

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

Before Shri Manjunatha G., Accountant Member
and
Shri Ravish Sood, Judicial Member

आ.अपी.सं /**ITA No.1891/Hyd/2025**
(निर्धारण वर्ष/Assessment Year:2017-18)

Sarda Brijgopal, Hyderabad. PAN: AAMHS2717L	Vs.	Income Tax Officer, Ward-5(1), Hyderabad.
(Appellant)		(Respondent)
निर्धारिती द्वारा/Assessee by:		Ms. Aluru V Sai Sudha, CA
राजस्व द्वारा/Revenue by:		Shri K. Vamsi Krishna, Sr. DR
सुनवाई की तारीख/Date of Hearing:		05/02/2026
घोषणा की तारीख/Date of Pronouncement:		20/02/2026

आदेश / ORDER

PER. RAVISH SOOD, J.M:

The present appeal filed by the assessee is directed against the order passed by the Additional/Joint Commissioner of Income Tax (Appeals)-4, Chennai, dated 30/09/2025, which in turn arises from the order passed by the Assessing Officer (for short, "AO") under section 143(3) of the Income Tax Act, 1961 (for short, "the Act"), dated 18/12/2019 for the Assessment Year (AY) 2017-18. The assessee has assailed the impugned order of the CIT(A) on the following grounds of appeal:

1. "The CIT(A) grossly erred in upholding the order passed by the AO which was not in accordance with the provisions of law.
2. The order of the CIT(A) is erroneous both on facts and in law.
3. CIT(A) has erred in upholding the order passed by the AO though the said order was passed without a DIN.
4. The CIT(A) has erred in upholding the addition made by the AO u/s 69A of the Act to the extent of Rs. 10,43,500.
5. The CIT(A) has erred upholding the demand of Rs. 10,71,740 raised by the AO on the addition of Rs. 10,43,500 made by the AO u/s 69A of the Act.
6. The CIT(A) has erred upholding the interest of Rs. 2,65,584 levied by the AO u/s 234B of the Act on the addition of Rs. 10,43,500 made by the AO u/s 69A of the Act.
7. Any other grounds that may be urged at the time of hearing."

2. Succinctly stated, the assessee had filed his return of income for AY 2017-18 on 21/07/2017 declaring an income of Rs.4,32,150/-. The return of income filed by the assessee was processed under section 143(1) of the Act. Subsequently, the case of the assessee was selected for "limited scrutiny" and notice under section 143(2) of the Act was issued and duly served upon him.

3. During the course of the assessment proceedings, the AO observed that the assessee had in the subject year made cash deposits of Rs.10,43,500/- in his two bank accounts, viz., (i) Kotak Mahindra Bank: Rs.9,43,500/-; and (ii) DCB Bank: Rs.1,00,000/-.

4. On verification, the AO observed that the assessee had made cash deposits aggregating to Rs.10,43,500/- during the demonetization period in his aforementioned bank accounts viz., on 28/12/2016 in Kotak Mahindra Bank: Rs.9,43,500/-; and (ii) on 08/11/2016 in DCB Bank:

Rs.1,00,000/-. On being queried, it was the claim of the assessee that the cash deposits of Rs. 9,43,500/- made on 28/12/2016 with Kotak Mahindra Bank were sourced out of his savings and income for the subject year that had been offered for tax. The assessee to support his aforesaid contention had filed before the AO the details of his income from various streams, i.e., income from house property and income from other sources as was disclosed by him during the subject year and also the preceding three years based on which he had come forth with an explanation that the subject cash deposits of Rs.9.43 lakhs (supra) was sourced out of the aforementioned income that had already been subjected to tax in his hands.

5. As is discernible from the assessment order, the AO did not find favour with the explanation advanced by the assessee for the reason that he had failed to substantiate his claim regarding the income derived from the aforesaid sources based on documentary evidence. The AO in order to verify the aforesaid claim of the assessee called upon him to furnish the nature of the "other income" as was disclosed by him, and also the complete details of the rental income that was stated to have been derived by him over the years. In reply, the assessee furnished the details of the parties from whom he was in receipt of the rental income during the AY 2014-15 to AY 2017-18. Also, the assessee furnished the

complete details of the interest income which he had received on advancing of hand loans to number of parties during the period spread over AY 2014-15 to AY 2017-18.

6. Ostensibly, the AO based on his deliberations did not find favour with the explanation of the assessee regarding the source of the cash deposits for the reasons, viz., (i) that the assessee had though provided the details of the persons from whom he has received the interest income but had failed to furnish their complete addresses; (ii) that the details of the persons from whom the rent was received by the assessee was provided but no evidence/confirmation to substantiate the source of the said receipts was filed; (iii) that it was highly improbable and beyond comprehension that the assessee possessed cash in hand pertaining to two to three years; and (iv) that though the assessee had claimed to be in receipt of income from trading of stone but could not furnish any details which would evidence the same. Accordingly, the AO after rejecting the explanation of the assessee held the entire amount of cash deposit of Rs.10,43,500/- as having been sourced out of his unexplained money under section 69A of the Act. Accordingly, the AO vide his order under section 143(3) of the Act, dated 18/12/2019 determined the income of the assessee at Rs.14,75,650/-.

7. Aggrieved, the assessee carried the matter in appeal before the CIT(A) but without success.

8. The assessee being aggrieved with the order of the CIT(A) has carried the matter in appeal before us.

9. We have heard the Learned Authorized Representatives of both parties, perused the orders of the lower authorities and the material available on record.

10. Ms. Aluru V Sai Sudha, CA, Learned Authorized Representative (for short, "Ld. AR") for the assessee, at the threshold of hearing of the appeal, submitted that both the lower authorities had grossly erred in law and facts of the case in brushing aside the duly substantiated explanation of the assessee and had without any basis held the entire amount of cash deposits of Rs. 10.43 lakhs (approx.) made by the assessee during the demonetization period as having been sourced out of his unexplained money under section 69A of the Act. Elaborating on her contention, the Ld. AR submitted that the assessee as on 31/03/2016 had available with him cash in hand of Rs.11,18,097/-, which in turn was sourced out of his total income for the last three preceding years, i.e., AY 2014-15 to AY 2016-17. The Ld. AR submitted that the assessee during the year under consideration was in receipt of cash income of Rs.4.98 lakhs sourced out of his multi facet streams of income, i.e.,

rental receipts, business operations and interest on loans and advances. The Ld. AR in attempt to buttress her contention had drawn our attention to the cash flow statement for the AY 2016-17, wherein it was projected that the cash deposit of Rs.10,43,500/- made in the assessee's bank account during the subject year was sourced out of the cash accumulations generated out of his income for the preceding three years of Rs.11.18 lakhs (supra) and the receipt of income of Rs.4.89 lakhs for the subject year. The Ld. AR had further drawn our attention to the statement of affairs of the assessee on 31/03/2016 wherein he had disclosed cash in hand of Rs.11,18,097/-, Page No.82 of APB.

11. Per contra, Shri K. Vamsi Krishna, Learned Senior Departmental Representative (for short, "Ld. Sr-DR") relied upon the orders of the authorities below. It was submitted by the Ld. Sr-DR that as the assessee had failed to substantiate the source of the cash deposits based on irrefutable documentary evidence, therefore, the AO had rightly rejected the said explanation and held the entire amount of cash deposits made during the demonetization period as the receipts out of the assessee's unexplained money under section 69A of the Act.

12. We have given thoughtful consideration to the contentions advanced by the Learned Authorized Representatives of both parties in

the backdrop of the orders of the authorities below and the material available on record.

13. Admittedly, it is a matter of fact discernible from the record that the assessee had regularly been filing his return of income, and the said fact can safely be gathered on a perusal of his returns of income for the year under consideration and the last preceding three years, i.e., AY 2014-15 to 2016-17. On a careful perusal of the returns of income of the assessee for the year under consideration and the aforementioned three preceding years, we find that he had derived income from multi facet sources, viz., (i) rental income from letting out of house property; (ii) interest income from advancing of hand loans; and (iii) other receipts from the business of trading in stones. In our view, taking cognizance of the income returned by the assessee for the year under consideration and for the last three preceding years, the observation of the AO that the assessee would not be in possession of any amount of cash in hand on the date on which the cash deposits were made in his bank account being devoid and bereft of any substance cannot be accepted. At the same time, we cannot also remain oblivion of the fact that the assessee had failed to irrefutably evidence the availability of cash in hand on the respective dates on which the same were deposited by him in his aforementioned bank accounts. We though, concur with the Ld. AR that considering the

income returned by the assessee for the last three preceding years, i.e., from AY 2014-15 to 2016-17, the assessee would be in possession of certain amount of cash in hand with him, but at the same time are unable to endorse her claim that the entire income of the assessee generated during the said three preceding years would not have been utilized by him and be available with him as cash in hand of Rs.11,18,097/- on 31/03/2016. Also, based on the same footing, we are unable to fully concur with the Ld ARs contention that the entire income of Rs.4.89 lakhs returned by the assessee during the year under consideration from his multi facet sources would be available with him lying intact for depositing the same in his bank accounts during the subject year.

14. We are of a firm conviction that considering the totality of the facts involved in the case of the assessee before us who is a regular income tax assessee, it can safely be held that he was in possession of an aggregate amount of cash in hand of Rs.7,78,125/- [50% of Rs.15,56,250/- (aggregate of income of the preceding three years and the subject year)] to partly source the cash deposits of Rs.10,43,500/- made in his bank accounts during the year under consideration. We thus, in terms of our aforesaid deliberations, though are guided by a process of estimation, sustain the addition made in the hands of the assessee to the extent of Rs.2,65,375/- [Rs. 10,43,500/- (minus) Rs. 7,78,125/-].

15. As the Ld. AR had in the course of the hearing of the appeal confined her contentions qua the merits of the additions made in the hands of the assessee, therefore, we are restricting our adjudication only to the said extent.

16. Resultantly, the appeal filed by the assessee is partly allowed in terms of our aforesaid observations.

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

Sd/- (MANJUNATHA G.) ACCOUNTANT MEMBER	Sd/- (RAVISH SOOD) JUDICIAL MEMBER
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Hyderabad,
Dated 20th February, 2026.
***OKK / SPS**

Copy to:

S.No	Addresses
1	Sarda Brijgopal, 5-8-32 to 35/303 Fateh Sultan Lane, Nampally, Hyderabad, Telangana-500001.
2	Income Tax Officer, Ward-5(1), Range-5, Income Tax Towers, AC Guards, Masab Tank, Hydeabad-500004, Telangana.
3	The Pr.CIT, Hyderabad
4	The DR, ITAT Hyderabad Benches
5	Guard File

By Order

Sr. Private Secretary,
ITAT, Hyderabad.