

आयकर अपीलिय अधिकरण, 'बी' न्यायपीठ, चेन्नई।
**IN THE INCOME TAX APPELLATE TRIBUNAL
'B' BENCH: CHENNAI**

श्री एबी टी. वर्की, न्यायिक सदस्य एवं
श्री एस. आर. रघुनाथा, लेखा सदस्य के समक्ष

**BEFORE SHRI ABY T. VARKEY, JUDICIAL MEMBER AND
SHRI S.R.RAGHUNATHA, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA Nos.2872 & 2873/Chny/2025
निर्धारणवर्ष/Assessment Years: 2017-18 & 2020-21

The ACIT, Non-Corporate Circle-4(1), Chennai.	v.	Taj Mohamed, S A Leather Exports, 21, 1 st Floor, Naval Hospital Road, Periampet, Chennai – 600 003. [PAN: ABTPT 4953 F]
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)
Department by	:	Mrs. Anitha, Addl.CIT
Assessee by	:	None
सुनवाईकीतारीख/Date of Hearing	:	05.02.2026
घोषणाकीतारीख /Date of Pronouncement	:	18.02.2026

आदेश / ORDER

PER ABY T. VARKEY, JM:

These are appeals preferred by the Revenue against the order of the Learned Commissioner of Income Tax (Appeals)/NFAC, (hereinafter referred to as 'Ld.CIT(A)'), Delhi, both dated 05.08.2025 for the Assessment Years (hereinafter referred to as 'AYs') 2017-18 & 2020-21.



:: 2 ::

2. None appeared for the assessee. Since the issues raised by the Revenue in their grounds of appeal are identical, the decision made in the lead case for AY 2017-18 would decide the fate of AY 2020-21.

3. The main grievance of the Revenue for AY 2017-18 is against action of the Ld.CIT(A) deleting the addition of ₹3,13,66,333/- [total cash credits in the bank account] u/s.69A of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') and instead treating the entire credit as business turnover and estimating profit @8% of ₹3,13,66,333/- i.e. ₹25,09,307/-. The assessee is noted to have not filed his appeal against the impugned action of Ld CIT(A) and is not represented before us during the hearing.

4. The brief facts of the case are that the assessee is an individual and the AO noted that the assessee didn't file return of income (RoI) for the year under consideration. He got information that the assessee had deposited cash of ₹2,45,000/- and withdrawn cash of ₹2,29,09,680/- from his current account maintained in the Punjab National Bank (PNB) during the relevant assessment year. He also came to know that a sum of ₹3,13,66,333/- was credited, out of which, ₹2,45,000/- was in cash supra. The AO noted that despite assessee carrying out large financial transactions, he didn't bother to file the ITR/RoI, and therefore, didn't disclose the income arising there from such transactions, and the source



:: 3 ::

of the bank credits to the tune of ₹3,13,66,333/- remain unexplained, therefore, notice u/s.148 of the Act was issued on 30.03.2024; and pursuant to it, the assessee filed return declaring total income amounting to ₹2,66,690/-. Pursuant to the notices issued, the assessee informed the AO that he was in the business of leather, procuring '*raw skins & hides*'. And explained that for such business, he had to withdraw the cash for buying the same from butchers. The AO noted that the assessee got license to do the business in the year 2015, had filed RoI for AY 2017-18 showing total turnover of ₹2,52,58,980/- and returned an income of ₹2,66,690/-; and for AY 2019-20 showed turnover of ₹73,28,145/- and returned income of ₹2,07,793/-; and for AY 2020-21, he showed turnover of ₹1,93,02,853/- and returned income of ₹4,76,320/-. The assessee filed bills in the name of proprietorship M/s. S.A. Leathers [for AY 2019-20] as well as in the name of M/s.Arfat Skin Traders. The AO issued notices u/s.133(6) of the Act to the proprietorship concern of the assessee M/s.Arfat Skin Traders [for AY 2016-17]. The AO was not satisfied with the reply given by the assessee that the assessee was a going-concern and found certain discrepancies in the explanation given by the assessee and therefore, he disbelieved the explanation of the assessee and added the total credits of ₹3,13,66,333/- as unexplained income u/s.69A of the Act by passing assessment order on 17.03.2025. Aggrieved, the assessee preferred an appeal before the Ld.CIT(A) who



:: 4 ::

after going through the evidences submitted by the assessee held that the assessee has been able to demonstrate some linkage of the credits (in his bank) to his business activities in trading of 'raw skins & hides', which fact is also supported by the returns filed by the assessee albeit for subsequent years (supra). Therefore, the Ld.CIT(A) has treated the credits in his bank account to be as part of the business turnover and estimated the income by applying profit rate @8% on the turnover and estimated the profit of the assessee at ₹25,09,307/- [8% of ₹3,13,66,333/-] and thus deleted the addition u/s.69A of the Act.

5. Aggrieved, the Revenue is before us.

6. We have heard the Ld.DR and perused the records, we find that the AO got information that in his current account maintained with Punjab National Bank (PNB), the assessee had substantial financial transaction in the form of cash withdrawal of ₹2,29,09,680/- and cash deposit of ₹2,45,000/-. He further noted that the total credits in the bank account was ₹3,13,66,333/-. The AO also noted that the assessee didn't file the RoI for AY 2017-18. Therefore, in order to find out the income from the transaction executed by the assessee as well as to find out the source of the bank credit to the tune of ₹3,13,66,333/-, he reopened the assessment by issuing notice u/s.148 of the Act on 30.03.2024. Pursuant to the notice, the assessee is noted to have filed RoI declaring



:: 5 ::

₹2,66,690/- and informed the AO that he is in the business of trading in 'raw skins & hides'. The assessee explained the modus operandi of his business, which is predominantly cash based, viz for procuring skins from 'local butchers & unregistered dealers,' he withdrew cash to the tune of ₹2,29,09,680/-. Thus, he is noted to have explained and justified his action of withdrawal of cash for his business. In order to prove the nature & source of cash deposits/withdrawals, he submitted relevant documents like cash book, capital account, purchase details, rent agreement and bank statement. The AO found certain discrepancies viz., month-wise purchase details lacked complete transactions such as seller names, PAN, transportation bills, and agreements with customers and that in bills, there was mention of two names viz 'M/s.SA leathers' as well as 'M/s.Arfat Skin Traders', which raised suspicion in the mind of the AO regarding the claim of the assessee that he was a going-concern. Therefore, the AO was of the view that the assessee failed to prove the genuineness of his business or provide reliable documents for the cash credits and therefore, he treated the same as bogus and added the same u/s.69A of the Act as unexplained to the tune of ₹3,13,66,333/-. On appeal before the Ld.CIT(A), the assessee asserted before him that the credits in the bank account represented sale-proceeds from trading in 'raw skins & hides'. The assessee brought to the notice of the Ld.CIT(A) that his business is cash based, so in order to procure skins from 'local



:: 6 ::

butchers & unregistered dealers,' he had to withdraw cash to the tune of ₹2,29,09,680/- and thus explained withdrawal of cash as well as justified the same as for business purpose. In order to show that he was doing business in purchase and sale of 'raw skins & hides', the assessee also submitted copy of audited financials, rent receipts, photographs of work place and details of the transactions albeit partly. The Ld.CIT(A) noticed the nature of business where informal dealings in weekly markets, where maintenance of bills & ledgers were not practical/feasible. The Ld.CIT(A) noted that the assessee was able to obtain confirmation that assessee was carrying out business of 'raw skins & hides' in the relevant years. The Ld.CIT(A) didn't entirely accept the claim of the assessee, but he found that the assessee was able to demonstrate some linkage of the credits in his bank account to his business activities in trading of 'raw skins' which fact was supported by later year ITR/RoI supra. Therefore, the Ld.CIT(A) treated the credits in the bank account as business turnover of the assessee and went for estimating the profit of the assessee by adopting the estimation method aligned with Section 44AD of the Act i.e. adopted profit @8% on the turnover and thus, estimated the profit of the assessee at ₹25,09,307/- i.e. 8% of ₹3,13,66,333/- by holding as under:

Ground No. 2 to 7:- The Assessing Officer, during the assessment proceedings, noted that the assessee had substantial credits in his bank account totaling 3,13,66,333/- during the financial year relevant to the assessment year. Despite being involved in sizeable transactions, the assessee failed to file a return of income within the prescribed time and only filed a return under Section 148 declaring a meagre income of 2,66,690/-. The AO, after issuing



:: 7 ::

multiple notices under Section 142(1) and 133(6), observed that the assessee failed to produce credible documentary evidence supporting his claim that the bank transactions were related to genuine business activity. Consequently, in the absence of verifiable books of accounts, quantitative records, sale invoices, and transport documents, the AO treated the entire amount as unexplained income under Section 69A of the Act and brought it to tax under Section 115BBE.

The assessee, through grounds 2 to 7 of the appeal, has contested the action of the AO and argued that the amounts credited in the bank account represented sales proceeds from trading in raw skins. The assessee submitted that he operated a cash-based business, procured raw skins from local butchers and unregistered dealers, and made cash withdrawals for this purpose. He contended that these withdrawals were necessary for purchases and the credits represented genuine business receipts. He further challenged the addition under Section 69A by relying on the Supreme Court decision in D.N. Singh v. CIT, asserting that cash deposits in bank accounts do not constitute unexplained money under that provision. The assessee also argued that the AO misunderstood the trade practices in the skin business, particularly regarding skin removal and transportation.

In his written submissions, the assessee attempted to justify the business activity by submitting a copy of the audited financial statements, rent receipts, photographs of the workplace, and partial details of transactions. He emphasized that the nature of business involved informal dealings in weekly markets, where maintenance of bills and ledgers was not feasible. However, it was also admitted by the assessee that due to pandemic-related losses, the business was shut down and no regular income tax returns were filed for multiple years thereafter. Moreover, while the assessee mentioned that confirmation letters were received in response to notices under Section 133(6), the AO rightly noted that neither were purchase invoices produced nor was stock register or transport documentation furnished.

The assessee's contention that the entire sum was related to genuine business turnover is not entirely acceptable without corroborative documentation. The onus to prove the source of the credits and the business genuineness rests with the assessee, which he failed to discharge with sufficient material. The reference made by the assessee to the judgment of D.N. Singh v. CIT is misplaced and not applicable to the facts of the present case. That case dealt with the scope of "valuable articles" in the context of cash held in hand, whereas the present issue concerns large-scale banking transactions without proper business records or return filing. Hence, the factual matrix is entirely distinguishable.

At the same time, it is also noted that the assessee has at least demonstrated some linkage of these credits to his business activities in trading of raw skins, supported by the fact that he had been assessed to income in subsequent years and obtained confirmations from some parties. In the absence of complete evidence but keeping in view the principle of fair estimation, it would be reasonable and just to consider the total bank credits of 3,13,66,333/- as the business turnover of the assessee for the relevant year. However, the profit shown by the assessee is found to be unreasonably low and not supported by audited books or reliable evidence. Therefore, adopting an estimation method aligned with Section 44AD of the Act, a profit rate of 8% on the total turnover is considered fair and proper under the circumstances.

Accordingly, the profit of the assessee is estimated at 25,09,307/- (i.e., 8% of 3,13,66,333/-), which shall be treated as his taxable income for the year. The



:: 8 ::

appeal of the assessee on grounds 2 to 7 is thus dismissed, and the action of the Assessing Officer in invoking Section 147 and completing assessment in the absence of proper return filing and books of account is upheld. However, the addition under Section 69A is modified and restricted to the estimated income as per the above reasoning.

7. In the light of the above discussion, we find that assessee was in the business of 'raw skins & hides', which fact is noted from the finding rendered by the AO that assessee had license to do such a business in AY 2015-16. Merely because assessee didn't renew his license cannot be ground to disbelieve that he was not doing the same business in the relevant years, when he had produced contemporaneous evidence to prove it as noted by Ld CIT(A). Moreover, when credit in assessee's bank account couldn't be traced to any other source of income; and it is common knowledge that assessee's business is predominantly cash based, we agree with the conclusion and decision of the Ld.CIT(A) that credits in bank account is from business, which view is plausible in the facts and circumstances of the case and it can't be held to be perverse, in the light of material adduced by the assessee. No infirmity in the impugned action of the Ld.CIT(A) could be pointed out. And since the assessee is not in appeal, we confirm the action of the Ld.CIT(A) treating the total credits in the bank account as the business turnover of the assessee and determining the profit at ₹25,09,307/- and deleting the addition made u/s.69A of the Act.



ITA Nos.2872 & 2873/Chny/2025
(AYs 2017-18 & 2020-21)
Taj Mohamed.

:: 9 ::

8. Since the facts are identical for AY 2020-21, we confirm the action of the Ld.CIT(A) estimating the income of the assessee at ₹16,08,268/- [8% of ₹2,01,03,355/-] and deleting the addition made u/s.69A of the Act on similar reasoning given for AY 2017-18.

9. In the result, both the appeals filed by the revenue are dismissed.

Order pronounced on the 18th day of February, 2026, in Chennai.

Sd/-

(एस. आर. रघुनाथा)
(S.R.RAGHUNATHA)

लेखा सदस्य/**ACCOUNTANT MEMBER**

Sd/-

(एबी टी. वर्की)
(ABY T. VARKEY)

न्यायिक सदस्य/**JUDICIAL MEMBER**

चेन्नई/Chennai,

दिनांक/Dated: 18th February, 2026.

TLN

आदेश की प्रतिलिपि अग्रेषित /**Copy to:**

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