

**IN THE INCOME TAX APPELLATE TRIBUNAL
“B” BENCH: BANGALORE**

BEFORE SHRI PRASHANT MAHARISHI, VICE PRESIDENT
AND
SHRI KESHAV DUBEY, JUDICIAL MEMBER

ITA No.685 /Bang/2025
Assessment years: 2017-18

Thippareddy Govindareddy Malli Reddy, No.178, 18 th Main, HSR Layout S.O., Sector 4, Bangalore South, Bangalore – 560 102. PAN: AIWPM 8696A	Vs.	The Deputy Commissioner of Income Tax, Central Circle 2(3), Bangalore.
APPELLANT		RESPONDENT

Appellant by	:	Shri V. Srinivasan, Advocate
Respondent by	:	Shri Subramanian, Jt.CIT (DR)(ITAT), Bengaluru.

Date of hearing	:	09.12.2025
Date of Pronouncement	:	20.02.2026

ORDER

Per Prashant Maharishi, Vice President

1. This appeal is filed by Thippareddy Govindareddy Malli Reddy (the assessee/appellant) for the assessment year 2017-18 against the appellate order passed by the CIT(Appeals)-15, Bengaluru [Id. CIT(A)] dated 28.1.2025 wherein the appeal filed by the assessee against the

assessment order passed by the DCIT, CC 2(3), Bangalore [the Id. AO] u/s. 153(C) r.w.s. 143(3) of the Income-tax Act, 1961 [the Act] dated 15.04.2021, was dismissed.

2. The assessee has raised the following grounds of appeal: -

“1. The orders of the Ld.AO & Ld. CIT (A), to the extent prejudicial to the appellant are arbitrary, based on surmises & conjectures, against the weight of evidence, opposed to established principles of jurisprudence and in violation of principles of natural justice.

2. The Ld.CIT(A) is not justified in passing the impugned appellate order without considering or alluding to the elaborate submissions made by the appellant.

3. The Ld.CIT(A) erred in confirming the addition of Rs.2 crore made by the AO solely based on the retracted statement of the appellant without showing any corroborative evidence for the cash loan of Rs.2 crore alleged to have been advanced by the appellant to Mr. Vasudev during the relevant previous year.

4. The Ld.CIT(A) erred in holding that the appellant's retraction was not supported by any documentary evidence whereas the appellant sought to correct his statement by submitting that sum of Rs.2 crores (coded as 200 in seized paper) was actually referring to the amount expected from Mr. Vasudev towards repayment of loan and in support thereof the details of repayment in cheque were submitted by producing the ledger account of Mr. Vasudev in his books.

5. The Ld.CIT(A) erred in holding that the seized paper constitutes incriminating material as it contains unaccounted cash transactions along with admitted banking transactions whereas the seized paper nowhere mentioned that cash loan of Rs.2 crores was given Mr. Vasudev during the relevant year.

6. The Ld.CIT(A) erred in upholding the addition made by the AO even though the seized paper does not indicate the date or year of the alleged cash transaction with Mr. Vasudev and

consequently, it does not constitute incriminating material for the AY in question. The AO erred in making this addition in the assessment completed u/s.153C for the assessment year in question which is not the year of abated assessment.

7. The Ld.CIT(A) erred in confirming this addition made u/s 69A even though the AO failed to prove the veracity of the alleged Cash Loan particularly after Mr. Vasudev denied to have taken any cash loan from the Appellant during the relevant year.

3. Briefly stated the facts as culled out from the orders of the ld. lower authorities shows that assessee is an individual, who filed his return of income u/s. 139(1) of the Act on 3.8.2017 declaring total income of Rs.40,56,410. He is a partner in M/s. R.K. Cortina.
4. A search u/s. 132 of the Act was conducted in the case of M/s. R.K. Cortina wherein the premises of the wife of the assessee at 178, 18th Main, 4th Sector, HSR Layout, Bangalore was also covered on 10.9.2018. During search, books of accounts and documents were found and seized from the premises of the wife of the assessee. Further the documents were also found and seized from the premises of M/s. R.K. Cortina. The documents seized from the premises of the wife of assessee as well as from M/s. R.K. Cortina were stated to be having a bearing on the determination of income of the assessee. Therefore, the AO of M/s. R.K. Cortina being the same AO as also of the assessee, recorded satisfaction that the documents relate and pertain to the assessee. On examination of the seized material, he noted that these documents have a bearing on the total income of the assessee.
5. Consequent to that, notice u/s. 153C of the Act was issued on 16.3.2020. The assessee did not file any return of income in response

to this notice. The return was subsequently filed u/s. 153C at the same income and consequently notice u/s. 143(2) of the Act was issued on 14.12.2020.

6. During search proceedings, loose sheets were found and seized wherein the transactions allegedly relating to cash loan of Rs 2 Cr. given by the assessee to one Mr. Vasudev were mentioned at page 1 of the seized material marked as 'A/TGMRR/01. During the search, statement u/s. 132(4) was recorded of the assessee on 10th and 11th Sept. 2018 wherein he was asked to explain the contents of that paper. The assessee explained that he wanted to purchase land of six acres from Mr. Vasudev for a total consideration of Rs.7.8 crores and assessee wanted to adjust his earlier cash loan given of Rs.2 crores during June 2016 and further an amount of Rs. 1 crore which was given through cheque. The assessee paid Rs.50 lakhs through cheque and further 50 lakhs were yet to be paid. Accordingly, assessee has paid Rs.2 crores in cash and Rs.50 lakhs in cheque. The balance amount of Rs.4.80 crores was outstanding from the assessee which was to be paid later at the time of registration.
7. Therefore, the assessee was asked to explain the source of cash loan of Rs.2 crores given to Mr. Vasudev. The assessee submitted that cash loan of Rs.2 crores was given to Mr. Vasudev during June 2016 and source of such cash loan was unaccounted income which assessee has generated through his various business activities and real estate business in the last 3-4 years. As the above cash loan was not recorded

in the books of account, he voluntarily offered the above sum as undisclosed income for AY 2017-18 as his statement recorded u/s. 132(4) of the Act. This answer was recorded in Q.No.19 of the statement.

8. However while filing the return of Income , such sum declared was not offered as income.
9. During the assessment proceedings, summons was issued to Mr. Vasudev on 10.2.2021 whose statement was recorded and was asked to explain the cash loan given by the assessee to him. Mr. Vasudev denied and stated that he has not received the said cash. He only confirmed the loan received by cheque.
10. The ld. AO based on the statement u/s. 132(4) of the Act of the assessee wherein the assessee has accepted having given cash loan of Rs.2 crores and offered to pay tax as undisclosed income for AY 2017-18, the ld. AO made an addition u/s. 69A. Consequently, assessment order was passed u/s. 143(3) r.w.s. 153C of the Act on 15.4.2021.
11. The assessee preferred an appeal before the ld. CIT(A) wherein the assessee challenged the addition. The main contention of the assessee was that: -
 - (1) The impugned document is merely a scribbling of estimate or anticipated receipts etc. and it is a dumb document based on which no addition could have been made. It was further stated that the assessee was only planning to buy the land. The transactions have never materialized.

- (2) The documents found during the search did not refer anything which suggests that assessee has paid cash loan of Rs.2 crores to Mr. Vasudev.
- (3) The assessee submitted that he has given a loan to the person in Cheque which he was expected to receive back and adjust against the consideration payable for the proposed purchase of land.
- (4) There is no corroborative evidence to prove that cash loan of Rs.2 crores was given by the assessee to Mr. Vasudev. The impugned document also does not contain the details of cash loan paid.
- (5) Mr. Vasudev has denied having received any such loan from assessee.
- (6) The assessee in the statement has stated that assessee has given the cash loan of Rs.2 crores to Mr. Vasudev, but he received similar amount during the FY 2016-17 against the amount due from Mr. Vasudev which is recorded in the ledger account in the books of the assessee in the accounts of Mr. Vasudev. Therefore, there was an error on the part of the assessee in explaining the point during the 132(4) statements.
- (7) The Id. AO has made an addition in violation of CBDT Instruction No.20/2015 dated 29.12.2015 wherein in para four it was stated that assessee must be given a proper opportunity of hearing and opportunity to explain. The assessee has explained that it is not a cash loan given to Mr. Vasudev, but the amount received by cheque from Mr. Vasudev.
- (8) The assessee did not retract his original statement as he was under a belief that by producing Mr. Vasudev the situation may be explained to the AO that there is no cash loan given by the assessee to Mr. Vasudev, but it was a cheque transaction in earlier years with Mr. Vasudev and therefore the statement was not retracted.

- (9) Mr. Vasudev, when summoned by the AO u/s.131,1 has categorically stated that he has not received any cash loan from the assessee.
 - (10) The provisions of section 69A do not apply.
 - (11) The money which was lent to Mr. Vasudev in FY 2015-16 was in cheque from the Bank account of the assessee, therefore the source of the assessee of same is already explained to the AO, hence the addition deserves to be deleted.
 - (12) The assessee also challenged that there is no incriminating evidence found during search based on which the addition could have been made in the hands of the assessee in view of the decision of the Hon'ble Supreme Court in the case of Abhisar Buildwell Pvt. Ltd., 149 taxmann.com 399 (SC).
12. The ld. CIT(A) perused the facts stated by the ld. AO and held that as the assessee has disclosed the same u/s. 132(4) of the Act at the time of search and did not retract the same during the assessment proceedings and has not produced any documentary evidence in support of his claim during the assessment and appellate proceedings, he confirmed the addition. The ld. CIT(A) relied upon the decision of Bannalal Jat Constructions (P.) Ltd. v. ACIT [2019] 106 taxmann.com 127 (Raj.) and further the decision of the Coordinate Bench in [2006] 6 SOT 18 (Mumbai) [07-11-2005] [Mum]. He also referred to several judicial precedents and precisely was of the view that as the assessee has disclosed the above sum u/s. 132(4) of the Act, the addition deserves to be confirmed. Accordingly, he confirmed the addition.

13. The Id CIT (A) also perused the loose sheet and stated that as the seized material contains composite notings of both cash and banking transactions between the assessee and Mr. Vasudev, and when banking transactions have been agreed to and confirmed by both the parties, the cash transaction mentioned in the seized document could not be disbelieved to be not true. Thus, he confirmed the addition of Rs.2 crores.
14. The assessee is in appeal before us. The Id. AR submitted a 158 pages paperbook (PB) before us and submitted that ground Nos. 1, 2 & 8 are general in nature and ground Nos. 3 & 7 are on the merits of the addition of Rs.2 crores. He referred to page 38 of the PB wherein the impugned seized paper is shown to us. He submitted that –
 - a) in the above seized paper no where it is mentioned that assessee has paid Rs.2 crores as a loan in cash to Mr. Vasudev.
 - b) During the course of search under the mistaken belief the assessee confirmed the same, but however as per the ledger account of Mr. Vasudevan from the books of account of the assessee which is placed at page 54 of the PB, it is the loan amount given prior to 1.4.2016 which has been repaid by that gentleman through various cheques of Catholic Syrian Bank. Therefore, it was submitted that the assessee was confused and failed to explain the transaction in the right perspective at the time of search.

- c) merely because assessee has made a statement u/s. 132(4), no addition could have been made.
 - d) when the AO summoned Mr. Vasudev, he denied having received any such cash loan. Accordingly addition made by the Id. AO is merely based on statement made u/s. 132(4) of the Act.
 - e) The statement was not retracted by the assessee for the only reason that he was under belief that he will explain this issue during the course of assessment proceedings where the facts will naturally come out based on the books of account of the assessee as well as the statement of Mr. Vasudev that no such transaction of giving loan in cash by the assessee to Mr. Vasudev really exists.
 - f) He further submitted that the Id. CIT(A) has confirmed the addition also on the same facts because the assessee has made a statement u/s. 132(4) of the Act. He submits that merely because a declaration is made u/s. 132(4) of the Act, which is not corroborated by evidence, the addition cannot be made in the hands of the assessee.
15. The Id. DR vehemently relied upon the assessment order and the appellate order. He referred to the statement of the assessee wherein he confirmed the transaction of giving loan in cash. He specifically referred to Q.No.7 wherein reference was made to these papers and

Q.No.16 wherein the assessee on his own explained this transaction. Accordingly, he submits that the addition is correctly made and confirmed by the Id. CIT(A).

16. We have carefully considered the rival contention and perused the orders of the learned lower authorities. The only issue involved in this appeal is with respect to the addition of ₹ 2 crores declared by the assessee in his statement recorded under section 132 (4) of the Act on 10/9/2018 based on the seized material A/T GMR/201. A statement was recorded under section 132 (4) of the Act from the assessee during search proceedings under section 132 of the Act in case of M/s Kortina on 10 September 2018. During search a document was found where in certain transactions were recorded. Based on that seized documents the assessee was asked certain questions.
17. Assessee was asked the question no. 7 that during search at his residence when the search party entered, the assessee was present in the restroom of the bedroom at first floor of his residence. There were certain papers with the assessee in the restroom , he torn and and threw them into the toilet commode. When the income tax department found out the same, assessee hurriedly flushed toilet to wash away these papers. The assessee when confronted in question No. 7, he confirmed this above fact stating that he was having these papers along with him into the toilet adjacent to the master bedroom in the first floor flushed into the toilet , even though the income tax officials prevented him from doing so. The reason for this action was asked to him in question No. 8

wherein he stated that he did not want to show these documents to the Income Tax Department and therefore those were torn. In question No. 15 the assessee was shown one of those papers marked as annexure A/TGMRR/01. In question No. 16 he explained the content of the same. At serial No. 12 of answer to question No. 16 he stated that he wanted to purchase the land of 6 acres from one Mr Vasudev and others for a total amount of ₹ 7.80 crores and he wanted to adjust earlier loan given in cash of ₹ 2 crores to Mr Vasudev, which was paid in cash during June 2016 and an amount of Rs. 1 crore which was given through cheques wherein ₹ 50 Lacs were already paid before couple of months and a sum of ₹ 50 lakhs were yet to be paid. Therefore according to him, till date he has already paid ₹ 2 crores in cash and ₹ 50 lakhs by cheque. The balance amount of ₹ 4.80 crores was due for him to pay later at the time of registration of the land. On examination of the documents and after obtaining the legal opinion, it came to the notice of the assessee that the land is having some dispute. Since the documents were not legal, the assessee dropped the idea to purchase the same land.

18. Further in answer to question No. 17 the assessee was asked a specific query that why he had advanced cash loan to Mr Vasudev. The assessee explained that Mr Vasudev was his partner in the Park Square project. Assessee is into the finance business in the name and style of N V Finance Limited. Therefore initially, assessee advanced cash loan at 12% interest in 2016. Initially Mr Vasudev has paid the interest for 2 – 3 months. However after demonetisation, he has failed to pay the

money back to the assessee. Therefore, in view of the loan amount given, Mr Vasudev promised to sell the land which he was having at Sarjapur Road, Bangalore. The total area of the land was around 6 acres and the total cost was around ₹ 7.8 crores. The land belongs to Mr Vasudev and his friend/partner named Mr Nagaraj. The total cost of the land was around ₹ 7.8 crores which was mentioned in the impugned document found and seized. The assessee stated that after he realised that the land is for different purposes, he decided not to go ahead with the purchase of the land.

19. The Assessee was asked the question at serial No. 18 that from which bank account he paid ₹ 50 lakhs to Mr Vasudev and why the above amount was paid when he decided not to go ahead with the purchase of the impugned land. His reply was that that the amount was paid through his Federal Bank account and same was paid before he made the decision not to purchase the land. This amount was paid to get the legal documents related to the site for verification wherein Mr Vasudev had asked him to pay Rs.One crore initially for providing the documents but assessee paid ₹ 50 lakhs and promised to pay the remaining amount after examination of the title deed. But after examination he realised that the land has the legal issue and the assessee decided to not to go ahead for purchase.
20. In answer to question No. 19 wherein the assessee was asked to state the source of the cash loan of ₹ 2 crores paid to Mr Vasudev, he agreed that the above sum is paid in cash as a loan to Mr Vasudev during June

2016. The source for the cash loan given by the assessee was explained as the unaccounted income/cash he generated in his various business activities and real estate business during the last 3 – 4 years. Assessee agreed that since the full cash amount was not recorded in his books of accounts, he voluntarily declared the same amount paid by him is an undisclosed income for the assessment year 2017 – 18. Thus in the statement recorded under section 132 (4) of the Act the assessee disclosed the manner of earning the income, the reason why cash loan was given to the assessee, factum of receipt of interest and rate of interest, he also mentioned reason how assessee wanted to settle the above cash loan and why the above amount was found in the documents seized. The assessee also explained that how the above amount of Rs 2 crores paid by the assessee in cash to Mr Vasudev would have been recovered by purchase of land.

21. Further interesting question No. 24 was asked to the assessee that in the seized material marked as A/TGMRR/01 the assessee has entered into lot of cash transactions which are not entered in the books of account, but assessee was provided many opportunities before the recovery of those sheets, and why assessee should not be prosecuted. The assessee replied that he was under impression that income tax department will not be able to catch, which was caught by the assessee. He further confirms that these transactions are not entered in his books of accounts.

22. In the end in answer to question No. 52 of the statement the total amount of ₹ 50,516,597/- was disclosed by the assessee where many such transactions are of cash loan and cash payment wherein also for assessment year 2017 – 18 a sum of ₹ 2 crores being the cash loan to Mr Vasudev towards the purchase of the property was also mentioned.
23. From the whole statement it is evident that assessee is engaged in the transactions of giving cash loan to various parties, which assessee has confirmed in his statements u/s 132(4) of the Act also. He has given a cash loan to Mr Vasudev of Rs 2 Cr at Interest rate of 12 % p.a. in June 2016. Mr Vasudev has paid him interest for two - three months but after demonetisation, he failed to honour his commitment. So, to secure and recover the cash loan given by assessee to Mr. Vasudev, Assessee was trying to enter into a transaction of Purchase of 6 Acre land of Mr Vasudev and Others which is valued at Rs 7.8 Cr. For securing documents of that land for verification, assessee has already paid Mr vasudev Rs 50 lakhs from his Federal Bank Account. Deal did not materialise for inadequacies in the documents/ title of that land.
24. It is clear that the statement was made by the assessee on 10 September 2018, such statement was not retracted at all. Thus, assessee's voluntary statement based on the documentary evidence found during search the ld AO has made addition. It is not the case of merely a statement without any corroborative evidence but material found during the course of search which assessee tried to destroy and based on that

statement u/s 132(4) was made by assessee narrating the whole transaction in detail.

25. On 4 February 2021 assessee submitted a letter wherein at paragraph No. 9 assessee submitted as under: –

“9 – Income Admitted During Search: –

the entries in the records found during search indicate that an amount of ₹ 2 crores against the name Mr Vasudev. During the course of search the assessee has agreed to admit the same as income on account of the loan given to Mr Vasudev. It is to be noted that at that point of time, the assessee was under severe stress and mental trauma due to the merriment on account of death of his daughter and was not in a position to recollect the exact nature of the transaction. Ongoing through his records and after consulting Mr Vasudev, it appears that an amount of ₹ 2 crores approximately was indeed received from Mr Vasudev and Nagaraj during the financial year 2016 – 17 against the Jews receivable from them and a copy of the Ledger extract showing the said transactions are reproduced here with for your reference. (Annexure – 6)

It is therefore very evident that the admission made during the course of search was erroneous and that the sum indicated in the loose seat against the name Mr Vasudev clearly means the amounts receivable from him that were already accounted forming part of the amounts receivable.”

26. At page No. 44 of the paper book assessee submitted the Ledger account of Mr Vasudev for the financial year 2016 – 17 wherein there is an opening debit balance in that particular account as on 1 April 2016 of Rs.1,90,79,450. Subsequently in June–August, 2016 assessee received the above sum back by cheque on four occasions of the same

amount. Thus the outstanding debit in the account of Mr Vasudev was cleared and the outstanding balance as on 1 August 2016 was Rs. Nil. Further the transaction of giving cash loan is stated in June 2016 by assessee in his statement, has nothing do with the above transaction because cheques loans were already substantially repaid by Mr. Vasudev by Cheque prior to that date. Thus the above explanation is rightly rejected by the Id. Lower authorities.

27. There is no other averments made by the assessee. Thus a statement which was given on 10 September 2018 remained uncontroverted by the assessee till 4 February 2021. On 4 February 2021 also the assessee stated that the statement so given is erroneous and for the reason that that the amount stated against the name Mr Vasudev means the amount receivable from him that were already accounted forming part of the amounts receivable. The above answer of the assessee during the course of assessment proceedings, if correlated with the copy of account of Mr Vasudev from the books of the assessee, it is apparent that as on the date of search i.e. 10 September 2018 there is nothing receivable by the assessee or payable to assessee by Mr Vasudev. This is so because as on that date the Ledger account submitted from the books of the assessee does not show any balance outstanding in that account. Thus there were no cheque transactions of loan receivable or payable were outstanding as on the date of search.
28. The copy of account referred to in the reply to the Id AO of Mr Vasudev from the Books of accounts of the assessee is as under :-

① February

13-30
 కృత్తిక చ. గు. 12-07
 కె.పె.5-48 అ.



శ్రీ సత్యనారాయణ వంశీ / శ్రీ సత్యనారాయణ
 శిశిర ఋతుకృష్ణ/మాఘమాసము
 దోమపాఠము/MONDAY

2013

18

Sunrise 6-39 a.m.

Sunset 6-15 p.m.

FD 2219	11.73	50.95
	40.90	87.6159
	52.63	257.54
		18.00
		839.59
		550.00
CS.B.	110.46	
Feb	50.63	
Robla	50.320	
NAVAs Ret	5.00	
KSR	1.85	
Harley	2.00	
Naganatha	7.50	
Katarise	16.24	
	245.88	Naganatha
		7.50
Regiment		238.4
Hallikam = 100		9.0
	200	287.4
	300	

Land Cost 1.30 x 6 = 7.80

NAHA	200+100	3.00
March	2013	
S M T W T F S		4.80
31 0 0 0 0 1 2		
3 4 5 6 7 8 9		
10 11 12 13 14 15 16		
17 18 19 20 21 22 23		
24 25 26 27 28 29 30		

Suresha sharanam sharma vishva-retah praja-bhavah |
 Aha! samvatsaro vyalah pratyaya sarva-darshanah. || "10"

Annexure 6
44

T.G.MALLI REDDY 2016-17 - (From 1-Apr-2016)
Vasudev
Ledger Account

1-Apr-2016 to 31-Mar-2017

Date	Particulars	Vch Type	Vch No.	Debit	Page 1 Credit
1-4-2016	Cr Opening Balance			1,90,79,450.00	
1-6-2016	Dr C.S.B BANK10361	Receipt	16		5,79,450.00
27-6-2016	Dr C.S.B BANK10361	Receipt	34		40,00,000.00
6-7-2016	Dr C.S.B BANK10361	Receipt	45		50,00,000.00
12-7-2016	Dr C.S.B BANK10361	Receipt	49		50,00,000.00
5-8-2016	Dr FEDERAL BANK -2219	Receipt	53		45,00,000.00
				1,90,79,450.00	1,90,79,450.00

TRUE COPY
— Ce. [Signature]

29. Thus, it is a fact that as on the date of search i.e. on 10-09-2018, there is no balance as payable or receivable from the Mr vasudev to the assessee. Thus, the explanation offered by the assessee before the Id. AO is rightly rejected by the Id. Revenue authorities.
30. Where the statement is linked to incriminating material actually found/seized during the search, an addition may be sustained because the statement is then corroborated by tangible evidence. It is also the mandate as per CBDFT Instructions that assessment under s.153A / related provisions must be founded on evidence unearthed during search, not on a bare confession. Where a surrender/admission is relied upon, the AO must quantify the undisclosed income on the basis of seized/incriminating material or other evidence. Statement recorded

under Section 132(4) of the Act has better evidentiary value when there is some material corroborating the content of the statements. As in the present case, it is the assessee who is found to be in possession of a document found during the course of search, which he tried to destroy, but recovered by the Search party, then assessee explained all the transaction in his statement u/s 132(4) of the Act and disclosing the cash loan given by assessee of Rs 2 Crores, such statement not retracted by the assessee and also failed to rebut the presumption that such statement was wrongly given, by showing credible evidence, no fault can be found in the orders of the Id. Lower authorities in making the above addition. Accordingly Ground Nos. 4 to 7 of the appeals are dismissed.

31. In the result appeal of assessee is dismissed.

Pronounced in the open court on this 20th day of February, 2026.

Sd/-
(KESHAV DUBEY)
JUDICIAL MEMBER

Sd/-
(PRASHANT MAHARISHI)
VICE PRESIDENT

Bangalore,
Dated, the 20th February 2026.

/Desai S Murthy /

Copy to:

1. Appellant
2. Respondent
3. Pr. CIT
4. CIT(A)
5. DR, ITAT, Bangalore.

By order

Assistant Registrar
ITAT, Bangalore.