

आयकर अपीलीय अधिकरण, 'सी' न्यायपीठ, चेन्नई।
IN THE INCOME TAX APPELLATE TRIBUNAL
'C' BENCH: CHENNAI

सुश्री पदमावती यस, लेखक सदस्य एवं श्री मनु कुमार गिरि, न्यायिक सदस्य के समक्ष
BEFORE MS. PADMAVATHY.S, ACCOUNTANT MEMBER AND
SHRI MANU KUMAR GIRI, JUDICIAL MEMBER

आयकर अपील सं./ITA No.2798/Chny/2025
निर्धारण वर्ष /Assessment Year: 2020-21

The Income Tax Officer,
Ward-1,
Krishnagiri.

Manoharan Ramesh,
Vs. HIG 298, Pothapuram,
Kaveripattinam, Errahalli,
Krishnagiri – 635 112.
PAN: DSFPR 0043Q

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/ Assessee by
प्रत्यर्थी की ओर से /Revenue by

: Mr. Bhupendran, Advocate
: Ms. R. Anitha, Addl. CIT

सुनवाई की तारीख/Date of Hearing

: 23.02.2026

घोषणा की तारीख /Date of Pronouncement

: 03.03.2026

आदेश / ORDER

PER PADMAVATHY.S, A.M:

This appeal by the Revenue is against the order of the Commissioner of Income Tax (Appeals)/National Faceless Appeal Centre (NFAC), Delhi, (in short "CIT(A)") passed u/s. 250 of the Income Tax Act, 1961 (in short "the Act") dated 12.08.2025 for Assessment Year (AY) 2020-21.

2. The assessee is an individual and did not file the return of income. The A.O received information that the assessee has made substantial cash

: - 2 - :

withdrawals and deposits into his bank account during the year under consideration. Accordingly, the A.O issued a notice u/s. 148A(b) of the Act. Subsequently, the A.O passed order u/s. 148A(d) of the Act and notice u/s. 148 of the Act reopening the assessment. The assessee filed the return of income in response to notice u/s. 148 declaring total income Rs. 3,98,730/-. The A.O called on the assessee to furnish details pertaining to the cash withdrawals and deposits. The assessee submitted that he is acting as a commission agent for farmers towards supply of fruits. The assessee further submitted that he receives the sale proceeds of farmers' fruits supplied to companies in his bank account and the same is paid to the farmers' by withdrawing cash after retaining his commission at 1.5%. The assessee submitted confirmations from the companies from where the assessee received the sale proceeds. The A.O however did not accept the submissions of the assessee and held that the entire deposits made to the tune of Rs.2,51,83,611/- in the bank account of the assessee remains unexplained. Accordingly, the A.O made an addition u/s. 69A of the Act. Aggrieved, the assessee filed further appeal before the CIT(A). The CIT(A) gave partial relief to the assessee by restricting the addition to 8% of the total credits in the bank account. The relevant findings of the CIT(A) in this regard are extracted below:

“9. The Assessing Officer in this case initiated reassessment proceedings on the basis of information regarding cash deposits and substantial cash withdrawals in the assessee’s bank account, along with contract receipts. After issuing notice under section 148A(b) and considering the reply, the AO issued notice under section 148 and completed the assessment under section 147 read with section 144B. In doing so, the AO concluded that the assessee had not furnished adequate documentary evidence to substantiate the nature and source of deposits and withdrawals, and treated the total deposits of 2,51,83,611/- as unexplained money under section 69A, taxing the same under section 115BBE.”

:- 3 -:

In grounds 3 and 4, the assessee contends that the deposits and withdrawals represented sale proceeds received on behalf of mango farmers and not his own money, as he was acting merely as a commission agent. It is argued that the AO failed to appreciate that the assessee's income consisted solely of commission, and that withdrawals were made for payment to farmers after deducting commission at the rate of 1.5%. The assessee asserts that section 69A is inapplicable since he was never the owner of the funds, and that bank statements and confirmation letters from the companies involved support this explanation.

During appellate proceedings, the assessee reiterated these submissions and produced computation of income, bank statements, cash statements, explanatory letters, and confirmation letters from three companies. The assessee also relied on judicial precedents supporting the principle that when an agent receives money on behalf of principals, such amounts cannot be taxed as unexplained money in the agent's hands.

On careful consideration, it is noted that while the assessee's reliance on the cited case law is legally sound, the factual position here is not fully in alignment with the ratio of the cited judgments. In the present case, the assessee has not furnished any written contracts with farmers or buyers, nor has he produced purchase bills or other primary evidence to substantiate the actual flow of goods and payments between the parties. This lack of corroboration reduces the evidentiary weight of the confirmations and statements filed.

Nevertheless, it is also seen from the bank statements and pattern of withdrawals that the transactions are consistent with the nature of a commission agency business. In the absence of direct evidence of personal utilisation of the funds, and considering the reasonable possibility of the assessee acting as an intermediary, the entire deposits cannot be treated as unexplained income under section 69A. However, given the lack of formal documentation and purchase bills, the commission percentage declared at 1.5% on the receipts is considered low. In the facts and circumstances of the case, it would be fair and reasonable to estimate the assessee's commission income at 8% of the total credited amount of 2,41,49,000/- (as per receipts from companies), which works out to 19,31,920/-. This estimated income will replace the addition made by the AO under section 69A.

Accordingly, the addition of 2,51,83,611/- made under section 69A is deleted, and the income is recomputed by adopting 8% commission on the relevant turnover. The appeal of the assessee on these grounds is partly allowed."

:- 4 -:

3. The Ld. Departmental Representative (DR), submitted that the sale proceeds which were withdrawn in cash to be distributed to the farmers is not substantiated. The Ld. DR further submitted that there is no evidence that the assessee acting only as commission agent and therefore, the CIT(A) is not correct in reducing the addition merely based on the statement of the assessee. The Ld. DR also submitted though the assessee has submitted the confirmations from three parties the same is not supported by any formal contracts to substantiate the claim that the amount received by the assessee is only in the capacity as agent and not assessee's own money. The Ld. DR argued that mere submissions of the list of parties by the assessee cannot be a proof that the payments are made to the farmers'. Accordingly, the Ld. DR supported the order of the A.O.

4. The Ld. Authorized Representative (AR) of the assessee, on the other hand, submitted that the revenue has not questioned the fact that the assessee is a commission agent till now and that the case has been selected for scrutiny only for the year under consideration. The Ld. AR further submitted that from the confirmations submitted by the assessee, it is clear that the assessee is only acting as an agent which fact has been correctly appreciated by the CIT(A). Accordingly the Ld AR supported the order of the CIT(A).

5. We have heard the parties, and perused the material available on record. The assessee's case was reopened for the reason that there have been substantial cash withdrawals and deposits in the bank account of the assessee. The A.O made addition of the entire credits in the bank account as addition u/s. 69A of the Act for the reason that the assessee did not provide any

:- 5 -:

evidence with regard to the claim that the amount credited in the bank account are received in his capacity as commission agent acting on behalf of farmers for sale of fruits. The CIT(A) restricted the addition to 8% stating that the pattern of transaction in the bank account supports the claim of the assessee. During the course of hearing our attention was drawn to the confirmations from the companies (page 15 to 19 of paper book) from whom the assessee has received the money towards sale of fruits. On perusal of the said confirmation, we notice that the parties have confirmed supply of fruits on behalf of farmers' which is routed through the assessee acting as an agent. It is also mentioned in the confirmation that the payments made by these parties to the assessee is towards the sale of fruits. From the findings of the CIT(A) as extracted in the earlier part of this order, we notice that the CIT(A) has perused various evidences from the bank statements before accepting the claim of the assessee that he is acting as a commission agent. We also notice the CIT(A) has considered the confirmation from the companies and the breakup of amount distributed by the assessee to the farmers. Further, we notice that the A.O has made addition towards entire credits in the bank statement without considering withdrawals made and also the confirmation from the parties who have stated that they have made payments to the assessee towards sale of fruits on behalf of farmers'. We also notice that the while giving a finding that the entire deposits cannot be treated as unexplained has taken into account the facts that the assessee could not produce the formal documentation, purchase bills etc. and accordingly restricted the addition to 8%. In view of the discussion and considering materials on record, we are of the view that there is no infirmity in the order of CIT(A) in restricting the addition to 8% of the total amount credited in the bank account of the assessee.

:- 6 -:

6. In the result, the appeal of the Revenue is dismissed.

Order pronounced on 03rd day of March, 2026 at Chennai.

Sd/-
(मनु कुमर गिरि)
(Manu Kumar Giri)

न्यायिक सदस्य / Judicial Member

चेन्नई/Chennai, दिनांक/Dated: 03rd March, 2026.

EDN, Sr. P.S

Sd/-
(पदमावती यस)
(Padmavathy.S)

लेखा सदस्य /Accountant Member

आदेश की प्रतिलिपि अग्रेषित/Copy to:

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