

आयकर अपीलुय अधलकरण, हैदराबाद पीठ
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'B' Bench, Hyderabad

Before Shri Vijay Pal Rao, Vice President
and
Shri Manjunatha G., Accountant Member

आ.अपी.सं /ITA No.1332, 1333, 1334 &1335/Hyd/2025
(निर्धारण वर्ष/A.Ys. 2011-12, 2012-13, 2013-14 & 2014-15)

Sama Narasimha Reddy and Sama Saraswathi Reddy Gardens, Hyderabad. PAN: AAJFS7086H	Vs.	DCIT, Central Circle-1(2), Hyderabad.
(Appellant)		(Respondent)
निर्धारिती द्वारा/Assessee by:	Shri P. Murali Mohan Rao, CA	
राजस्व द्वारा/Revenue by:	Dr. Sachin Kumar, Sr. AR	
सुनवाई की तारीख/Date of Hearing:	16/02/2026	
घोषणा की तारीख/Date of Pronouncement:	20/02/2026	

आदेश / ORDER

PER. MANJUNATHA G., A.M:

The captioned appeals filed by the assessee are directed against the separate orders of the Learned Commissioner of Income Tax (Appeals) [Learned CIT(A)]-12, Hyderabad, dated 15/07/2025, pertaining to Assessment Year ("A.Y") 2011-12 and A.Y 2012-13 respectively and Learned CIT(A)'s orders dated 04/07/2025, pertaining to A.Y. 2013-14 and

A.Y. 2014-15 respectively. Since the facts are identical and issues are common, for the sake of convenience, these appeals are heard together and are being disposed of by this consolidated order.

2. The assessee has raised, more or less common grounds of appeal for all the four assessment years, therefore, for the sake of brevity, grounds of appeal raised by the assessee in ITA No.1332/Hyd/2025 for the A.Y.2011-12 are reproduced as under :

“1. The order of the CIT(A) passed u/s 250 of the Act dated 15-07-2025 is erroneous both on facts and in law to the extent the order is prejudice to the interests of the appellant.

2. The Learned CIT(A) ought to have appreciated the fact that the survey u/s 133A of the Act dated 12/12/2013, did not yield any contemporaneous evidence of suppression of income for the AY 2011-12. as the AO relied upon extrapolation from succeeding years, which is impermissible in law and cannot form basis for addition in absence of any evidence.

3. The Learned CIT(A) ought to have fairly and judiciously appreciated the fact that the reopening was based on mere suspicion without tangible material, violating the conditions u/s 147 of the Act.

4. The Learned CIT(A) failed to appreciate the fact that the AO had failed to record and communicate reasons for reopening, violating the provisions of section 148(2) of the Act.

5. The Learned CIT(A) ought to have considered that the AO, without having any incriminating material to suggest that income has escaped assessment was found during the course of survey, has issued notice u/s 148 and that to

without recording reasons u/s 148(2) of the Act, which is invalid and without jurisdiction.

6. The Learned CIT(A) ought to have considered that the statement given by the assessee at the time of survey u/s 133A of the Act as per the CBDT's Instruction No. 286/2/2003-IT (Inv) dated 10th March 2003, cannot be taken into cognizance for issue of notices u/s 148 of the Act as well as for making assessment for the year under consideration.

7. The Learned CIT(A) failed to appreciate the fact that the AO had estimated income without rejecting the books of accounts or providing any cogent evidence and failed to establish nexus between the survey findings and impugned assessment year.

8. The Learned CIT(A) erred in not considering the fact that the AO failed to provide the appellant with copies of impounded material and third-party statements which were relied upon for reopening, depriving the appellant of a fair opportunity to explain the allegation, which is against the principles of Natural Justice

9. The Learned CIT(A) has erred in law and on facts in restricting the estimated suppressed turnover receipts to 50% and further estimating the profit at 20% is on higher side and generally in this line of business, it would range from 5 to 8 percent.

10. The Learned CIT(A) failed to consider that the AO has estimated the turnover, without having any material in his position and without rejecting the books of accounts u/s 145 of the Act.

11. Appellant may, add or alter or amend or modify or substitute or delete and/or rescind all or any of the grounds of appeal at any time before or at the time of hearing of the appeal.”

3. Brief facts of the case are that the assessee, M/s. Sama Narasimha Reddy & Sama Saraswathi Gardens is a partnership firm, engaged in the business of running function halls. The assessee firm filed its return of income for the Assessment Year (“AY”) 2011-12 on 24/08/2011 declaring total income of Rs.8,66,680/-. A survey operation under section 133A of the Income Tax Act, 1961 (for short, “the Act”) was conducted in the business premises of the assessee firm on 12/12/2013. During the course of survey, material indicating discrepancies in function hall receipts accounted in the books of account and actually received by the assessee firm were found. The partner of the assessee firm, Sri Sama Pratap Reddy’s statement was recorded on 12/12/2023, wherein he has admitted that the assessee firm receives consolidated amount from function hall, but records only part of such amount in its books of account after incurring the expenditure for various other services. Enquiries also revealed that the assessee has received function hall rent from the users, however records a part of the amounts in its books of accounts. The Assessing Officer has analyzed the evidence found during the course of the survey and examined the case of 31 parties and found that the assessee firm had under stated the function hall rent. The Assessing Officer tabulated the details of function date, name of the customer, and the amount recorded in books of

account and in remarks column discussed the excess amounts received by the assessee firm in each case. The Assessing Officer further noted that the assessee firm has also collected separate charges for labour, diesel, generator and electricity etc., which is evident from the material impounded during the course of the survey. Therefore, the Assessing Officer issued a show cause notice (SCN) and called upon the assessee firm to explain as to why the addition should not be made towards suppression of turnover from function hall. In response, the assessee firm submitted that although it has received consolidated amount from the users of the function hall, the fact remains that the assessee firm had also provided various other services and for such service providers the assessee firm has incurred expenditure and only net amount has been recorded in the books of account. The assessee firm also further submitted that the business carried on by the assessee for running a function hall is a seasonal one and not running throughout the year and therefore, the estimation of turnover on the basis of a few cases of excess amount collected from the customers cannot be made.

4. The Assessing Officer, after considering the submission of the assessee firm and also taking note of materials found during the course of the survey observed that the assessee firm had only recorded a part of amount received from the customers for taking function hall on rent

which is evident from the relevant entries in the books of account maintained by the assessee firm for all these assessment years when compared to other evidences found during the course of the survey which clearly shows suppression of receipts to the tune of 60% to 74.80% for different financial years. Therefore, the Assessing Officer after considering the relevant evidences found during the course of the survey coupled with the explanation of the assessee firm observed that the assessee firm suppressed the receipts from function hall to the extent of 60% for the A.Y 2011-12 and therefore, by taking note the turnover recorded by the assessee in the books of account made an addition of Rs.87,87,661/- to the returned income of the assessee firm. The Assessing Officer also made an addition towards unexplained cash credits of Rs.21,16,089/- and further made an addition of Rs.1,87,113/- towards cash payments in excess of Rs.20,000/- under section 40A(3) of the Act.

5. Aggrieved by the assessment order, the assessee firm preferred an appeal before the learned CIT(A). Before the learned CIT(A), the assessee firm reiterated its submission made before the Assessing Officer and claimed that the business of the assessee firm was mainly seasonal in nature and therefore, will not get rents throughout the year. Some of the functions, where crowd have attended more than allowable

strength of the hall, assessee firm has incurred extra expenditure, and such extra expenditure is incurred after taking the consent of the parties. Further, such extra expenditure is paid from the advances taken from the customers. Though the receipt of amounts from the parties is not disputed, the assessee firm has incurred expenditure and balance amount was recorded in the books of account of the assessee firm and thus, there was no suppression of receipts.

6. The learned CIT(A), after considering the relevant submission of the assessee firm and also taking note of the receipts accounted by the assessee firm in the books of account and corresponding net profit declared for the year under consideration observed that although the Assessing Officer has estimated the suppression of turnover taking into account the amount of receipts recorded in the books of account of the assessee firm, but the fact remains that the function hall business is seasonal in nature with significant fluctuations in bookings based on wedding season, festivals, holidays etc. Additionally, multiple factors such as function hall's geographical location, competition in the area, allowability of alternate venues, accessibility and the socio economic profile of the target clientele like class of people etc., also substantially influence the business turnover. The Assessing Officer while estimating the turnover of the assessee firm has considered a few cases found

during the course of the survey ignoring the explanation offered by the assessee and the seasonal nature of business carried on by the assessee. Therefore, taking into account the overall facts of the case and explanation of the assessee and also by following certain judicial pronouncements, has scaled down the estimation of turnover made by the Assessing Officer to 50% instead of 59.68% estimated by the Assessing Officer for A.Y. 2011-12. The learned CIT(A) further noted in suppression of turnover, the element of profit is more when compared to profit declared by the assessee in the books of account, because of direct and indirect expenses relatable to business has already been factored and therefore, percentage of profit declared by the assessee firm from its declared business cannot be accepted. Further, the Assessing Officer had also not brought on record any comparable cases of similar nature to support the stand that the assessee firm has earned income from suppression of turnover without any expenditure. Therefore, considering the average net profit declared by the assessee for A.Y. 2011-12 to A.Y. 2014-15 which works out to 11.78%, has directed the Assessing Officer to estimate the net profit @ 20% on suppressed receipts. In other words, the learned CIT(A) directed the Assessing Officer to estimate the suppression of turnover @ 50% of

receipts and to estimate 20% of net profit on the said suppressed receipts.

7. Aggrieved by the learned CIT(A) order, the assessee firm is in appeal before the Tribunal.

8. The Learned Counsel for the assessee, Shri P. Murali Mohan Rao, Chartered Accountant, submitted that the learned CIT(A) erred in estimating the suppressed turnover @ 50% of the turnover worked out by the Assessing Officer without appreciating the fact that there is no scope of extrapolation of estimation for whole of the year on the basis of a few evidence of suppression of turnover. The Learned Counsel for the assessee further submitted that as explained before the Assessing Officer, the assessee firm has received consolidated amount from the customers which includes rent for function hall and amount for various other services. The assessee firm has provided only function hall and other services have been availed from third party service providers for which the appellant has received amount from the customers and paid to the service providers. In the books of account, the assessee firm has accounted only the function hall rent which is net of all expenditure and therefore, the allegation of the Assessing Officer that the assessee firm has recorded part of the amount in its books of account and remaining part is suppressed is incorrect. The Learned Counsel for the assessee

further referring to the estimation made by the Assessing Officer submitted that the Assessing Officer has worked out the estimation of turnover by considering the amount recorded in the books of account and alleged that the assessee firm has only recorded 25% to 40% of receipts for all these assessment years and therefore, he estimated the turnover on the basis of amount recorded in the books of account and worked out the amount and added the same to the total income of the assessee firm. The fact remains that the business carried on by the assessee is seasonal and also depends upon the location, competition and other factors and the same has not been factored by the Assessing Officer. Although the learned CIT(A) has considered all these points, but finally made an ad-hoc estimation of 50% of turnover on the basis of turnover estimated by the Assessing Officer. Therefore, he submitted that there is no scope for estimation of turnover and thus, the additions made by the Assessing Officer towards estimation of turnover should be deleted in total.

9. The Learned Counsel for the assessee further referring to the net profit estimated by the learned CIT(A) @ 20% submitted that once again the learned CIT(A) has made ad-hoc estimation of net profit without there being any basis. Further, the assessee firm had disclosed net profit of 11.78% for all these assessment years and the net profit declared by the

assessee firm can be a basis for estimation of profit on suppressed turnover and this fact is confirmed by the Coordinate Bench of ITAT in the case of M/s. Kolors Healthcare India Pvt Ltd, Hyderabad vs. Asst. Commissioner of Income Tax, ITA Nos.930 to 936/Hyd/2024, dated 23/01/2025 and in the case of Skanda Infra Projects India Private Limited vs. Asst. Commissioner of Income Tax, in ITA Nos. 514 to 539/Hyd/2025, dated 20/08/2025. The Learned Counsel for the assessee submitted that if at all estimation of turnover is required a reasonable amount of 10% of suppressed turnover may be considered and on said turnover net profit @ 11.78% may be estimated.

10. The Learned Senior Authorized Representative for the Revenue Dr. Sachin Kumar, on the other hand supporting the order of the learned CIT(A) submitted that there is no dispute with regard to the fact that there is clear evidence for suppression of receipts from function hall business which is evident from documents impounded during the course of survey under section 133A of the Act. The Assessing Officer had also analyzed the documents found during the course of the survey and found that the assessee firm has only accounted for 40% of the receipts in the books of account and suppressed turnover to the extent of 60% to 74.84% for different assessment years. Although the assessee firm claimed that the functional hall business is seasonal and depends on various factors such

as location, competition from the nearest function halls and the class of customers etc., but the fact remains that the assessee firm itself has admitted during the course of the survey that it has received consolidated amount from the customers and incurred expenditure for various other services. However, the explanation of the assessee with regard to various other services has not been substantiated and therefore the Assessing Officer after considering the relevant facts has rightly estimated the suppressed turnover. The Ld. Sr. AR, further referring to the decision of Hon'ble Supreme Court, in the case of Commissioner of Sales Tax, Madhya Pradesh vs. H.M. Esufail, H.M. Abdulali (1973) 90 ITR 271(SC) submitted that, if evidence is found for suppression of turnover for a part of the period, then the remaining part of the Financial Year estimation can be made however, the said estimation should be on the basis of scientific method and some guess work. Further, the Ld. Sr. AR referring to the net profit estimated by the learned CIT(A) submitted that, in the ordinary course, the profit from unaccounted turnover is higher than the profit declared by the assessee in the books of account because, direct and indirect expenditure has been factored in the turnover declared in the books of account. Therefore, the learned CIT(A) after considering the relevant facts has rightly adopted 20% net profit on suppressed turnover. Therefore, he

submitted that the order of the learned CIT(A) should be upheld. In this regard, the Ld. Sr. AR relied upon the decision of the Hon'ble Delhi High Court in the case of Ajay Gupta vs. Commissioner of Income Tax in ITA 360/2015 & 361/2015, dated 27/10/2016 and also the decision of the Hon'ble Punjab & Haryana High Court in the case of Surinder Kumar vs. Commissioner of Income Tax (2006) 282 ITR 78 (P&H).

11. We have heard both the parties, perused the material available on record and the orders of the authorities below. We have also carefully considered the judicial pronouncements and the case laws relied upon by the Larned Counsel for the assessee and the Ld. Sr. AR present for the Revenue. There is no dispute with regard to the fact that during the course of the survey proceedings under section 133A of the Act, the Department found certain receipts not recorded in the books of account from running the business of function hall. This fact has been confirmed by the partner of the assessee firm wherein he has admitted that the assessee firm has received consolidated amount from parties for various services including the function hall rent, however records net amount in the books of account after incurring various expenses for other services. The Assessing Officer, on the basis of evidence found during the course of the survey coupled with the explanation of the assessee observed that the assessee firm had only recorded a part of the receipts in the books

of account although it has received consolidated amount from the customers which is much higher than the amount recorded in the books of account and therefore, by taking note of amount recorded in the books of account which was @ 25% to 40% to all these assessment years, has estimated suppressed turnover which is ranging from 60% to 75% for different assessment years and made additions to the total income. Further, the learned CIT(A) by considering the explanation of the assessee and also taking note of nature of business of the assessee firm and considering certain factors has scaled down the estimation of suppressed turnover of 50% of turnover estimated by the Assessing Officer and directed the Assessing Officer to adopt 20% of net profit of suppressed turnover. Therefore, it is necessary for us to examine the additions made by the Assessing Officer and sustained by the learned CIT(A) towards suppressed turnover and consequent estimation of net profit in light of the nature of business carried on by the assessee and the evidence found during the course of the survey.

12. Admittedly, the assessee firm is in the business of running function hall which is seasonal in nature with significant fluctuations in bookings based on seasons like wedding season, festivals, holidays etc. Further, the business of the assessee also depends on multiple factors such as location of the hall, competition in the area, availability of alternate

venues, accessibility and the socio-economic profile of the target clientele etc. Therefore, as claimed by the Learned Counsel for the assessee there is no uniform pattern of receipts can be expected from the business of running function hall as estimated by the Assessing Officer. Further, the Assessing Officer had considered amounts recorded in the books of account and observed that the assessee firm has only recorded 25% to 40% of the actual receipts. The assessee firm on the other hand claims that it has received consolidated amount from the customers which includes rent for the hall and charges for other services. In so far as charges for other services, the same has been received from the customers and paid to the third party service providers and only rent relating to function hall has been accounted in the books of accounts. In our considered view, the explanation of the assessee with regard to the accounting of the receipts in the books of accounts appears to be in line of the business carried on by the assessee because, while running a function hall the owner of the hall avails certain services from third parties for which he collects amount from the customers and pay to the third parties. However, the assessee firm without any evidence simply makes an argument that it has received amounts for various other services and passed on to the third-party

service providers. Therefore, in our considered view, the argument of the assessee firm cannot be accepted in toto.

13. Having said so, let us come back to the facts of the present case. Admittedly, there is certain evidence for discrepancies in gross receipts recorded by the assessee in the books of account and amounts received from the customers. In fact, the Assessing Officer has analysed hall bookings in case of 31 customers and found that the assessee firm has received the amount which is in excess of the amount recorded in the books of account. Therefore, the Assessing Officer has extrapolated the evidence found during the course of the survey and estimated the turnover for whole year on the basis of percentage of turnover alleged to have accounted in the books of account. In our considered view, once there is evidence for suppression of turnover, there is scope for estimation of turnover for the remaining part of the Financial Year. This fact has been reiterated by various Courts including the Hon'ble Supreme Court in the case of Commissioner of Sales Tax vs. H.M. Esufali, H.M. Abdulali (supra). A similar view has been taken by the Hon'ble Supreme Court in the case of Pradeep Kumar Biyani vs. Income Tax Officer (2019) 260 Taxman 298 (SC). There is no dispute with regard to the above settled legal position. However, the fact remains that as held in the above cases, estimation must be reasonable and based

on some amount of guess work. However, if the estimation is without any basis or method or arbitrary, then the same cannot be accepted. In the present case, although the Assessing Officer has estimated suppressed turnover on the basis of a few evidence found during the course of the survey, but there is no sound basis for the Assessing Officer to arrive at the percentage of suppressed turnover. Similarly, although the learned CIT(A) accepted the explanation of the assessee with regard to the nature of the business and other factors which influences the receipts, had once again made ad-hoc estimation of turnover @ 50% of turnover estimated by the Assessing Officer. Similarly, the assessee firm has also failed to justify its argument with relevant evidence. Therefore, under these circumstances the only path left with us is to go for a reasonable estimation of suppressed turnover on the basis of reasoning given by the Assessing Officer, explanation of the assessee and finding of facts recorded by the learned CIT(A). If we go by the reasoning of the Assessing Officer, there are sufficient evidences for estimation of suppressed turnover. At the same time, if we go by finding of facts recorded by the learned CIT(A), there is a clear evidence for arbitrary estimation of suppressed turnover. Therefore, considering the facts and circumstances of the case, the nature of business carried on by the assessee and other factors, in our considered

view a reasonable estimation needs to be made for suppressed turnover. Therefore, we direct the Assessing Officer to estimate 25% of turnover quantified by the Assessing Officer as suppressed turnover for all 4 assessment years.

14. In so far estimation of net profit, there is no dispute with regard to the reasoning given by the learned CIT(A), because it is in line of business carried on by the assessee and the corresponding expenditure involved in the said business. It is an admitted fact that the entire suppressed turnover cannot be the profit of the assessee. Further, as observed by the Assessing Officer himself the assessee firm had also incurred various other expenditure out of suppressed turnover. Since the assessee firm has already factored general, administrative and other expenses in the books of accounts, certainly the profit element in suppressed turnover is on little higher side. The assessee firm has declared an average net profit of 12% for the last 4 assessment years. Since the assessee firm has suppressed turnover and there are discrepancies in the books of accounts, the book results of the assessee firm cannot be accepted. At the same time, although the learned CIT(A) has adopted 20% net profit, but there is no basis including any comparable cases of similar nature or industry average. Since both the parties failed to justify their case for estimation of net profit @ 20%, in

our considered view a middle path should be followed. Since the assessee firm has declared 12% of net profit for the last 4 assessment years and the learned CIT(A) has considered 20%, in our considered view average of the above two works out to 16%, and thus, we direct the Assessing Officer to estimate rounded of 15% net profit on suppressed turnover for all 4 assessment years.

15. In the result, appeals filed by the assessee for AY 2011-12 to AY 2014-15 are partly allowed.

Order pronounced in the open court on 20th February, 2026.

Sd/- (VIJAY PAL RAO) VICE PRESIDENT	Sd/- (MANJUNATHA G.) ACCOUNTANT MEMBER
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Hyderabad,

Dated 20th February, 2026.
Okk, SPS

Copy to:

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2	DCIT, Central Circle-1(2), Hyderabad.
3	The Pr.CIT, Central Circle, Hyderabad
4	The DR, ITAT Hyderabad Benches
5	Guard File

By Order