

आयकर अपीलीय न्यायाधिकरण में, हैदराबाद 'बी' बेंच, हैदराबाद
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad "B" Bench, Hyderabad

श्री विजय पाल राव, माननीय उपाध्यक्ष एवं श्री मंजूनाथ जी, माननीय लेखा सदस्य
SHRI VIJAY PAL RAO, HON'BLE VICE PRESIDENT
AND
SHRI MANJUNATHA G, HON'BLE ACCOUNTANT MEMBER

आयकर अपील सं./I.T.A.No.1443/Hyd/2025
(निर्धारण वर्ष/ Assessment Year: 2017-18)

Dugginnigari Subramaniyam Naidu, R/o. Hyderabad. PAN : AATPN3397G	Vs.	The Assistant Commissioner of Income-tax, Circle – 1(1), Tirupati.
(अपीलार्थी/ Appellant)		(प्रत्यर्थी/ Respondent)

करदाता का प्रतिनिधित्व/ Assessee Represented by	:	Shri K.A. Sai Prasad, C.A.
राजस्व का प्रतिनिधित्व/ Department Represented by	:	Dr. Sachin Kumar, Sr. A.R.
सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing	:	18.02.2026
घोषणा की तारीख/ Date of Pronouncement	:	13.03.2026

ORDER

PER MANJUNATHA G., A.M :

This appeal filed by the assessee is directed against the order of the learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre [in short "NFAC"], Delhi, dated 03.07.2025, pertaining to the assessment year 2017-18.

2. The grounds raised by the assessee read as under :

“1. The Order of the learned Commissioner of Income Tax (A), NFAC, is not sustainable either on facts or in law, and is liable to be set aside in its entirety.

2. The learned CIT(A), NFAC erred in upholding addition of Rs. 45,55,000 u/s 68 rws 115BBE being cash deposits in Union Bank OD and Vehicle Loan accounts which actually belonged to the HUF and not to the individual assessee the deposits were recorded in HUF books and wrong PAN linking by the bank later corrected cannot justify addition in assessee's hands.

3. The learned CIT(A), NFAC erred in sustaining addition of Rs. 1,24,20,626 u/s 68 rws 115BBE though explanation with cash book and bank statements was submitted before the Ld. AO.

4. The learned CIT(A), NFAC ought to appreciate that section 68 applies only when the assessee fails to explain nature and source of credits whereas the assessee explained cash deposits with cash book and bank statements and once explanation was given the onus shifted to the department hence sustaining the addition is invalid and contrary to law.

5. The appellant craves leave to add, amend, modify, rescind, supplement or alter any or more grounds of appeal stated herein above either before or at the time of hearing of this appeal.”

3. The brief facts of the case are that, the assessee is an individual filed his return of income for AY 2017-18 on 23-02-2018 declaring total income of Rs. 23,68,930/-. The case was selected for limited scrutiny through CASS with a reason of verification of ‘Cash deposit during the year’. During the course of assessment proceedings, the A.O. noticed that, the assessee has made cash deposits of Rs. 1,93,78,000/- into four bank accounts maintained with Union Bank of India and Central Bank of India. The A.O. tabulated total

cash deposits during the period from 01-04-2016 to 31-03-2017 and also subclassified cash deposits taking into consideration before demonetization period i.e., from 01-04-2016 to 08.11.2016, during the demonetization period i.e., from 09-11-2016 to 31-12-2016 and after demonetization period i.e., from 01-01-2017 to 31-03-2017. As per the information tabulated by the A.O., cash deposits into bank account during demonetization period into all four bank accounts is at Rs. 9,02,000/-. The A.O. called upon the assessee to furnish relevant details to explain source for cash deposits. In response, the assessee vide letter dated 29-10-2023 furnished details of cash deposits into bank accounts for financial years 2015-16 and 2016-17. The A.O., after considering the relevant submissions, observed that, the assessee has made cash deposits of Rs.1,93,78,000/- whereas the total sales declared by the assessee during the financial year under consideration is at Rs.78,88,500/-. In these circumstances, an amount of Rs.1,14,89,500/- remains unexplained as regards the source. Therefore, called upon the assessee to file relevant evidences. The assessee, vide letter dated 05-11-2019 and 21-11-2019, furnished cash book, his HUF's cash book, return of income of HUF for AYs 2016-17 and 2017-18, and his HUF's bank

passbook with account number 43590405000030 with Union Bank of India and claimed that, cash deposits of Rs.43,95,000/- into above bank account is considered in the hands of HUF. The A.O., after considering the relevant submissions of the assessee, had issued a notice under Section 133(6) of the Act, dated 25-11-2019, to the Branch Manager, Union Bank of India, Tirupati, requiring him to furnish the details with regard to bank account held by the assessee in the capacity of HUF. In response, the Branch Manager, Union Bank of India submitted that, the assessee is not maintaining any bank account in the capacity of HUF and account number 43590405000030 was linked to his individual PAN and the same is changed with HUF PAN on 01-03-2017.

4. The A.O. after considering the relevant submissions of the assessee and also taking note of the amount of cash deposits observed that, although the assessee had deposited an amount of Rs. 1,93,78,000/- in his various bank accounts, but on perusal of the profit and loss accounts and cash book of individual and HUF of the assessee the sales effected during the year 2015-16 is Rs. 78,88,500/- and the net profit shown thereunder is Rs. 24,02,375/-.

Therefore, the A.O. observed that, the assessee could not explain the source to the extent of Rs. 24,02,374/- and in respect of balance amount of Rs.1,69,75,626/-, were neither properly explained nor such money was offered for taxation. Although the assessee claims to have considered Union Bank of India A/c No. 43590405000030 in the name of HUF, but the assessee has furnished return of income for A.Y. 2017-18 in the capacity of HUF after the demonetization and further, the bank account was linked with HUF PAN only on 01-03-2017. The assessee has not offered acceptable and cogent explanation regarding the source of such money found in his various bank accounts. Therefore, the A.O. rejected the explanation of the assessee and made addition of Rs. 1,69,75,626/- under section 68 of the Act, as unexplained cash credit and brought it to tax under section 115BBE of the Income Tax Act, 1961.

5. Aggrieved by the assessment order, the assessee preferred appeal before the Ld. CIT(A). Before the Ld. CIT(A), the assessee has filed detailed written submissions on this issue, which has been reproduced at para 4.2 on pages 4 to 9 of Ld. CIT(A)'s order. The

sum and substance of the argument of assessee before the Ld. CIT(A) is that, the assessee is having sufficient source to explain cash deposits during demonetization period and before the demonetization period, which is evident from the relevant cash book furnished by the assessee before the A.O., where the assessee was having sufficient cash balance on the dates when the cash was deposited into various bank accounts. The assessee further submitted that, he is into real estate business and has declared huge turnover for AY 2016-17 and declared a total income of Rs. 3,95,84,400/-. The assessee had also opening balance of Rs. 2,21,97,651/- in various bank accounts on 01-04-2016. All these evidences have been furnished before the A.O. However, the A.O. has ignored the details filed by the assessee and made addition. The assessee further claimed that, the bank account No. 43590405000030 was HUF bank account and related to HUF business and the same has been considered in HUF return of income filed for AY 2016-17 and 2017-18.

6. The Ld. CIT(A) after considering the relevant submissions of the assessee and also taking note of the reasons given by the A.O. to

make additions towards cash deposit into bank account during financial year 2016-17, observed that, the assessee has not submitted any details of source of the cash, like who has paid such cash to the assessee and what transaction was undertaken by the assessee to receive such cash, photocopies of the sale bills, evidence to undertake the business transactions to generate the cash, details of payer along with confirmation of such periods. In the absence of relevant details, the A.O. has rightly rejected the explanation of the assessee and assessed the cash deposits into the bank account as unexplained cash credit under section 68 of the Act. The relevant findings of the Ld. CIT(A) are as under:

“6.12 I have considered the facts and circumstance of the case, the submission of the assessee and material available on record.

6.13 It is found that the assessee is engaged in the business of real estate, the development of land and sale of plots. During the year under consideration the assessee has deposited Rs 19378000/- in different bank accounts as mentioned in para 4 of the assessment order. The assessing officer concluded that the assessee recorded turnover of Rs.78,88,500/- and the net profit shown thereunder is Rs. 24,02,374/- Therefore, the assessing officer provided credit of profit recorded by the assessee of Rs. 24,02,374/- and the balance amount of Rs. 1,69,75,626/(1,93,78,000-24,02,374) was treated as deemed income of the assessee within the meaning of provisions of section 68 of the IT Act.

6.14 It is found that with respect to the amount of Rs. 45,55,000/- the assessing officer has given the finding that such account belonged to the assessee and not to the HUF relying upon the third-party enquiries carried out with the bank. With respect to the balance amount the assessing officer

has given a factual finding that assessee failed to provide cogent evidence with respect to the source of the cash deposited in the bank account.

6.15 During the course of appeal proceedings, the assessee asserted that the opening bank balance of Rs.2,21,90,651/- was available with the assessee for withdrawal of the cash and subsequently such cash was deposited in the bank accounts. Therefore, the source of the cash deposits are adequately explained.

6.16 I have considered the facts and circumstance of the case, the submission of the assessee and material available on record. It may be appreciated that the assessee has not submitted cash book during the course of assessment proceeding of appellate proceeding with respect to the business of the real estate of the assessee. In absence of the cash book it is not possible to ascertain as to what cash balance was available with the assessee during the year under consideration which was sourced cash deposits. Further, the assessee has submitted that the bank balance available with the assessee as opening balance during the year under consideration was sourced for cash deposits after withdrawals. However, the assessee has not submitted cash book to ascertain whether such cash balance was really available with the assessee or otherwise. Therefore, the destination of the cash withdrawals remained unexplained and questionable. In absence of the cogent evidence the assertion of the assessee remain only presumption and could not prove the fact

6.17 Further, it is found that the assessee has not submitted any details of source of the cash like who has paid such cash to the assessee, what transaction was undertaken by the assessee to receive such cash, photocopies of the sale bills. evidence to undertake the business transaction to generate the cash, details of the payer along with confirmation of such periods, Ledger account of such payers with their confirmation, nature and character of underlying transaction by way of which the cash was generated by the assessee and documentary evidences thereof. In absence of such primary documentary evidences which has live link with the generation of the cash out of systemic revenue generating apparatus, the assertion of the assessee that the cash was generated or available with the assessee during the course of normal business activity cannot be accepted. As such, it may be appreciated that the assessee has failed to prove identity, creditworthiness and genuineness of the transactions with respect to the cash deposits/cash credits recorded by the assessee in the books of accounts.

The case laws relied upon the assessee are distinguishable on the cardinal fact. Therefore, the ratio laid down on in such case laws is not applicable in the case of the assessee.

Therefore, considering the facts and circumstance of the case, submission of the assessee, material available on record, the grounds of appeal contested by the assessee at serial No. 2 and 3 are dismissed.

7. The assessee has contested grounds of appeal 1 and 5 which are general in nature. Therefore, considering the facts and circumstance of the case and considering that substantive grounds of appeal contested by the assessee at serial No. 2 and 3 are dismissed, grounds of appeal No. 1 and 5 are also dismissed.

8 The assessee has contested grounds of appeal No. 4 stating that the assessing officer did not provide opportunity of being heard and thereby violated the principle of natural justice.

8.1 I have considered facts and circumstances of the case, submission of the assessee and material available on record. It is found that the assessing officer has issued notices to the assessee from time to time. Considered the response of the assessee. The third-party enquiries were carried out. The assessing officer has mentioned the details of the notices sent from the time to time in the assessment order. Therefore, there is no force in the argument of the assessee that the assessee was not rendered opportunity of being heard and thereby violated the principle of natural justice.

8.2 Therefore, considering the facts and circumstance of the case, submission of the assessee and material available on record, grounds of appeal No. 4 contested by the assessee is dismissed.

9. In result, the appeal of the assessee is dismissed.”

7. Aggrieved by the order of Ld. CIT(A), the assessee is now in appeal before the Tribunal.

8. The learned counsel for the assessee, Shri K. A. Sai Prasad, C.A. submitted that the Ld. CIT(A) erred in sustaining additions made towards cash deposit into bank account under section 68 of the Income Tax Act, 1961, even though the assessee had furnished all the evidences to prove the availability of source, including previous

cash withdrawals from the very same bank account. The learned counsel for the assessee further referring to the assessment order submitted that, the A.O. himself has recorded a categorical finding in respect of period of cash deposit into various bank accounts, and as per the A.O., the total cash deposits into bank account during demonetisation period into all four bank accounts was at Rs.9,02,000/-. The remaining amount of cash deposit was either before the date of demonetisation or after the date of demonetisation i.e., from 01-01-2017 to 31-03-2017. The assessee explained the source for cash deposit out of previous cash withdrawals from Union Bank of India, and source for said cash withdrawal was income generated from business in the earlier financial years and availability of cash at bank as on 01-04-2016. The assessee has also furnished cash book before the A.O., and the A.O. has not pointed out any negative cash balance or credits from other persons to explain the cash deposit. Although the assessee has furnished all these details, but the Ld. CIT(A) simply ignored the details filed by the assessee and upheld the addition made by the A.O. without giving any reasons. The learned counsel for the assessee further submitted that, in respect of cash deposits in Union Bank of India,

the A.O. right from the beginning claimed that, the above bank account belongs to HUF and the same has been considered in the HUF return of income filed for AY 2016-17 and 2017-18. The only mistake the assessee committed was, he linked his individual PAN number to HUF bank account and the same has been corrected on 01-03-2017. These facts have been furnished to the A.O., however A.O. disregarded the evidence filed by the assessee and assessed the HUF cash deposit into the assessee's hands. The Ld. CIT(A) simply sustained the additions made by the A.O. Therefore, he submitted that, the addition made by the A.O. towards cash deposits should be deleted.

9. The learned Senior A.R. for the Revenue, Dr. Sachin Kumar, on the other hand, submitted that, the assessee has not furnished cash book before the A.O. There are contradictory claims of the assessee before the A.O. and before the Ld. CIT(A). The bank account in the name of HUF is not substantiated with relevant proof except filing the ITR for AY 2017-18, but fact remains that, the same was filed after the demonetisation period. The assessee could not explain proper source in respect of the credits in bank account and re-

deposit of cash into bank account except stating that, he was having opening balance and the same has been periodically withdrawn. The assessee has also not explained the reasons for withdrawal of cash and re-deposit of the said cash into bank account. In the absence of proper explanation, the A.O. has rightly made addition under Section 68 of the Income-tax Act, 1961. Therefore, he submitted that, the order of the Ld. CIT(A) should be upheld or in the alternative, the matter may be remanded to verify the claim of the assessee with relevant details.

10. We have heard both parties, perused the material available on record, and had gone through the order passed by the authorities below. There is no dispute with regard to the amount of cash deposit. In fact, the A.O. has tabulated various bank accounts held by the assessee and cash deposit into said bank account from 01.04.2016 to 31.03.2017 and as per the A.O., the total cash deposit into four bank accounts was at Rs.1,93,78,000/-. The assessee has explained the source for cash deposit out of previous withdrawals from the very same bank account and in turn, the source for the above cash withdrawal was the opening bank balance available as

on 01.04.2016 in UBI A/c.No.435901010035505. The assessee has also substantiated the above opening bank balance by filing relevant ITR filed for earlier assessment year for A.Y. 2016-17 and corresponding sales turnover declared for the above period and net profit declared by the assessee. The assessee has also explained cash deposits of Rs. 43,95,000/- into Union Bank of India A/c. No.435904050000030 by filing relevant ITR filed for AY 2016-17 and 2017-18 and from the ITR filed by the assessee, there is no dispute with regard to the fact that, the above bank was part of the return of income filed by HUF and cash deposit into the said bank account was also considered in HUF capacity. From the details filed by the assessee, including relevant cash books filed for the period from 01-04-2016 to 03-01-2017 in his individual capacity and in HUF capacity, there is no dispute with regard to the fact that there was sufficient cash balance available with the assessee when the cash deposit was made into various bank accounts. The A.O. neither pointed out any negative cash balance or any credits from third parties so as to allege that the assessee could not explain the cash balance available in the books of accounts as on the date of deposit. The assessee further strengthened the above argument by filing

relevant bank statements which were available in paper book filed by the assessee and as per the bank statements of Union Bank of India, the assessee was having opening balance of Rs.1,98,97,648/- on 01-04-2016. Further from the above bank account, it is undisputedly clear that, the account has periodical withdrawn and deposits and said periodical cash deposit from 01-04-2016 to 08-11-2016 was at Rs.1,35,21,000/- i.e. before the demonetization period. The opening cash available in Union Bank of India as on 01-04-2016 was substantiated by filing return of income for AY 2016-17, where the assessee has disclosed total income of Rs.3.95 crores on which he has paid income tax of Rs.1.38 crores. The source for the above turnover and net profit declared was business receipts, which is evident from the relevant financial statements filed for AY 2015-16. Since the assessee was having a sufficient bank balance as on 01-04-2016 and also periodical withdrawals from the very same bank account, in our considered view, the explanation of the assessee with regard to cash deposits out of previous cash withdrawals in the same bank account should be accepted, and more particularly, when a substantial part of cash deposits of Rs. 1,62,87,500/- was before the date of demonetisation and further Rs. 21,88,500/- is

after the date of demonetisation i.e., from 01.01.2017 to 31.03.2017. The total cash deposits during the entire period of demonetisation, that is from 08-01-2016 to 31-12-2016, was at Rs. 9,02,000/- only that too, out of cash balance available with the assessee and as per cash book filed for the relevant financial years. Therefore, in our considered view, the assessee could able to explain the source for cash deposits into Union Bank of India A/c. Nos. 435901010035505 and 435906520112334 with known source of income and thus, the A.O. was erred in making addition towards cash deposit into bank account as unexplained cash credit under section 68 of the Income Tax Act, 1961.

11. Coming back to cash deposits into Union Bank of India account 435904050000030 for Rs. 43,95,000/-. Once again cash deposit into above bank account was bifurcated into three periods i.e., from 14.07.2016 to 08.11.2016, which was at Rs. 26,70,000/- during the demonetization period from 08.11.2016 to 31.12.2016, which was at Rs. 25,000/- and the cash deposit after the demonetization i.e., from 01.01.2017 to 31.03.2017 was at Rs. 17,00,000/-. Once again during the demonetization period, the total cash deposit into Union

Bank of India A/c. No.435904050000030 was at Rs. 25,000/-. The assessee explained the cash deposits into above bank account by filing cash book of HUF and ITR filed for AY 2016-17 and 2017-18. As per the details submitted by the assessee, there was a sufficient cash balance in the cash book as on the date of cash deposit into bank account from withdrawals from the very same bank account. Since the assessee was having sufficient cash balance out of withdrawals from the very same bank account on previous occasions and further, these deposits are in the ordinary course of business without any deviation during the demonetization period, in our considered view, the A.O. ought to have accepted the explanation of the assessee when the assessee has furnished the relevant cash book to support the claim that the above bank account was considered in the hands of HUF. No doubt, the assessee must have linked his individual PAN to HUF bank account, as claimed by the A.O., but the above fact does not alter the fact that, the said bank account was considered in the hands of HUF for its business affairs and also part of return of income filed for the relevant assessment years. Since the assessee has filed relevant evidences and proved that, bank account was already considered in the hands of HUF, in

our considered view, merely for the reason of wrong PAN number linked to the above bank account, adverse inference cannot be drawn by the A.O. The Ld. CIT(A) without considering the relevant facts simply upheld the reasons given by the A.O. to assess the cash deposits into bank account maintained by the HUF in Union Bank of India in the hands of assessee.

12. In this view of the matter and considering facts and circumstances, we are of the considered view that, the assessee has explained source for cash deposits into various bank accounts during financial year 2016-17 relevant assessment year 2017-18. The A.O. and Ld. CIT(A) without appreciating the relevant facts simply made addition towards cash deposit as unexplained cash credit under section 68 of the Act. Thus, we set aside the order of Ld. CIT(A) and direct the A.O. to delete the addition made towards cash deposits under section 68 of the Income Tax Act, 1961 r.w.s. 115BBE of the Act.

13. In the result, the appeal filed by the assessee is allowed.

Order pronounced in the Open Court on 13th March, 2026.

Sd/- श्री विजय पाल राव (VIJAY PAL RAO) उपाध्यक्ष / VICE PRESIDENT	Sd/- (मंजूनाथ जी) (MANJUNATHA G.) लेखा सदस्य / ACCOUNTANT MEMBER
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Hyderabad, dated 13.03.2026.
TYNM/sps

आदेशकी प्रतिलिपि अग्रेषित/ Copy of the order forwarded to:-

1.	निर्धारिती/The Assessee	:	Dugginnigari Subrahmaniyam Naidu, C/o. Katrapati & Associates, 1-1-298/2/B/3, Sowbhagya Avenue Apartments, 1 st Floor, Ashok Nagar, Street No.1, Hyderabad - 500020
2.	राजस्व/ The Revenue	:	The Assistant Commissioner of Income Tax, Circle – 1(1), Tirupati.
3.	The Principal Commissioner of Income Tax, Tirupati.		
4.	विभागीयप्रतिनिधि, आयकर अपीलीय अधिकरण, हैदराबाद / DR, ITAT, Hyderabad		
5.	गार्डफ़ाईल / Guard file		

आदेशानुसार / BY ORDER

Sr. Private Secretary
ITAT, Hyderabad