ward 14(4), Chennai [hereinafter referred to as “the AO”] pertaining to the Assessment Year 2011-12.

2. The brief facts of the case, as borne out from the record, are that the assessment was reopened on the ground that the assessee had made substantial cash deposits aggregating to Rs.95,32,250/- in ICICI Bank and Rs.2,12,71,250/- in Axis Bank on various dates. Consequently, notice u/s.148 of the Act was issued by the AO on 07.05.2018. During the course of reassessment proceedings, the AO issued statutory notices calling upon the assessee to furnish requisite details and explanations. However, the assessee failed to comply with the same and no response was received. In the absence of any submissions or documentary evidence from the assessee, the AO treated the entire cash deposits amounting to Rs.3,08,03,500/- as unexplained income of the assessee for the impugned assessment year and completed the assessment ex parte u/s.144 r.w.s 147 of the Act vide order dated 24.12.2018.

3. Aggrieved of the assessment order in making an addition of Rs.3,08,03,500/-, the assessee carried the matter in appeal before the Ld.CIT(A).

4. The Ld.CIT(A), vide the impugned appellate order dated 04.06.2025, partly allowed the appeal of the assessee by directing the AO to determine the income of the assessee by adopting the peak credit method. The Ld.CIT(A) recorded a finding that the assessee is engaged in the business of money lending, advancing loans to various retail traders in the wholesale market at Koyambedu, Chennai. It was further observed that the assessee had not maintained regular books of account for the business activities carried on during the impugned assessment year.

5. The Ld.CIT(A) noted that the total turnover from the money lending business was reflected in the bank accounts maintained by the assessee with

Axis Bank and ICICI Bank. However, the Ld.CIT(A) opined that the entire deposits appearing in the bank accounts for the whole year could not be treated as income of the assessee, particularly considering the nature of money lending business. It was also observed that the said bank accounts contained corresponding debit entries and cash withdrawals in addition to credit entries.

6. In view of the above facts and circumstances, the Ld.CIT(A) held that the income of the assessee is required to be determined by applying the peak credit method. Accordingly, Ld.CIT(A) directed the AO to compute the peak credit and adopt the same as the income of the assessee for the assessment year under consideration. Thus, the Ld.CIT(A) partly allowed the appeal of the assessee.

7. Aggrieved of the above order of the Ld.CIT(A), Revenue is in appeal and the assessee filed cross objections before us.

8. The Ld.DR, appearing for the Revenue, submitted that the assessee has failed to file the return of income despite having taxable income, as evident from the bank statements on record. It was further contended that the assessee did not furnish any documentary evidence in support of the alleged money-lending business. The Ld.DR also pointed out that the assessee failed to provide particulars of the persons to whom money was allegedly advanced on a regular basis.

9. The Ld.DR further submitted that, in the absence of a valid money-lending licence, the assessee is not entitled to claim the benefit of carrying on a money-lending business. Accordingly, it was argued that the order of the Ld.CIT(A) in restricting the addition by applying the peak credit theory is unsustainable in law and on facts, and therefore liable to be set aside.

10. Per contra, the Ld.AR, drawing our attention to the peak credit working placed at pages 14 to 40 of the paper book, submitted that the maximum peak

balance comes to Rs.18,06,319/- stood as on 28.03.2011. It was contended that the said amount alone is liable to be considered for addition after giving due credit for the returned income of Rs.3,01,106/-. Accordingly, the Ld.AR prayed that the addition be restricted only to the peak credit amount of Rs.18,06,319/-.

11. We have heard the rival submissions and carefully perused the material available on record, including the assessment order, the impugned appellate order and the paper book filed by the assessee. The short controversy before us is whether the Ld.CIT(A) was justified in directing the AO to adopt the peak credit method and thereby restricting the addition, as against the action of the AO in treating the entire cash deposits of Rs.3,08,03,500/- as unexplained income.

12. Admittedly, the assessment was completed ex parte u/s.144 r.w.s.147 of the Act, wherein the AO, in the absence of any compliance from the assessee, proceeded to treat the aggregate cash deposits in the Axis Bank and ICICI Bank accounts as unexplained income. It is equally undisputed that the said bank accounts reflected both credit and debit entries throughout the year. The Ld.CIT(A), after appreciating the nature and pattern of transactions, recorded a categorical finding that the assessee was engaged in money lending activities and that the deposits represented circulating funds, coupled with withdrawals and redeployments. Hence, the entire credits cannot be brought to tax as rightly held by the Id.CIT(A).

13. We find merit in the reasoning adopted by the Ld.CIT(A). In cases where there are repetitive deposits and withdrawals in the same bank accounts, it is a settled principle that taxing the entire gross deposits would result in multiple additions of the same money. In such circumstances, adoption of the peak credit theory is a reasonable and judicially accepted method to determine the real income embedded in the transactions, particularly when the assessee has not maintained regular books of account.

14. The contention of the Revenue that the assessee failed to substantiate the money lending business or not having money lending licence, does not in our considered view detract from the applicability of the peak credit principle. Even assuming that the source of deposits remains unexplained, only the maximum amount employed at any point of time can be brought to tax, and not the cumulative deposits made / reflected in the bank statements. What is relevant is the unexplained investment or application of funds at its highest point, and not the repetitive circulation thereof, which tantamount to income.

15. On perusal of the peak credit working furnished by the assessee, placed at pages 14 to 40 of the paper book, we note that the maximum peak balance works out to Rs.18,06,319/- as on 28.03.2011. The Revenue has not pointed out any specific infirmity or arithmetical defect in the said working. In the absence of any contrary material brought on record by the Department, we find no reason to disturb the said computation of the assessee.

16. Accordingly, we uphold the finding of the Ld.CIT(A) in principle that the income of the assessee is liable to be determined on the basis of peak credit. We further direct that the addition be restricted to Rs.18,06,319/- being the maximum peak credit reflected in the cash book on 28.03.2011, subject to granting due credit for the returned income of Rs.3,01,106/-, as contended by the Ld.AR.

17. In view of the foregoing discussion, we find no infirmity in the impugned order of the Ld.CIT(A). The same is hereby confirmed. Consequently, the grounds raised by the Revenue are dismissed and accordingly the grounds of cross objection raised by the assessee are partly allowed.

18. Since we have already adjudicated the appeal of the assessee on merits, nothing survives in the stay application. Accordingly, the stay application stands dismissed as infructuous.

19. In the result, the appeal of the Revenue and stay application of the assessee stand dismissed and the Cross objection of the assessee is partly allowed.

Order pronounced in the open court on 05th February, 2026 at Chennai.

Sd/-

(मनु कुमार गिरि)
(MANU KUMAR GIRI)

न्यायिक सदस्य/**Judicial Member**

Sd/-

(एस. आर. रघुनाथा)
(S. R. RAGHUNATHA)

लेखासदस्य/**Accountant Member**

चेन्नई/Chennai,

दिनांक/Dated, the 05th 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