

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

BEFORE SHRI VIJAY PAL RAO, VICE PRESIDENT
AND
SHRI MADHUSUDAN SAWDIA, ACCOUNTANT MEMBER

आ.अपी.सं / **ITA.No.1879/Hyd/2025**

Assessment Year 2022-2023

Meridian Marketers, Hyderabad. Telangana. PIN 500 033. PAN ABMFM1321M (Appellant)	vs.	The ACIT, Central Circle-2(1), Hyderabad. Telangana. (Respondent)
निर्धारित द्वारा/Assessee by	-None-	
राजस्व द्वारा/Revenue by :	Sri Mathivanan S A, Sr. AR	
सुनवाई की तारीख/Date of hearing:	03.03.2026	
घोषणा की तारीख/Pronouncement:	06.03.2026	

आदेश / ORDER

PER VIJAY PAL RAO, VICE PRESIDENT :

This appeal by the Assessee is directed against the Order dated 10.09.2025 of the learned CIT(A)-12, Hyderabad, for the assessment year 2022-2023.

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

“Ground No.1

The order passed u/s 250 by the learned Commissioner of Income Tax (Appeals) 12, Hyderabad is erroneous on law and on facts of the case.

Ground No.2

The learned Commissioner of Income Tax (Appeals)- 12, Hyderabad erred in sustaining the addition of Rs.35,00,000 made by the Assessing Officer treating the cash found during search as unexplained money u/s 69A.

Ground No.3

The learned Commissioner of Income Tax (Appeals) 12, Hyderabad erred in not considering the fact that the amount of Rs.35,00,000 was duly recorded in the books of account and was appearing as an asset in the balance sheet of the assessee under the heading" amount withheld by the Income Tax Department ".

Ground No.4

The learned Commissioner of Income Tax (Appeals) 12, Hyderabad erred in not considering the books of account stating that the same are self prepared information, since the books of account are always prepared by the assessee.

Ground No.5

The learned Commissioner of Income Tax (Appeals) 12, Hyderabad erred in not considering the withdrawals from banks, duly supported by the statements of account from the bank.

Ground No.6

The learned Commissioner of Income Tax (Appeals) 12, Hyderabad erred in not accepting the fact of return of advances from the employees.

Ground No.7

The learned Commissioner of Income Tax (Appeals) 12, Hyderabad erred in alleging that the operations in Kerala are not backed by local books and information, as the assessee does not maintain such records in Kerala but maintained such records only at its head office in Hyderabad.

Ground No.8

The learned Commissioner of Income Tax (Appeals) 12. Hyderabad ought to have considered the business necessity of the assessee to incur expenses in Kerala for its operations in Kerala.

Ground No.9

The learned Commissioner of Income Tax (Appeals) 12, Hyderabad erred in stating that the assessee could not furnish trail of cash, since the earlier withdrawals are evidenced through bank statements and books of account.

Ground No.10

The proceedings under section 148A initiated by the JAO are illegal and without jurisdiction since they are in violation of the faceless scheme of assessment.

Ground No.11

Any other ground that may be raised during the appellate proceedings, with the kind prior permission from the Hon'ble Tribunal.”

3. None appeared on behalf of the assessee when this appeal was called for hearing. It transpired from the record that on earlier occasion also none has appeared on behalf of the assessee and the Tribunal ordered for issuance of notice to the assessee by speed post and email. The notice issued through speed post is received back un-served with the postal mark “the addressee left the place without instruction”. However, the notice that was sent through email was duly delivered but there is no appearance on behalf of the assessee. Accordingly, the Bench proposed to hear and dispose of this appeal ex-parte.

4. The assessee is a partnership firm and filed its return of income u/sec.139(4) of the Income Tax Act [in short "the Act"], 1961 on 27.12.2022 declaring total income of Rs.56,41,390/-. A revised return u/sec.139(5) of the Act was also filed admitting the same income. There were a search and seizure by the Railway Protection Force [in short “RPF”],

Palakkad on 24.10.2021 of two individuals viz., Sri Amadapuram Raju Goud and Sri Agidi Sai Krishna travelling with unaccounted cash of Rs.35 lakhs. Both the individuals in their statement stated that the cash belongs to the assessee firm and has been handed over to them by the partner Sri Muralidhar Reddy for onward delivery to Sri Naveen Chandra. Based on the information received from the RPF, proceedings u/sec.132A of the Act were initiated and the seized cash was requisitioned by the Income Tax Department. Based on the requisition proceedings, the Assessing Officer issued notice u/sec.148 of the Act on 25.01.2024. In response, the assessee firm has filed its return of income on 06.04.2024 admitting total income of Rs.56,41,390/-. Based on the statement recorded u/sec.131 of the Act of Sri Muralidhar Reddy admitting the cash belongs to the assessee firm, the Assessing Officer made addition of the said amount of Rs.35 lakhs u/sec.69A of the Act. The assessee challenged the action of the Assessing Officer before the learned CIT(A) but could not succeed.

5. The learned CIT(A) has reproduced the submissions of the assessee in Para no.5.1 of the impugned order as under:

“5.1. During the appeal proceeding, appellant filed written submission which is reproduced below:

"Brief Facts of the case

Assessee is a firm doing the business of trading in liquor. During the current year, assessee had such business in Kerala. Assessee had to engage employees to carry out business operations at Kerala. However, since such business is not permanent, assessee did not chose having banking facilities at the place of business.

2. During the current year, on 24th October, 2021 a search was conducted by the Railway Protection Force, at the Railway Station, Palakkad, Kerala. An amount of Rs.35,00,000 was found with Mr.Amandapuram Raju Goud and Mr.Agidi Sai Krishna.

3. They informed to the police that, they were the employees of Meridian Marketers and the cash belonged to the assessee-firm. They informed that such cash was being carried by them for the business purposes of the firm at Kerala. The assessee-firm also accepted that the cash belonged to the firm only.

4. However, the Police informed the position with the Income Tax Department, which seized the amount of Rs.35,00,000, which is still with the Department.

5. Assessment has been initiated in the hands of the assessee to examine the sources for the amount of Rs.35,00,000 found with the employees of the assessee. Show Cause notice was issued on

08th February, 2025 proposing to treat the amount of Rs.35,00,000 as unexplained expenditure

6. In response to such show cause notice, the assessee submitted on 23rd February, 2025 that such cash was fully accounted for in the books of account. Such an amount was drawn from banks for the purpose of business. Such cash requirement arose due to Covid19 pandemic, as many people were not accepting the amounts through banking channels as banks were not operating regularly. The lockdown situation forced the assessee to deal with the cash.

7. Assessee also explained that the cash is being sent to Kerala where the business operations of the assessee were being carried on. Since, assessee did not have any banking facilities at the place of business, cash was taken from its head office at Hyderabad to Kerala. Such cash is needed to disburse the salaries and other office expenses at Kerala, being the place of business of the assessee.

8. The assessment was finally completed on 10th March, 2025 treating the amount of Rs.35,00,000 as unexplained money u/s 69A. The following reasons were mentioned by the Assessing Officer for such addition.

- > On verification of cash book submitted by Mr.Muralidhar Reddy, employee of assessee, there are cash withdrawals from banks from April, 2021 to October, 2021. However, there are no expenses incurred out of such cash withdrawn.*
- > Cash withdrawals from April, 2021 are stated to be source for cash seized on 24th October, 2021 (erroneously mentioned as cash seized on 24th December, 2021 in the order).*

- > *Rs.12,00,000 withdrawn on 27th July, 2021 by Raju Goud was also show as receipt, whereas many other withdrawals of Raju Goud and Sai Krishna are not accounted for in the cash book.*
- > *Books of account were not furnished. Cash book was not submitted.*

Submissions

9. *Assessee maintained proper books of account. However, since the assessee is not covered under tax audit, such financials were not audited. During the assessment proceedings, assessee submitted profit and loss account and balance sheet. Such documents indicate that the assessee was maintaining proper books of account.*

10. *The balance sheet as at 31st March, 2022 submitted during the assessment proceedings disclosed a cash balance of Rs. 20,61,085. Further, it is also disclosed that Rs 35,00,000 is with the Revenue Authorities, which is nothing but the cash seized and kept by the Income tax Department, consequent to the search operations conducted by Railway Police mentioned above.*

11. *The summary of cash during the year is as under.*

<i>Opening Balance</i>	<i>Rs. 94,788</i>
<i>Add:</i>	
<i>Withdrawals from Banks</i>	<i>Rs.33,66,297</i>
<i>Return of advances given to employees</i>	<i>Rs 21,00,000</i>
	<i>Rs.54,66,297</i>
<i>Less:</i>	
<i>Amount withheld by Income Tax Department</i>	<i>Rs.35,00,000</i>
<i>Closing Balance</i>	<i>Rs.20,61,085</i>

Detailed cash book is being submitted now.

12. The above cash book, supported by the bank statement evidences that Rs.35,00,000 is duly recorded in the books of account. Further, such balance was having proper sources being cash withdrawn from the bank accounts.

13. The allegations of the Assessing Officer are being rebutted as under.

13.1. Assessee did not incur expenses in cash

It is humbly submitted that, whether to incur expenses in cash or through banking channels is the decision of the assessee. In this case, assessee chose not to incur expenses in cash, which cannot be a reason for treating the amount of Rs.35,00,000 as unexplained.

Hence, this reason for treating the amount as unexplained may kindly be disregarded.

13.2. Cash withdrawn in April is stated to be source for cash in October

Due to Covid 19 prevalent at that period, cash withdrawal from banks was difficult. Hence, the assessee as and when possible withdrew the cash for any possible requirement. Thus, the cash drawn earlier cannot be disregarded simply for the reason that there was some time gap between withdrawal and application. The Assessing Officer did not dispute the cash withdrawn from banks.

Hence, this reason for treating the amount as unexplained may kindly be disregarded.

13.3 Transactions with A Raju Goud and Sai Krishna

On 27th July, 2021 assessee paid Rs.11,40,000 to Raju Gaud and Rs.60,000 towards salaries through Bank of India Account Number 86003011000129.

Such an amount of Rs. 12,00,000 was payment and not receipt. The same is accounted for as payment only in the books of account. The Assessing Officer grossly erred in stating that the assessee shown such an amount as receipt. Hence, this allegation may kindly be considered as incorrect.

Further, the transactions reflected in the names of A Raju Goud and Sai Krishna were also duly recorded in the books of account. Such transactions are for salaries and other expenses or for giving advances to them.

Hence, this reason for treating the amount as unexplained may kindly be disregarded.

13.4. Books of account and cash book not furnished

Assessee submitted bank statements and the details of cash receipts during the assessment along with balance sheet. Assessee was under bonafide impression that the sources have been explained through such submission. However, the books of account and cash book are available. Cash book is being submitted as mentioned above, which recorded all the transactions alleged by the Assessing Officer that the same were not accounted for.

Hence, this reason for treating the amount as unexplained may kindly be disregarded.

PRAYER

The amount of Rs.35,00,000 cash was duly accounted for in the books of account of the assessee.

Such an amount is having valid source of cash being withdrawn from banks in earlier periods.

Bank statements were already submitted in evidence for the cash withdrawals

Cash book is being submitted now, which discloses the recording of the amount of Rs.35,00,000.

Hence, it is humbly prayed that the addition of Rs.35,00,000 made in the assessment be deleted and oblige."

5.1. Thus, it is clear that the assessee has explained the cash of Rs.35 lakhs as withdrawn from the bank and return of advances given to the employees amounting to Rs.54,66,297/-, out of which, Rs.35 lakhs was handed over to these two persons viz., Sri Amadapuram Raju Goud and Sri Agidi Sai Krishna to take to Kerala for payment of salaries of the employees.

6. On the other hand, the learned DR has submitted that no supporting evidence was produced either before the Assessing Officer or before the learned CIT(A) in respect of the claim that the source of the said cash was withdrawal from the bank as well as receiving back of advances given to the employees. The learned DR has further submitted that the learned CIT(A) has also given further opportunity to the assessee to file the relevant supporting evidence, but assessee failed to file the supporting evidence to explain the

source of the said cash of Rs.35 lakhs seized during the action of the RPF. The assessee has made the submissions before the authorities below regarding the source of the said cash however, no supporting evidence was filed either for the withdrawal from the bank such as bank statement or confirmations from the employees from whom the assessee claimed to have received back the amount earlier given as advance. He has relied upon the Order of the learned CIT(A).

7. We have considered the submissions of the assessee as advanced before the learned CIT(A) as well as submissions of the learned DR and carefully perused the impugned order of the learned CIT(A). We find that the learned CIT(A) has given further opportunity to the assessee to file the supporting evidence to explain the source of Rs.35 lakhs. Though the assessee has claimed that the source of the cash is withdrawal from the bank of Rs.33,66,297/- and received back from the employees of the advances given earlier of Rs.21 lakhs. However, the learned CIT(A) has noted in Para nos.6.4.2 to 6.4.4 as under:

“6.4.2. On perusal of the above material furnished by the appellant, I find that the material placed does not establish simultaneous recording of the impugned cash as on 24.10.2021. The cash summary disclosure of "cash with the Department is a post-event presentation and the same is self-prepared information, unsupported by employee-wise confirmations, dated acknowledgments of the said "return of advances, or any third-party corroboration. No day-wise cash trail has been furnished to demonstrate an exact cash-on-hand of Rs.35,00,000/- on the date of interception. The asserted Kerala operations are also not backed by local books, vouchers, salary registers, rent/utility proofs, trade licences/registrations, or a Kerala bank account. Further, by the appellant's own showing, the field personnel were under the direct control/supervision of Tilaknagar Industries, which is inconsistent with the necessity of transporting substantial cash physically. There is, in addition, no partner authorization, cash-in-transit memo, or movement register evidencing lawful carriage of cash.

6.4.3. In these circumstances, the mere claim of prior bank withdrawals, without a reconciled, verifiable cash-flow culminating in the impugned amount on 24.10.2021 does not discharge the onus under section 69A to prove both recording and source. Further, the appellant has not substantiated the specific claim of withdrawals of Rs. 33,66,297/ with any documentary evidence such bank statements highlighting such withdrawals. The explanation that a fully operational firm, engaged under a trade arrangement with Tilaknagar Industries Ltd. and supervising Kerala operations for IML supplies, had no bank account in Kerala and therefore withdrew cash at Hyderabad, accumulated it, and physically carried it by train to Kerala for expenses is not acceptable and appears to be an afterthought.

6.4.4. On perusal of the cash summary, it is also noticed that an amount of Rs.21,00,000/- is shown as "return of advances by employees. The appellant has not explained why such advances were recalled/returned, nor furnished any employee-wise confirmations, dates, supporting vouchers/ acknowledgments. Mere inclusion of a lump-sum figure in the cash summary is not sufficient. It is also not explained why the employees would return advances of such volume in cash, and how or when these returns actually formed part of the cash on hand as on 24.10.2021. In the absence of basic particulars and corroboration, this entry is self-serving and cannot be given evidentiary weight to explain the seized cash. Accordingly, the Assessing Officer's conclusion that the seized cash constitutes unexplained money is well-founded and hence, the Ground Nos. 2 to 4 of appeal are dismissed as not acceptable."

7.1. Despite the impugned order of the learned CIT(A), the assessee has not furnished the requisite supporting evidence before the Tribunal such as bank account statement showing the withdrawals as well as documentary evidence in the shape of confirmations and other details of advances given to the employees and received back by the assessee. Accordingly, in the absence of any supporting evidence, we do not find any error or illegality in the impugned order of the learned CIT(A). The addition is upheld.

8. The assessee has also challenged the validity of notice issued u/sec.148A of the Act by the Jurisdictional Assessing Officer. However, we find that the case of the assessee was reopened based on the requisition u/sec.132A of the Act. Therefore, we do not find any substance in this ground.

9. In the result, appeal of the Assessee is dismissed.

Order pronounced in the open Court on 06.03.2026.

Sd/-
[MADHUSUDAN SAWDIA]
ACCOUNTANT MEMBER

Sd/-
[VIJAY PAL RAO]
VICE PRESIDENT

Hyderabad, Dated 06th March, 2026

VBP

Copy to:

1.	Meridian Marketers, Plot No.565/C, Road No.92, Jubilee Hills, Hyderabad – 500 033. Telangana.
2.	The ACIT, Central Circle-2(1), Aayakar Bhavan, Hyderabad-500 004. Telangana.
3.	The CIT(A)-12, 6 th Floor, Aayakar Bhawan, Basheerbagh, Hyderabad – 500 004. Telangana.
4.	The Pr. CIT-(Central), Hyderabad.
5.	The DR, ITAT, “A” Bench, Hyderabad.
6.	Guard file.

BY ORDER