

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

श्री विजय पाल राव, उपाध्यक्ष एवं
श्री मधुसूदन सावडिया, लेखा सदस्य० के समक्ष ।
BEFORE SHRI VIJAY PAL RAO, VICE PRESIDENT AND
SHRI MADHUSUDAN SAWDIA, ACCOUNTANT MEMBER

आ .अपी.सं /ITA No.958/Hyd/2025
(निर्धारण वर्ष /Assessment Year: 2018-19)

ACIT – Circle – 6(1) Room No. 625, 6 th Floor B Block, I.T. Towers Masab Tank, A.C. Guards Hyderabad-500004 Telangana	Vs.	New Club Flat No. 371, Street No. 8 M.L. Jaisimha Marg West Marredpally Secunderabad – 500026 Telangana PAN:AAATN5679A
(Appellant)		(Respondent)
निर्धारिती द्वारा/Assessee by:	Shri V. Srinivas, CA	
राजस्वरद्वारा/Revenue by::	Dr. Sachin Kumar, SR-DR	
सुनवाई की तारीख /Date of hearing:	29/01/2026	
घोषणा की तारीख /Pronouncement:	04/02/2026	

आदेश /ORDER

Per Madhusudan Sawdia, A.M.:

This appeal is filed by Revenue feeling aggrieved by the order passed by the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi (“Ld. CIT(A)”) dated 01.04.2025 for the A.Y.2018-19.

2. Revenue has raised the following grounds of appeal:

“1. The Ld. CIT(A) erred in law in admitting the additional evidences submitted by the assessee during the

appellate proceedings without giving any finding in the appellate order for admitting the same which is in contravention to Rule 46A.

2. *The Ld. CIT(A) erred in law in considering the additional evidence submitted by the assessee during the appellate proceedings, which were not produced before the Assessing Officer during the assessment proceedings, without giving opportunity to the Assessing Officer to examine the evidence, which is in violation of the Rule 46A of Income Tax Rules, 1962.*

3. *The Ld. CIT(A) erred on merits in concluding that the cash deposits in bank would have arisen on account of cash sales without bringing any finding in the appellate order to the effect that the books of account were produced to substantiate the same.*

4. *The Ld.CIT(A) erred in not appreciating the fact that the assessee is a non-filer, has not filed Return of Income & Audit Report within the time allowed u/s. 139(1), and even not filed within the time allowed in the notice issued u/s. 148.*

5. *The Ld. CIT(A) erred in deleting all the three additions made under different heads thereby income received as interest amounting to Rs.34,90,417/- was erroneously allowed as relief and has escaped assessment.*

6. *The Ld. CIT(A) erroneously deleted the addition of interest of Rs.34,90,417/- derived from Bank deposits without appreciating the fact that the interest income should have been offered as income under the head 'Income from Other Sources' and not as 'Income from Business/Profession', as the said income is not incidental to the assessee's business activity.*

7. *The Ld. CIT(A) had erred in deleting the entire additions made by the AO without considering the fact that assessee itself has offered certain income to tax in the revised ROI filed beyond the time given u/s. 139.*

8. *The Ld.CIT(A) has not adjudicated the receipt of interest income received from banks as against the returned income of Rs. 14,44,256/-,*

9. *Any other ground that may be urged at the time of hearing.”*

3. The brief facts of the case are that the assessee is a club, did not file its return of income under section 139 of the Income Tax Act, 1961 (“the Act”). Accordingly, reassessment proceedings under

section 147 of the Act were initiated in the case of the assessee by the Learned Assessing Officer (“Ld. AO”). Consequent thereto, the Ld. AO passed an order under section 148A(d) of the Act on 29.04.2022 and issued a notice under section 148 of the Act dated 29.04.2022, requiring the assessee to file its return of income in response thereto. However, the assessee failed to file the return of income within the time prescribed under the said notice. During the course of reassessment proceedings, the Ld. AO noticed that the assessee had deposited cash amounting to Rs.1,94,38,894/- in its bank account but had not declared the source of such deposits by filing the return of income along with supporting documentary evidence. The Ld. AO further observed that no documentary evidence such as names of persons from whom cash were received, PAN details of such persons, GST or service tax details, vouchers, bills, etc., had been furnished in respect of the said cash deposits. It was also noted that no details of day-to-day expenditure supported by documentary evidence were filed. Accordingly, the Ld. AO treated the entire cash deposits of Rs.1,94,38,894/- as unexplained money under section 69A of the Act and added the same to the total income of the assessee. The Ld. AO further noticed from the TDS statement under section 194A of the Act that the assessee had received interest income of Rs.34,90,417/- during the assessment year under consideration. Since the assessee failed to furnish any details regarding the source of investment in bank deposits along with supporting documentary evidence, the said amount was treated as income from other sources and added to the total income. The Ld. AO also noticed from the TDS statement under section 194C that the assessee had received contract receipts of Rs.79,725/- during the relevant assessment year, which, in the absence of any documentary evidence, were treated as income from contract business and added to the total income of the assessee. The Ld. AO

thereafter completed the assessment under section 147 read with sections 144 and 144B of the Act on 27.02.2024, making total additions of Rs.2,30,09,036/- in the hands of the assessee.

4. Aggrieved with the order of the Ld. AO, the assessee filed an appeal before the Ld. CIT(A). The Ld. CIT(A), after considering the submissions of the assessee, deleted the entire additions made by the Ld. AO and allowed the appeal.

5. Aggrieved by the order of Ld.CIT(A), the Revenue is in appeal before this Tribunal. The Learned Departmental Representative ("Ld. DR") submitted that the sole issue raised by the Revenue is that the assessee failed to file the return of income within the time allowed under section 148 of the Act and also failed to furnish any explanation or supporting documentary evidence in respect of cash deposits of Rs.1,94,38,894/-, interest income of Rs.34,90,417/- and contract receipts of Rs.79,725/-. It was contended that there was no infirmity in the order of the Ld. AO in making the additions. The Ld. DR invited our attention to para no. 5.3 of the order of the Ld. CIT(A), wherein the submissions dated 19.03.2025 filed by the assessee were reproduced. It is evident from the said submissions of the assessee that the assessee had filed additional submissions before the Ld. CIT(A). It was submitted that although the assessee failed to file the return of income within the time allowed under section 148, the Ld. AO did not consider the written submissions filed subsequently, whereas the Ld. CIT(A) considered the very same return of income and additional submissions and deleted the additions made by the Ld. AO. It was further argued that the Ld. CIT(A) failed to record any satisfaction regarding compliance with the requirements of Rule 46A of the Income-tax Rules, 1962, while admitting additional evidence. The

Ld. CIT(A) also violated the principles of natural justice by not calling for a remand report from the Ld. AO before deleting the additions. Therefore, the order of the Ld. CIT(A) was contended to be contrary to law and liable to be set aside.

6. Per contra, the Learned Authorised Representative (“Ld. AR”) submitted that the assessee is a club generating revenue through various activities such as sale of liquor and other items through its canteen, membership subscriptions, lawn party bookings, swimming pool charges, sale of playing cards to members for bridge games, sports activities, and other cultural, weekly, monthly, and annual activities. It was submitted that the cash deposits represented sales and receipts from such activities and were deposited into the bank in small amounts throughout the year and not in lump sum on a single day. The Ld. AR invited our attention to the bank statements placed at page nos. 30 to 94 of the paper book to substantiate the pattern of deposits. It was submitted that the assessee had total receipts of Rs.2,39,66,480/- from services provided by the club to its members, the head-wise details of which were furnished before the Ld. AO and copies thereof were placed at page nos. 8 and 9 of the paper book. It was further submitted that the assessee maintained proper books of account in accordance with prescribed accounting standards, which were duly audited by a qualified Chartered Accountant and approved by the members in the Annual General Meeting. All receipts and expenditures were duly accounted for, and the audited financial statements along with the return of income were filed on 27.12.2023 before the Ld. AO. After examining all the submissions, the Ld. CIT(A) was satisfied with the explanation of the assessee and rightly deleted the additions. Accordingly, the Ld. AR prayed before the Bench to uphold the order of Ld. CIT(A).

7. We have heard the rival submissions and perused the material available on record. The core grievance of the Revenue, as emanating from the submissions of the Ld. DR, is that the assessee failed to file the return of income within the time allowed by the Ld. Ld. AO under the notice issued under section 148 of the Act and also failed to furnish any explanation or supporting documentary evidence before the Ld. AO in respect of substantial cash deposits, interest income and contract receipts. According to the Ld. DR, the additions were made by the Ld. AO in the absence of any supporting explanations and evidence, therefore, there was no infirmity in the assessment order. It was further contended that the Ld. CIT(A) erred in law in deleting the additions by relying upon evidences and submissions which were either not filed before the Ld. AO or were filed beyond the time prescribed, without following the procedure laid down under Rule 46A of the Income-tax Rules, 1962.

8. On the other hand, the Ld. AR, has sought to justify the order of the Ld. CIT(A) by submitting that the assessee is a club engaged in various activities for its members and that the cash deposits represented routine operational receipts generated throughout the year. It was also submitted that proper books of account were maintained, duly audited, and that the audited financial statements along with the return of income were eventually filed. According to the Ld. AR, the Ld. CIT(A), after examining the records, was satisfied with the explanation offered by the assessee and rightly deleted the additions.

9. Having given our thoughtful consideration to the above submissions, we find that it is an undisputed fact that the assessee did not file its return of income within the time stipulated in the notice issued by the Ld. AO under section 148 of the Act. In this

regard, we have gone through relevant portion of page nos. 6 to 8 of the order of Ld. AO, which is to the following effect:

"Considering the above specified high-value transactions, we would like to provide you the following explanation for the same.

1) Cash Deposits: - Generates cash from Sale of different Services provided.

2) Cash Withdrawals: - To meet day-to day expenditure.

3) Interest other than interest on securities (Sec 194A):- Generates Interest income out of FDs with Banks.

4) Payment to other contractors (Sec 194C):- Transactions were entered into for carried out of business operation.

We therefore humbly pray you to kindly consider the above facts of the case and drop the proceedings from hereon.

*With Regards,
NEW CLUB,
PRESIDENT*

71 Street No.8, West Marredpally, Secunderabad-500026.Email:newclub1938@gmail.com

3.1 It is seen that the assessee had deposited cash amounting to Rs.1,94,38,894/-(14876015/- +2665258/- +844429/-+ 432841/- + 1874395/-+23226/-(-). Rs.12,77,270/-). However, assessee has not declared sources of this income by filing return of income for the assessment year under consideration in the prescribed time limit alongwith supporting documentary evidences. In this connection the assessee has Only stated that "cash deposits -generates cash from sale of different service provided" and "Cash Withdrawals: - To meet day-to day expenditure." No supporting documentary evidences such as name of the persons to whom services provided, PAN details of GST, service tax charged, vouchers, bills, etc have been furnished in respect of cash deposits. No details regarding day to day expenditure have been filed alongwith supporting documentary evidences. The assessee itself accepts the transaction .Considering the

facts and circumstances of the case cash deposited amounting to Rs.1,94,38,894/-/- is treated as assessee unexplained money from undisclosed sources of income u/s.69A of the I.T.Act, 1961 as the ownership is fixed and sources are unexplained for the assessment year under consideration. Hence the amount of Rs:1,94,38,894/-/is treated as assessee's unexplained money u/s.69A of the I.T.Act, 1961 and added to the total income of the assessee. Penalty proceedings u/s. 271AAC(1) of the I.T.Act, 1961 for addition u/s.69A of the I.T.Act, 1961 are initiated separately.

3.2. *It is also seen from TDS Statement u/s. 194A that the assessee is in receipt of Rs. 3490417/- (Rs.28,54,886/- + Rs. 617381/-+ Rs. 18,150/- during the assessment year under consideration within prescribed time limit. In this regard assessee replied that" Generates Interest income out of FDs with Banks.". The assessee failed to provide details of sources of investment in banks alongwith supporting documentary evidences. The assessee itself accepts the transaction. However, assessee failed to declare the same by filing return of income for the assessment year under consideration in the prescribed time limit hence the same is treated as assessee's income from other sources and added to the total income of the assessee. Penalty proceedings u/s270A of the I.T.Act, 1961 are initiated separately for under reporting of income.*

3.3. *It is also seen from TDS Statement (Section 194C) - Payments to contractors that the assessee is in receipt of Rs.79725/- during the assessment year under consideration. In this connection assessee replied that " Transactions were entered into for carried out of business operation." The assessee has not filed any supporting documentary evidences in this regard such as vouchers, bills, etc. The assessee itself accepts the transaction. As assessee failed to declare the same by filing return of income for the assessment year under consideration within. hence the same is treated as assessee's income from contract business and to the total income of the assessee.. Penalty proceedings u/s270A of the I.T.Act, 1961 are initiated separately for under reporting of income."*

10. On perusal of the above, it is evident that the Ld. AO proceeded to complete the assessment on the basis of material available before him, without examining the return of income, audited accounts, books of account, bills and vouchers, as the same were either not filed or were filed beyond the prescribed time. We have also gone through para no. 5.3 of the order of Ld. CIT(A) which is to the following effect:

“5.3 The appellant submitted written submission dated 19.03.2025 as under:-

"We are in receipt of your notice u/s 250 of the Income Tax Act, 1961 dated 05-03-2025 vide DIN No-ITBA/NFAC/F/APL_1/2024-25/1074032322(1) and Appeal No. NFAC/2017-18/10376112 relating to the A.Y. 2018-19. I submit that ours New Club is a non-profit organization rendering service to our members providing recreation facilities like swimming pool facility, library facility, annual meeting fellowship, serving liquor, canteen facility and celebrating national, regional festivals and providing games like tambola, snookers. On an average, there will be around Rs.60,000/- to Rs.70,000/- cash receipts from various activities and the same is deposited on the next day in the bank. I submit that during the A.Y. 2018-19, there was no practice and facility of paying through Gpay, Phonepe online transactions. Small amounts of Rs.50/- to Rs. 100/- were collected from individuals, pooled up, collected and taken to deposit in the bank. I submit that our accounts are maintained as per accounting standards and the same are approved by the executive committee and are audited by qualified Chartered Accountants and also by members at AGM. I submit that we have also filed additional submissions in this appeal proceedings on 01-06-2024 vide Doc ID-ITBA/NFAC/S/62/2024-25/1065330995(1). This a high-pitch assessment where in the return of income assessed is more than 16 times of the actual return of income filed. An assessment made for beyond returned income is considered as a high-pitched assessment. The same was ascertained in DALPATBHAI VASABHAI UKAVA (108 Taxmann.com 265 (Guj)) and in FLIPKART INDIA PVT.LTD VS ACIT (2017) 396 /TR 551 (KAR). Time and again, CBIT instruction No. 1914 dated 2-12-1993, partial modification dated 21-3-1996 has given clear instructions about high-pitched assessments. This is further clarified by the CBDT vide File No.404/72/93/ITCC dated 29-02-2016. The Honorable Supreme Court in AELTEMESH Vs UNION OF INDIA (AIR 1988 SC 1768) has stated that every

discretionary power vested in the executive be exercised in just and reasonable way. I submit that all the expenditure incurred by the assessee must be allowed as deduction. / submit that while filing the appeal in Form 35 on 17-05-2024 vide Ack No- 223265970170524, we have attached Annexure No.1 to 7 in support of our grounds of appeal. Now again, I am herewith attaching Annexure No. 1 to 5(bank statements of our club) for the kind perusal and reference of your good office. In light of the above submissions, / therefore pray an addition of Rs.2,30,09,040/- may be deleted under the head- Income from other sources which was proposed in the assessment order and pass such other order or orders as it may deem fit in the interest of justice and in the circumstances of the case. Thanking you, Yours sincerely Nomula Prakash Rao President New Club East Maredpally Secunderabad."

11. On a careful perusal of above, it is evident that some additional submissions were made by the assessee before the Ld.CIT(A). It is also apparent that the Ld. CIT(A) has relied upon certain submissions and evidences furnished by the assessee during the appellate proceedings, which admittedly were not examined by the Ld. AO at the assessment stage. However, the appellate order does not record any satisfaction as to the existence of circumstances contemplated under Rule 46A(1) for admission of additional evidence. Further, there is no finding in the appellate order to demonstrate as to how the mandatory conditions of Rule 46A were fulfilled. We also find merit in the contention of the Ld. DR that no opportunity was granted to the Ld. AO to examine or rebut the additional evidences relied upon by the Ld. CIT(A). It is well settled that when additional evidence is admitted at the appellate stage, the Ld. CIT(A) is required to afford a reasonable opportunity to the Assessing Officer to examine such evidence and to furnish a remand report. In the present case, the Ld. CIT(A) has deleted substantial additions without calling for any remand report from the Ld. AO, thereby depriving the Ld. AO of an opportunity to verify the correctness and veracity of the assessee's claims. Though the assessee has contended that proper books of account were

maintained and audited, we find that such claim has not been subjected to examination or verification by the Ld. AO. The issue, therefore, requires factual verification, particularly with regard to the nature and source of cash deposits, interest income and contract receipts, as well as the correctness of the books of account and supporting documentary evidence.

12. In these circumstances of the case, we are of the considered view that the order passed by the Ld. CIT(A) suffers from violation of the principles of natural justice as well as non-compliance with the provisions of Rule 46A of the Income-tax Rules, 1962. At the same time, having regard to the nature of the assessee's activities and the explanation sought to be advanced, we are also of the view that the matter deserves to be examined afresh at the assessment stage after due verification. Accordingly, in the interest of justice and fair play, we deem it appropriate to set aside the order of the Ld. CIT(A) and restore the entire matter to the file of the Ld. AO for de novo adjudication. The Ld. AO shall examine the return of income, books of account, audit report, bills, vouchers and other evidences that may be produced by the assessee and shall pass a fresh order in accordance with law after providing adequate opportunity of being heard to the assessee.

13. In the result, the appeal of the revenue is allowed for statistical purposes.

Order pronounced in the Open Court on 4th February, 2026.

Sd/- (VIJAY PAL RAO) VICE PRESIDENT	Sd/- (MADHUSUDAN SAWDIA) ACCOUNTANT MEMBER
---	--

Hyderabad, dated 4th February, 2026
Giridhar, Sr.PS (on tour)

Copy to:

S.No	Addresses
1	New Club, Flat No. 371, Street No. 8, M.L. Jaisimha Marg, West Marredpally, Secunderabad – 500026, Telangana
2	ACIT – Circle – 6(1), Room No. 625, 6 th Floor, B Block, I.T. Towers, Masab Tank, A.C. Guards, Hyderabad-500004, Telangana
3	Pr. CIT - Hyderabad
4	DR, ITAT Hyderabad Benches
5	Guard File

By Order