

आयकर अपीलीय अधिकरण, 'सी' न्यायपीठ, चेन्नई।
IN THE INCOME TAX APPELLATE TRIBUNAL
'C' BENCH: CHENNAI

श्री एबी टी. वर्की, न्यायिक सदस्य एवं सुश्री पदमावती यस, लेखक सदस्य के समक्ष
BEFORE SHRI ABY T. VARKEY, JUDICIAL MEMBER AND
MS. PADMAVATHY.S, ACCOUNTANT MEMBER

आयकर अपील सं./ITA No.2927/Chny/2025
निर्धारण वर्ष /Assessment Year: 2018-19

Goutam Chand Sandeep Pagariya,
8, School Street, I Cross,
Virugambakkam,
Chennai – 600 092.
PAN: APIPS 7954L

The Income Tax Officer,
Vs. Non Corporate Circle-8(1),
Chennai.

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/ Appellant by
प्रत्यर्थी की ओर से /Respondent by

: Mr.K.P. Gangi Reddi, C.A
: Ms. R. Anitha, Addl. CIT

सुनवाई की तारीख/Date of Hearing
घोषणा की तारीख /Date of Pronouncement

: 02.02.2026
: 10.02.2026

आदेश / ORDER

PER PADMAVATHY.S, A.M:

This appeal by the assessee are against the order of the Commissioner of Income Tax (Appeals)/National Faceless Appeal Centre (NFAC), Delhi, (in short "CIT(A)") passed u/s. 250 of the Income Tax Act, 1961 (in short "the Act") dated 13.10.2025 for Assessment Year (AY) 2018-19.

2. The assessee is an individual and filed the return of income for AY 2018-19 on 03.10.2018 declaring total income of Rs.9,68,950/-. The case was selected for scrutiny and the statutory notices were duly served on the assessee. The A.O noticed from the audit report in Form-3CD that the

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assessee has made contract payment to the tune of Rs. 1,23,08,197/- to M/s. JP Jewellery and TDS u/s. 194C of the Act has been deducted but has not been paid. The A.O called on the assessee to show cause as to why the amount should not be disallowed u/s. 40(a)(ia) of the Act. The assessee submitted before the A.O that there is an error in Form-3CD and that the assessee is not having any transaction with M/s. JP Jewellery during the year under consideration. The A.O did not accept the submissions of the assessee and called on the assessee to furnish certificate from the C.A who prepared the audit report. The A.O also issued a notice u/s. 133(6) to JP Jewellery to furnish details. The A.O held that the assessee and JP Jewellery did not furnish any documentary evidences in support of the claim that the expenditure was not incurred by the assessee as mentioned in the audit report. Accordingly, the A.O treated the impugned amount as addition u/s. 69C of the Act. The A.O also noticed that there is a substantial increase in the unsecured loans as of 31.03.2018 at Rs. 3,26,70,330/- from the previous year where the amount reported stood at Rs. 1,92,26,088/-. The A.O called on the assessee to furnish the PAN, email, telephone number, confirmation, documentary evidence, supporting creditworthiness etc. The assessee submitted the details of creditors ledger extract etc and also submitted that amounts stated by the A.O are not the right amount as per the books of account of the assessee. The A.O called on the assessee to reconcile the difference and since assessee did not respond the A.O made an addition to the tune of Rs. 1,32,44,242/- as addition u/s. 68 of the Act. The A.O also disallowed interest expenditure on estimation basis to the tune of Rs. 5,75,413/-. Aggrieved, the assessee filed further appeal before the CIT(A). Since the assessee did not respond to the various notices issued by the CIT(A), the appeal was dismissed ex-parte by

the CIT(A). The assessee is in appeal before the Tribunal against the order of the CIT(A).

3. The Ld. Authorized Representative (AR) of the assessee with regard to the addition u/s. 69C of the Act towards transactions with JP Jewellery submitted that it was an inadvertent error on the part of the C.A to report the amount as on which TDS was deducted or not remitted. The Ld. AR in this regard drew our attention to the response received from JP jewellery to the notice u/s. 133(6) of the Act (page 79 of the Paper Book), where JP Jewellery has clearly stated that there was no transaction entered into with the assessee. The Ld. AR argued that the ground on which the A.O has made the addition stating that the assessee failed to substantiate the contention and that a negative factor cannot be proved. The Ld. AR further submitted that the assessee tried to upload the corrected version of Form-3CD after removing the impugned entries but could not do the same due to technical error. The Ld. AR also submitted that the financial statement of the assessee do not contain any transactions pertaining to JP Jewellery and accordingly, the addition made u/s. 69C of the Act is not tenable.

4. With regard to addition made u/s. 68 of the Act towards loan, the Ld. AR submitted that the lower authorities failed to consider reconciliation statement submitted by the assessee from the perusal of which it is clear that the unsecured loans as considered by the A.O includes a sum of Rs.1,37,71,710/-outstanding to trade creditor M/s. Prakash Gold Palace. The Ld. AR further submitted that the A.O has considered the trade creditor as unsecured loan and treated the same as unexplained u/s. 68 of the Act. The Ld. AR in this drew our attention to the ledger copy of M/s. Prakash Gold

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Palace (Page 81 & 82 of paper book) to submit that the transaction with the said party are purely purchase of gold jewellery and therefore, the addition based on incorrect understanding facts cannot be sustained. The Ld. AR also submitted that the assessee has furnished the confirmation from the other unsecured loan parties and submitted that there is actually been the decrease in the unsecured loans and not increased as stated by the A.O.

5. With regard to the non appearance before the CIT(A), The Ld. AR submitted that the assessee has asked for the personal hearing considering the facts pertaining to impugned issue are complex and need to be explained in person. However, the CIT(A) without giving personal hearing as dismissed the appeal in ex-parte. Accordingly, The Ld. AR argued that there is a violation in the interest of natural justice.

6. The Ld. Departmental Representative (DR) on the other hand submitted that the assessee has not discharged the onus of proving that the entries reflected in the Form-3CD does not pertain to the assessee. The Ld. DR further submitted that the reconciliation of the unsecured loans is not properly submitted by the documentary evidence. The Ld. DR also submitted that the assessee has been non cooperative and has not responded to the notices of the CIT(A) who has rightly dismissed the appeal ex-parte. Accordingly, the Ld. DR supported the orders of the lower authorities.

7. We have heard the parties, and perused the material available on record. In Form-3CD a transaction of Rs. 1,23,08,197/-with JP Jewellery has been reported as payments made after deducting TDS where TDS is not remitted into the government account. The contention of the assessee is that

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there has been a clerical error in reporting and that the assessee has not entered into any transaction with JP jewellery during the year under consideration. From the perusal of the documentary evidence submitted before the lower authorities, we notice that JP jewellery has responded to the notice u/s. 133(6) to submit that the assessee is not a client and that no transaction is entered into in assessee's name in their books account. We further notice from the A.O's order that the reason for making the addition is that the assessee has not substantiated through documentary evidences that the impugned transactions are not entered into by him. It is a settled legal position that a negative factor cannot be substantiated with any evidences and therefore we see merit in the argument that the said reasons cannot be ground for making addition u/s. 69C of the Act. It is also noticed from the perusal of the revised Form-3CD, the assessee has corrected the clerical error of reporting the impugned transaction. It is also relevant to consider the submission that the financial statements of the assessee do not include any transaction entered into with JP Jewellery. Considering the facts and the evidences submitted before us we are inclined to agree with the submission of the assessee that the impugned transactions in Form 3CD are reported due to inadvertent error and therefore cannot be treated as unexplained expenditure u/s.69C since the assessee in the first place has not entered into such transaction. Accordingly we direct the AO to delete the addition made in this regard.

8. with regard to treatment of unsecured loans as addition us/. 68 of the Act, we notice that the assessee has submitted the below reconciliation explaining the fact that the trade creditor has been considered as unsecured

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loans by the A.O and in reality there has been a decrease in the unsecured loans.

<i>Particulars</i>	<i>AY 2017-18</i>	<i>A.Y 2018-19</i>
<i>Unsecured loan as per sangeetha jewellers Balance sheet</i>	<i>17325020</i>	<i>16831492</i>
<i>Sundry trade creditors (prakash gold palce)</i>		<i>13771710</i>
<i>Unsecured loan as per Ind. Balance sheet</i>	<i>19226088</i>	<i>32670330</i>

9. It is also noticed that the assessee has submitted the ledger copies of the unsecured loans, invoices of the trade creditor M/s. Prakash Gold Palace Pvt Ltd. It is noticed that the A.O has not considered the above submission of the assessee but has proceeded to make the addition on the ground that the assessee failed to prove the identity creditworthiness and genuineness of the transactions. We also notice that the assessee has submitted the relevant details with regard to the loan creditors and there is actually a decrease in the balances of loan credits and not increase as claimed by the AO. Considering the facts and after perusing the material available on record, we are of the view that the impugned addition is made the AO on an incorrect understanding of the facts and that the documentary evidences submitted by the assessee in this regard have not properly examined by the AO. Therefore we deem it fit to delete the addition made by the AO u/s.68 of the Act since the assessee has substantiated the fact that the balance is that of Trade Creditor which is supported by the documentary evidences. The AO is ordered accordingly.

10. The addition made by the A.O towards interest by applying an adhoc rate is consequential to the addition made towards loans. Since we have deleted addition made towards unsecured loans back to the CIT(A), the

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ground with regard to interest has become academic does not warrant any separate adjudication.

12. In the result, the appeal of the assessee is allowed.

Order pronounced on 10th day of February, 2026 at Chennai.

Sd/-
(एबी टी. वर्की)
(ABY. T. Varkey)

न्यायिक सदस्य / Judicial Member

Sd/-
(पद्मवती यस)
(Padmavathy.S)

लेखा सदस्य / Accountant Member

चेन्नई/Chennai, दिनांक/Dated: 10th February, 2026.

EDN, Sr. P.S

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT, Chennai/Madurai/Coimbatore/Salem
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF