

आयकर अपीलीय अधिकरण, चण्डीगढ़ न्यायपीठ "बी" , चण्डीगढ़
IN THE INCOME TAX APPELLATE TRIBUNAL, CHANDIGARH BENCH "B", CHANDIGARH

HEARING THROUGH: HYBRID MODE

श्री ललित कुमार, न्यायिक सदस्य एवं श्री कृणवन्त सहाय, लेखा सदस्य
BEFORE: SHRI. LALIET KUMAR, JM & SHRI. KRINWANT SAHAY, AM

आयकर अपील सं. / ITA No. 1222/Chd/ 2025

निर्धारण वर्ष / Assessment Year : 2017-18

Sawastika Printing & Packaging Nahan Road, Moginand Kala Amb Nahan, Himachal Pradesh-173030	बनाम	The AO Nahan
स्थायी लेखा सं. / PAN NO: ABLFS6803M		
अपीलार्थी/ Appellant		प्रत्यर्थी/ Respondent

निर्धारिती की ओर से/ Assessee by : Shri Yad Ram Saini, Advocate and
Shri Neeraj Jain, C.A

राजस्व की ओर से/ Revenue by : Dr. Ranjit Kaur, Addl. CIT, Sr. DR (Virtual Mode)

सुनवाई की तारीख/Date of Hearing : 07/01/2026

उदघोषणा की तारीख/Date of Pronouncement : 09/03/2026

आदेश/Order

PER KRINWANT SAHAY, A.M:

This is an appeal filed by the Assessee against the order of the Ld. CIT(A)/NFAC, delhi dt. 29/07/2025 pertaining to Assessment Year 2017-18.

2. In the present appeal Assessee has raised the following grounds:

1 .That in the facts and circumstance of the case the ld. CIT (A)(NFAC) has erred in law in confirming addition of Rs 20,81,000/- , out of the additions of Rs 82,74,000/- made by the Ld A.O. The assessee has made advances of Rs. 82,74,000/- out of his regular books of account maintained by the assessee and duly audited the Chartered Accountant. It was submitted before the Hon'ble CIT(A)(NFAC) that assessee is having business turnover of Rs 16,77,30,943/-. While upholding the additions of Rs 20,81,000/- the Hon'ble CIT(A) (NFAC) has observed in last para of his order as under:-

"However, I find that while the appellate has explained the sources of the loan so advanced as being from out cash of Rs. 61,93,000/- deposited by it. Which is supported by its books of account and bank statements, with regard to the remaining amount of Rs 20,81,000/- claimed to be realization of debtors during regular course of business, no supporting evidence whatsoever has been produced either before the A.O. or in the present proceedings. Hence the source of the same remains unexplained. Accordingly , the addition made by the A.O. is upheld to the extent of Rs 20,81,000/- and the remaining amount of Rs 61,93,000/- is deleted"

2. That in the facts and circumstances of the case the Ld. CIT (A) (NFAC) has erred in law not considering the facts of the case that realization of debtors of Rs 20,81,000/- is part of its regular books of accounts maintained by the assessee. The assessee is in possession of the copy of accounts of debtors from whom money of Rs 20,81,000/- has been realized by the assessee. This information was not separately demanded neither by the Ld A.O. nor by the Hon'ble CIT(A) (NFAC). The additions of Rs 20,81,000/- sustained by the Hon'ble CIT(A) (NFAC), deserves to be deleted. The returned income of the assessee be accepted.

4. That the order passed by the Id. A.O. Assessment Unit, Income Tax Department on 31/05/2023 u/s 144 r.w.s 144B is without jurisdiction and deserves to be cancelled.

5. Permission to modify or alter any grounds of appeal at the time of hearing.

3. Briefly, the facts of the case are that the assessee engaged in the business of manufacturing corrugated boxes and gas cylinders and filed its return of income for the Assessment Year 2017-18 under section 139(4) of the Income-tax Act, 1961 on 15.01.2018 declaring a total income of Rs.1,80,770/-. Subsequently, based on information received by the Department pursuant to a search and seizure operation conducted under section 132 in the case of Jai Bharat Group, Panipat, it was noticed that the assessee had advanced unsecured loans/advances aggregating to Rs.82,74,000/- to M/s Shree Krishna Packaging during the financial year 2016-17. On the basis of this information, proceedings under section 147 were initiated on the ground that the source of such advances had not been explained. During the course of reassessment proceedings, notices under sections 143(2) and 142(1) were issued calling for details regarding the source, nature, and genuineness of the advances. The assessee furnished partial details such as bank statements, balance sheet, audit report, and ledger account of Shree Krishna Packaging; however, it failed to submit crucial supporting records such as cash book, bank book, confirmations from debtors, and evidence to substantiate cash generation.

3.1 On examination of the bank statement, the Assessing Officer observed that cash deposits amounting to Rs.61,93,000/- and other credits of Rs.20,81,000/- were made into the assessee's bank account, which were subsequently transferred to M/s Shree Krishna Packaging as loans/advances.

The assessee contended that the cash deposits were made out of opening cash balance and prior cash withdrawals, and that the other credits represented receipts from trade debtors. However, in the absence of cash book, debtor confirmations, and supporting documentary evidence, the Assessing Officer held that the assessee failed to establish the genuineness and creditworthiness of the source of funds. It was further noted that the magnitude of the advances was disproportionate to the income declared by the assessee in its return of income. Accordingly, the Assessing Officer concluded that the assessee had not satisfactorily explained the source of the advances of Rs.82,74,000/- and treated the same as unexplained cash credits under section 68 of the Act. The said amount was added to the total income of the assessee and taxed under section 115BBE, resulting in an assessed income of Rs.84,54,770/-. Penalty proceedings under sections 270A and 271B were also initiated for under-reporting of income and delay in filing the tax audit report.

4. Against the order of the AO the assessee went in appeal before the Ld. CIT(A). The Ld. CIT(A), after carefully considering the assessment order, submissions of the appellant, remand report of the Assessing Officer, rejoinder filed by the assessee and the material available on record, first adjudicated upon the legal grounds challenging the validity of reassessment proceedings. The Ld. CIT(A) held that since the assessee had not filed a valid return of income within the time prescribed in response to notice issued under section 148, the Assessing Officer was justified in not issuing notice under section 143(2). Reliance was placed on judicial precedents holding that issuance of notice under section 143(2) is contingent upon filing of a valid return, and therefore the reassessment framed under section 147 read with section 144 could not be held to be invalid. Accordingly, the grounds challenging jurisdiction and legality of assessment were dismissed.

4.1 On merits of the addition under section 68, the Ld. CIT(A) observed that the assessee had admittedly advanced a sum of Rs.82,74,000/- to M/s Shree

Krishna Packaging during the relevant year. It was noted that the assessee maintained regular books of account which were duly audited and no defects therein had been pointed out by the Assessing Officer. The Ld. CIT(A) took note of the assessee's financial position, including substantial turnover, availability of secured loan limits, existence of opening cash balance and absence of any finding that the funds deposited in the bank did not belong to the assessee. The Ld. CIT(A) held that the assessee could not be said to be entirely lacking in creditworthiness and that mere suspicion regarding the pattern of transactions or immediate transfer of funds could not, by itself, justify treating the entire advances as unexplained cash credits in the absence of concrete evidence indicating accommodation entries or fictitious transactions.

4.2 However, the Ld. CIT(A) made a distinction between the sources claimed by the assessee. With regard to the cash deposits aggregating to Rs.61,93,000/-, it was held that the assessee had reasonably explained the source through opening cash balance and cash withdrawals reflected in the books and bank statements, and no discrepancy or falsity in the books had been established. Accordingly, the addition to that extent was held to be unsustainable and was deleted. In respect of the remaining amount of Rs.20,81,000/-, which was claimed to have been received from trade debtors, the Ld. CIT(A) found that the assessee had failed to furnish debtor-wise details, confirmations or any documentary evidence either during assessment or appellate proceedings. As the source of this amount remained unsubstantiated, the Ld. CIT(A) upheld the addition to the extent of Rs.20,81,000/- under section 68.

4.3 Thus, the CIT(A) partly allowed the appeal by deleting the addition of Rs.61,93,000/- and sustaining the addition of Rs.20,81,000/-, holding that only the latter remained unexplained within the meaning of section 68 of the Act.

5. Against the order of the Ld. CIT(A) the assessee preferred in appeal before the Tribunal.

6. During the course of hearing, the Ld. AR submitted that the reassessment as well as the addition sustained under section 68 is unsustainable both on facts and in law. On merits, it was argued that the assessee is a regularly assessed partnership firm engaged in manufacturing activities with a substantial business turnover of about Rs. 16,77,30,944/- during the relevant year. The assessee maintained regular books of account which were duly audited, and no specific defect or discrepancy in such books was pointed out by the Assessing Officer. The advances of Rs. 82,74,000/- made to M/s Shree Krishna Packaging were duly recorded in the regular books and were routed through banking channels. The AR contended that cash deposits of Rs.61,93,000/- were clearly explainable from opening cash balance and cash withdrawals, which stood accepted by the CIT(A). With regard to the balance amount of Rs.20,81,000/-, it was submitted that the same represented realization from trade debtors in the ordinary course of business and was duly reflected in the books of account. Merely because debtor-wise confirmations or separate documentary evidence were not called for specifically by the Assessing Officer or the CIT(A), the said receipts could not be treated as unexplained. The Ld. AR emphasized that section 68 cannot be invoked where the source of funds is embedded in regular business transactions recorded in audited books, particularly when the identity of the assessee and ownership of funds are not in dispute. It was further argued that the addition was made purely on suspicion and on the basis of the quantum of advances vis-à-vis returned income, which is not a valid ground under law. Accordingly, the AR pleaded that even the addition of Rs.20,81,000/- sustained by the Ld. CIT(A) deserved to be deleted and the returned income accepted in full.

7. Per contra, the Ld. DR supported the orders of the Assessing Officer and the Ld. CIT(A). It was submitted that the reassessment was validly initiated on the basis of information received during search proceedings in the case of Jai Bharat Group, indicating that the assessee had advanced substantial unsecured loans without explaining the source. During reassessment, the

assessee failed to comply with statutory notices and did not produce basic records such as cash book, bank book, or debtor confirmations, despite adequate opportunities. The Ld. DR contended that under section 68, the burden lies on the assessee to explain the nature and source of credits with proper evidence. While the Ld. CIT(A) granted partial relief, the assessee failed to substantiate the balance amount of Rs.20,81,000/-, as no debtorwise details or confirmations were furnished even at the appellate stage. Mere book entries, it was argued, do not establish genuineness or creditworthiness, especially when large amounts are involved and declared income is meagre. Accordingly, the Ld. DR prayed that the order of the Ld. CIT(A), to the extent the addition was sustained, be upheld and the assessee's appeal be dismissed.

8. We have carefully considered the rival submissions, perused the orders of the lower authorities and examined the material available on record. There is no dispute with regard to the fact that the assessee has advanced loans/advances to M/s Shree Krishna Packaging during the year and that the source of cash deposits to the extent of Rs.61,93,000/- has already been examined and accepted by the Ld. CIT(A). However, with regard to the balance amount of Rs.20,00,000/-, which is claimed to have been received from trade debtors and subsequently advanced as loan, we find that the issue has not been examined in a comprehensive manner. Though the assessee contends that the said amount represents realization from regular business debtors duly recorded in the books of account, the necessary debtor-wise details, confirmations and supporting evidences have not been properly verified by the Assessing Officer. At the same time, the addition has also been sustained merely on account of non-furnishing of confirmations without bringing any material on record to conclusively establish that the said receipts were not arising from business transactions. In the interest of justice, we are of the considered view that this limited issue requires fresh verification. Accordingly, we set aside the order of the Ld. CIT(A) on this point and restore the matter relating to the addition of Rs.20,00,000/- to the file of the Assessing

Officer with a direction to verify the claim of the assessee regarding receipt of the said amount from trade debtors, after affording adequate opportunity of being heard to the assessee to file relevant details and evidences. The Assessing Officer shall decide the issue afresh in accordance with law.

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

Order pronounced in the open Court on 09/03/2026

Sd/-

ललित कुमार
(LALIET KUMAR)
न्यायिक सदस्य / JUDICIAL MEMBER

Sd/-

कृणवन्त सहाय
(KRINWANT SAHAY)
लेखा सदस्य/ ACCOUNTANT MEMBER

AG

आदेश की प्रतिलिपि अग्रेषित/ Copy of the order forwarded to :

1. अपीलार्थी/ The Appellant
2. प्रत्यर्थी/ The Respondent
3. आयकर आयुक्त/ CIT
4. आयकर आयुक्त (अपील) / The CIT(A)
5. विभागीय प्रतिनिधि, आयकर अपीलीय आधिकरण, चण्डीगढ़/ DR, ITAT, CHANDIGARH
6. गार्ड फाईल/ Guard File

आदेशानुसार/ By order,
सहायक पंजीकार/ Assistant Registrar