

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

**BEFORE SHRI VIJAY PAL RAO, VICE PRESIDENT**  
**AND**  
**SHRI MANJUNATHA G. ACCOUNTANT MEMBER**

आ.अपी.सं / **ITA No.1391/Hyd./2024**  
 Assessment Year 2017-2018

Parameswara Rao Vasanth Pavar, SRIKALAHASTHI. PIN – 517 644 PAN ABZPP5340A (Appellant)	vs.	The DCIT, Circle-1(1), TIRUPATI. (Respondent)
निर्धारिती द्वारा / Assessee by:	Sri S Rama Rao, Advocate	
राजस्व द्वारा / Revenue by:	MS V Koteswaramma, Sr. AR	
सुनवाई की तारीख / Date of hearing:	19.02.2026	
घोषणा की तारीख / Pronouncement:	25.02.2026	

**आदेश / ORDER**

**PER VIJAY PAL RAO, V.P. :**

This appeal by the Assessee is directed against the Order dated 18.11.2024 of the learned CIT(A)-National Faceless Appeal Centre [in short "NFAC], Delhi, for the assessment year 2017-2018.

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

- 1) *“The order of the learned CIT (A) is erroneous both on facts and in law*
- 2) *The learned CIT (A) erred in confirming the addition made by the Assessing Officer of Rs.60,36,923/-u/s 68 of the I.T. Act;*
- 3) *The learned CIT (A) ought to have considered the explanations and evidences submitted and deleted the addition made;*
- 4) *The learned CIT (A) erred in confirming the addition of Rs.61,78,886/-made by the Assessing Officer by applying the provisions of Sec.68 of the I.T. Act without considering the facts on record and detailed explanations and evidences produced before him;*
- 5) *Any other ground/grounds that may be urged at the time of hearing;”*

3. Ground no.1 is general in nature and does not require any specific adjudication.

4. Ground nos.2 and 3 are regarding addition made by the Assessing Officer on account of cash deposit in the bank account during the demonetization period. The learned Authorised Representative of the Assessee has submitted that the assessee is in the business of running petrol pump

in the name and style of PVR Filling Station and also is a partner in the Firm P V Ramchandra Rao Beedi Business, Chennai. He has further submitted that the assessee is also deriving income from Pawn Broking Business. The learned Authorised Representative of the Assessee has submitted that the Assessing Officer has made the addition of Rs.60,36,925/- u/sec.68 of the Income Tax Act [in short "the Act"], 1961 on account of deposit made in the bank account of the assessee. He has pointed out that the assessee produced the relevant record including the statement of sales and purchases along with monthly VAT return for the financial year relevant to the assessment year under consideration. He has also furnished the stock register showing the details of opening stock as on 01.11.2016, purchases, sales and closing stock on 31.12.2016 and not discrepancy is found by the Assessing Officer in the record maintained by the assessee. However, the Assessing Officer has made the addition by taking the average sales of the pre Covid period months of the year and then the difference of excess sales during the months of November and December

period is treated as unexplained cash credits u/sec.68 of the Act. The learned Authorised Representative of the Assessee has further contended that the assessee is maintaining regular books of accounts which are also audited and audit report in Form-3CD and Form-3CD were also filed which is not disputed by the Assessing Officer. Therefore, once the books of accounts of the assessee are accepted, then, the Assessing Officer cannot estimate the sales of the assessee which is not only recorded in the books of accounts of the assessee but also the matter on record as per the Oil Marketing Company [Indian Oil Corporation (in short "IOL")]. He has referred to the ledger account copy, stock register and bank account statements and submitted that the assessee furnished details of the opening stock purchases, sales and closing stock during the months of November and December which matches with the bank account details of the assessee for purchases of the petroleum products and sales during this period and therefore, the deposit made in the bank by the assessee during the months of November and December is out of the cash sales of the assessee during this period. The

Assessing Officer accepted the turnover of the assessee and income on the said turnover as reported in the books of accounts which is also corroborated by the VAT return and therefore, the addition made by the Assessing Officer taking the average sales and difference of excess sales during November and December u/sec.68 of the Act is highly arbitrary and unjustified.

5. On the other hand, the learned DR has submitted that the assessee has not brought any material on record to show the reasons of excess sales during the months of November and December and therefore, the deposits made in the bank account in the Specified Bank Notes [in short "SBNs] over and above the average monthly sales of the pre Covid period is rightly considered by the Assessing Officer as unexplained cash credits. The learned DR has relied upon the Orders of the authorities below.

6. We have considered the rival submissions as well as the relevant material on record. The Assessing Officer noted that the assessee has deposited cash in the bank account during the demonetization period from 09.11.2016

to 30.12.2016, the details of the cash deposit are given by the Assessing Officer in Para no.2 of the assessment order as under:

Account Number	Name of the Bank	Amount credited (in Cash)
30101492461	State Bank of India (Srikalahasti Branch)	Rs. 4,90,000/-
32989762434	State Bank of India (Kovanur Branch)	Rs. 2,42,37,807/-
32801495586	State Bank of India (Kovanur Branch)	Rs. 60,000/-
32801836877	State Bank of India (Kovanur Branch)	Rs. 60,000/-

6.1. Before the Assessing Officer the assessee has explained the cash deposit of Rs.2,42,37,807/- as out of sales of the petrol and petroleum products as the assessee is running a petrol pump of IOC. The Assessing Officer has not accepted this explanation of the assessee and proceeded to work-out the average sales of the pre-Covid period i.e., 01.04.2016 to 31.10.2016 @ Rs.1,74,17,551/- and the sales during the months of November, 2016 reported by the assessee at Rs.2,20,87,075/- and month of December, 2016

at Rs.1,81,74,950/-. Accordingly, the Assessing Officer has arrived the difference of Rs.46,95,524/- in respect of the sales of the month of November, 2016 and Rs.7,57,399/- in respect of sales of December, 2016 total amounting to Rs.54,26,926/-. Further the Assessing Officer has also rejected the explanation of the assessee regarding the deposits of Rs.4,90,000/-; Rs.60,000/- and Rs.60,000/- totalling to Rs.6,10,000/- claimed by the assessee as business receipts from Pawn Broking business as the assessee failed to substantiate the said claim by producing any documentary evidence.

7. As regards the addition made by the Assessing Officer on account of difference of the sales for the months of November and December, 2016, at the outset, we note that the assessee has produced the relevant record to show that the actual sales of the assessee for these two months were correctly reported which is also supported by the record sent by the assessee in Form-C of the Andhra Pradesh Petroleum Products [Licensing and Regulation of Supplies] Order, 1980 placed at Page no.181 of the paper book as under:

**FORM 'C' (See Clause - 3 (4))**  
**The Andhra Pradesh Petroleum Products**  
**(Licensing and Regulation of Supplies) Order, 1980**

Return of stocks receipts, sales and deliveries of the Petroleum Products for the month

Ending : 30.11.2016

Name : P.V.R.FILLING STATION,  
 Address : 197/2B2, Chennai Road, SRIKALAHASTI,  
 Dealers : Indian Oil Corporation Ltd.,  
 SRIKALAHASTI.

Licence No. 11/SKHT/2013-HPCLJDI/326/2013

	<u>MOTOR SPIRIT</u>	<u>MOTOR SPIRIT XTRA PREMIUM</u>	<u>H.S.D.OIL</u>	<u>L.P.G.AS</u>	<u>KEROSINE</u>
1 Opening Balance :	13936 Liters	7693 Ltrs.	25134 Liters	Not Dealing-	
2 Quantity Received :	80000 Liters	40000 Ltrs.	240000 Liters	Do-	
3 Sales during the month	72343 Liters	38522 Ltrs.	225961 Liters	Do-	
4 Balance at the end of month	21593 Liters	9171 Ltrs.	39173 Liters	Do-	

For P.V.R.Filling Station  
*Daagudrao*  
 Proprietor

Place : SRIKALAHASTI,  
 Date : 02.12.2016.

SIGNATURE OF THE STAMP OF THE DEALER.

7.1. It is also pertinent to note that the dealer of the petroleum products running a petrol pump is otherwise required to maintain the record of the day-to-day stocks and monthly balance of the opening stock, purchases, sales and closing stock which is also reported live on actual time data on the electronic/computerized system provided by the Oil

Marketing Companies at each petrol pump. Even otherwise, the Assessing Officer has not disputed or disturbed the turnover of the assessee and business income reported by the assessee from the sale of the petroleum products. Thus, the addition made by the Assessing Officer by taking the average sales of the pre Covid period and sales of the Covid period for making the addition u/sec.68 of the Act ignoring the record showing the correct figure of the opening stock, purchases, sales and closing stock which is also available with the Oil Marketing Company [IMC] is not justified being contrary to the facts and record. Hence, by considering facts emerging from the record that the sales reported by the assessee during the Covid period cannot be disputed and therefore, the deposits made by the assessee during this period is out of the sale proceeds during the months of November and December, 2016 cannot be treated as unexplained deposit in the bank account. Hence, the addition made by the Assessing Officer to the extent of Rs.54,26,926/- is deleted.

8. As regards the addition of Rs.6,10,000/- on account of deposit in the bank account and claimed as out of business income from Pawn Broking is concerned, we find that except the contention and submissions of the assessee before the authorities below as well as before the Tribunal, the assessee has not produced any documentary evidences in support of the said claim. Hence, the addition made by the Assessing Officer to the extent of Rs.6,10,000/- on account of deposit in the bank account is hereby confirmed. Grounds of appeal nos.2 and 3 of the assessee are partly allowed.

9. Ground of appeal no.4 of assessee's appeal is regarding the addition made by the Assessing Officer u/sec.68 of the Act in respect of sundry creditors of Rs.61,78,886/-.

10. The learned Authorised Representative of the Assessee has submitted that there is no real introduction of cash in the books of the assessee but it was only a book entry of transferring of the amount from the capital account of the assessee in the name of different persons and they are shown

in the balance sheet as sundry creditors. Thus, the learned Authorised Representative of the Assessee has submitted that though it is only an artificial creation of sundry creditors and not a real introduction of cash credits in the books of accounts and therefore, the addition made by the Assessing Officer is not justified. He has referred to the balance sheet and ledger account of these parties and submitted that this is only a book entry and not the introduction of any cash credit and therefore, the addition made by the Assessing Officer u/sec.68 of the Act is not justified. The learned Authorised Representative of the Assessee has further submitted that only to the extent of interest on these sundry creditors can be disallowed as these are only the book entries.

11. On the other hand, learned DR has submitted that the Assessing Officer has given a finding that there is an increase in the sundry creditors to the extent of Rs.61,78,886/- and assessee has failed to explain the source of the said cash credit. She has relied upon the Orders of the authorities below.

12. We have considered the rival submissions as well as the relevant material on record. The Assessing Officer has discussed this issue in Para no.11 of the assessment order as under:

*“11. Further, it is seen from the Balance Sheet of ‘P V R Filling Station’, which is a proprietary concern of the assessee, that there is a sharp rise in ‘Sundry Creditors’ from Rs.13,65,365/- for AY 2016-17 to Rs.75,44,251/- for AY 2017-18. The assessee has not submitted any satisfactory evidence, either through his books of account or by furnishing any confirmation letters from the sundry creditors, to prove the genuineness of his transactions. Accordingly, since the assessee has not submitted any books of account despite having been audited u/s 44AB of the IT. Act, 1961, the increase in the amount shown against ‘Sundry Creditors’ of ‘P.V.R. Filling Station’ i.e., Rs.61,78,886 (75,44,251-13,65,365) is treated as “Unexplained Cash Credits” and brought to tax by adding it to the total income of the assessee u/s 68 of the Income Tax Act, 1961 for the AY 2017-18. **Addition Rs.61,78,886/-.**”*

12.1. There is no dispute that during the year under consideration the assessee has reported sundry creditors of Rs.75,44,251/- as against the opening balance of Rs.13,65,365/- resulting an increase of sundry creditors during the year to the tune of Rs.61,78,886/-. During the assessment proceedings, the assessee has failed to produce

any evidence to prove the source and genuineness of these transactions. Now, the assessee has submitted that that the confirmations were produced before the learned CIT(A) from the sundry creditors. The learned Authorised Representative of the Assessee has submitted that this is only a book entry of transferring the amount from the capital account of the assessee to the accounts of various persons which are shown as sundry creditors in the balance sheet. This explanation of the assessee was not brought before the Assessing Officer as well as learned CIT(A), therefore, this aspect requires a proper verification and examination by conducting a proper enquiry of the record as well as facts. If it is found from the record that the assessee has artificially created the sundry creditors by transferring the amount from the capital account of the assessee then, the disallowance will be restricted only to the extent of the interest as part of these balances or claimed by the assessee as an expenditure in the profit and loss account. Accordingly, in the facts and circumstances of the case and in the interest of justice, we remand this issue to the record of the Assessing Officer for proper verification and

examination of the relevant record and facts and then decide the same as per law, after giving proper opportunity of hearing to the assessee before passing the fresh Order.

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

Order pronounced in the open Court on 25.02.2026.

Sd/-  
[MANJUNATHA G.]  
ACCOUNTANT MEMBER

Sd/-  
[VIJAY PAL RAO]  
VICE PRESIDENT

Hyderabad, Dated 25<sup>th</sup> February, 2026.

VBP

Copy to :

1.	Parameswara Rao Vasantha Pawar, 1-357, V.R. Nagar, Jayaram Rao Street, SRIKALAHASTHI – 517 644. State of Andhra Pradesh
2.	The DCIT, Circle-1(1), TIRUPATI. State of Andhra Pradesh
3.	The Pr. CIT, TIRUPATI.
4.	The DR, ITAT, “A” Bench, Hyderabad.
5.	Guard file.

BY ORDER