

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

Sl. No.	I.T.A.No.	Name of Appellant	Name of Respondent	A.Y.	Appealed against the Order of the CIT(A)-11, Hyderabad Dated
1	1552/Hyd/2025	Madhava Reddy Baddevolu PAN-ACXPB3553G	The DCIT, Central Circle 1(2), Hyderabad.	2023-24	05.07.2025
2	1886/Hyd/2025	Vilas Polymer Private Ltd. PAN – AAACV9854A	The DCIT, Central Circle 1(2), Hyderabad.	2023-24	31.10.2025
3	1896/Hyd/2025	Exel Rubber Private Limited PAN – AAACE4495J	The DCIT, Central Circle 1(2), Hyderabad.	2023-24	09.10.2025
4	232/Hyd/2026	Raghunath Reddy Gangaram PAN – ACVPG2008F	The DCIT, Central Circle 1(2), Hyderabad.	2023-24	04.12.2025
5	233/Hyd/2026	ACE Tyres Pvt. Ltd PAN – AADCA2210N	The DCIT, Central Circle 1(2), Hyderabad.	2023-24	13.12.2025
6	248/Hyd/2026	Syed Warisuddin Naveed PAN – AFVPS5943J	The DCIT, Central Circle 1(2), Hyderabad.	2022-23	29.12.2025
7	275/Hyd/2026			2023-24	30.12.2025

For Assessee :	Shri M.V. Prasad, C.A.
For Revenue :	Dr. Sachin Kumar, Sr. AR

Date of Hearing :	23.03.2026
Date of Pronouncement :	27.03.2026

ORDER**PER MANJUNATHA G., A.M :**

The captioned appeals filed by the assessee are directed against the separate, but identical orders against the respective orders of the learned Commissioner of Income Tax (Appeals)-11, Hyderabad, relating to the respective assessment years, tabulated hereinabove in the above cause title. Since common issues are involved in all these 7 appeals, these appeals were heard together and are being disposed of by this single consolidated order for the sake of convenience and brevity.

2. First, we take up assessee's appeal in ITA. No. 1552/Hyd/2025 for the assessment year 2023-24 as "lead" appeal. The assessee had more or less raised common grounds of appeal in all these appeals. Therefore, for the sake of brevity, the grounds of appeal filed by the assessee in ITA.No.1552/Hyd/2025 for the assessment year 2023-24 in the case of Shri Madhava Reddy Baddevolu are reproduced as under:

“1. The order of the Learned CIT(A) is erroneous both in law as well as on the facts of the case.

2. On the facts and circumstances of the case, the Learned CIT(A) is not justified confirming the addition of an amount of Rs.42,00,000/- as unexplained investment u/s.69 of the I.T.Act.

3. On the facts and circumstances of the case, Learned CIT(A) is not justified in confirming that treating an amount of Rs.40,68,000/- as unexplained investment u/s.69 of the I.T. Act and taxing the same under the provisions of Section 115BBE of the I.T. Act towards consideration paid on land purchased even though such amount was already admitted in the return of income filed.

4. On the facts and circumstances of the case, the Learned CIT(A) is not justified to confirming the addition of Rs.3,50,000/- as unexplained Income-exs Authority pasting the wander appealed against investment u/s.69 of the I.T. Act out of the amount spent/pooled up for purchase and development of land purchased at Madhapur.

5. On the facts and circumstances of the case, the Learned CIT(A) is not Justified without observing that the additions were made on mere assumption and surmises.

6. On the facts and circumstances of case, the Learned Assessing Officer would have appreciated that the MOU is not signed by the appellant and only signed by one party and hence cannot be relied upon for making any addition.

7. Any other legal as well factual ground/s that may be urged at the time of hearing of the appeal.”

3. The additional ground raised by the assessee reads as under :

“8. On the facts and circumstances of case, the assessment order passed u/s 143(3) is vitiated and has become unsustainable in law since the approval u/s 148B has been accorded by Addl.Cit/JCIT (Range Head) in a mechanical manner.”

4. The brief facts of the case are that, assessee is an individual who filed his return of income for the assessment year 2023-24 on 28.07.2023 declaring total income of Rs.1,41,58,432/-. A search

and seizure operation under Section 132 of the Income-tax Act, 1961 was carried out on 04.01.2023 in the case of M/s Exel Rubber Group and, as part of the said search proceedings, the case of the assessee was also covered. Consequent thereto, the case was centralized and selected for scrutiny under compulsory selection guidelines and assessment was completed under Section 143(3) of the Income-Tax Act, 1961 on 14.03.2025. During the course of assessment proceedings, it was noticed that, the assessee had proposed to purchase a plot admeasuring 194.5 sq. yards at Madhapur and had incurred expenditure of Rs.67,39,500/- through banking channels towards purchase and Rs.22,88,000/- in cash towards development of the property. The assessee had also pooled further cash of Rs.50,00,000/- towards development and during the course of search, cash of Rs.51,50,000/- was found at the residence of the assessee. When called upon to explain the source for total cash of Rs.72,88,000/-, the assessee submitted that, the same was sourced from salary income, rental income of Rs.18,70,000/- received in cash, and agricultural income of Rs.13,50,000/- earned over a period of time, however, could not satisfactorily explain the balance amount

of Rs.40,68,000/- and accordingly offered the same as income in the return of income. The assessee further submitted that, the funds were pooled from relatives and friends for investment in real estate and for development of property.

5. The A.O., after considering the submissions of the assessee and material available on record, accepted the explanation only to the extent of Rs.28,70,000/- and treated the balance amount as unexplained and accordingly treated Rs.3,50,000/- as unexplained money under Section 69A and also treated the amount of Rs.40,68,000/- as unexplained money chargeable under Section 115BBE of the Act. Further, during the course of search, a Memorandum of Understanding (MOU) dated 30.04.2022 entered into with M/s Samooha Projects Private Limited was found and seized from the residence of the assessee, as per which the assessee had paid an amount of Rs.1,42,00,000/- in cash, including Rs.42,00,000/- on 29.04.2022, however, the assessee contended that, the said MOU was only a draft proposal, was not signed by him, and no actual payment was made. The A.O., however, rejected the explanation of the assessee by observing that, the MOU along with post-dated

cheques was found in possession of the assessee during search and the assessee himself had admitted such investment in the sworn statement recorded under Section 132(4) and accordingly treated the amount of Rs.42,00,000/- as unexplained investment under Section 69 of the Act, and brought the same to tax under Section 115BBE of the Act. Thus, the A.O. completed the assessment by making additions of Rs.3,50,000/- under Section 69A, Rs.42,00,000/- under Section 69 of the Act, and treating Rs.40,68,000/- as unexplained money under Section 115BBE of the Act.

6. Aggrieved by the assessment order, the assessee preferred appeal before the Ld. CIT(A). Before the Ld. CIT(A), the assessee had reiterated the submissions made before the A.O. and contended that, the amount of Rs.40,68,000/- was already admitted in the return of income and hence, cannot again be treated as unexplained money under Section 69A of the Act. The assessee further contended that, the addition of Rs.3,50,000/- towards agricultural income was without any basis and that the same was out of agricultural receipts earned over a period of time. In respect of addition of Rs.42,00,000/-, the assessee submitted

that, the Memorandum of Understanding (MOU) dated 30.04.2022 was only a draft proposal, was not signed by him, and no actual payment was made and therefore, the same cannot be relied upon for making addition.

7. The Ld. CIT(A), after considering the relevant submissions of the assessee and also taking note of the reasons given by the A.O., rejected the explanation of the assessee and sustained the additions made by the A.O. towards unexplained money under Section 69A of the Income-tax Act, 1961 and unexplained investment under Section 69 of the Act, and also upheld the treatment of Rs.40,68,000/- under Section 115BBE of the Act.

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

9. The learned counsel for the assessee, Shri M. V. Prasad, C.A., referring to petition filed by the assessee for admission of additional ground, submitted that, the assessee has taken a legal ground challenging the validity of the assessment order passed by the A.O., in light of approval accorded under Section 148B of the Income Tax Act, 1961 by Addl.CIT/JCIT, and the additional

ground taken by the assessee is a legal ground which can be taken at any time of the proceedings, including pending proceedings before the Tribunal. Further, the assessee could not take up this ground before the lower authorities. However, facts with regard to the above legal ground is already available on record and there are no new facts brought on record, and thus, in view of the decision of Hon'ble Supreme Court in the case of NTPC Ltd. Vs. CIT, 229 ITR 383 (SC), the additional ground filed by the assessee may be admitted for adjudication.

10. The learned Senior A.R. for the Revenue, Dr. Sachin Kumar, on the other hand, opposed the petition filed by the assessee for admission of additional ground and argued that, the assessee could not explain as to how the facts relating to the above ground were already on record and if we go by the ground of appeal of the assessee, it is very clear that, the facts with regard to the date of draft assessment order and approval, if any, accorded by the Addl.CIT/JCIT should be verified with reference to the assessment order passed by the A.O. and thus, the petition filed by the assessee for admission of additional ground should be rejected.

11. We have heard both parties and considered relevant contents of petition for admission of additional ground filed by the assessee and we find that, the assessee has taken ground no.8, challenging the validity of assessment order passed by the A.O. u/s 143(3) of the Act, dated 14.03.2025 in light of approval under Section 148B accorded by Addl.CIT/JCIT, and argued that, the approval granted by the Range Head is mechanical and without any application of mind and thus, the consequent assessment order passed by the A.O. in light of improper approval becomes invalid. We further noted that, the facts with regard to the additional ground filed by the assessee are already on record, which are primarily based on the assessment order passed by the A.O. and consequent approval obtained from the Range Head and there is no requirement of verification to ascertain the facts so as to adjudicate the grounds. Therefore, in our considered view, the additional ground filed by the assessee being purely legal in nature can be admitted as held by the Hon'ble Supreme Court in the case of NTPC Ltd. Vs. CIT, 229 ITR 383 (SC). Thus, we admit the additional ground filed by the assessee for adjudication.

12. The learned counsel for the assessee, Shri M. V. Prasad, C.A., referring to additional ground no.8 of the assessee's appeal submitted that, the assessment order passed by the A.O. under Section 143(3) of the Income Tax Act, 1961, dated 14.03.2025, becomes unsustainable in law, since the approval under Section 148B, accorded by the Additional CIT/JCIT, Range Head, dated 12.03.2025, is mechanical and without any application of mind. The learned counsel for the assessee, referring to the assessment order under Section 143(3) of the Act, dated 14.03.2025, and approval under Section 148B of the Act, dated 12.03.2025, submitted that, the A.O. has submitted a draft assessment order vide letter dated 10.03.2025, and the Range Head has accorded approval under Section 148B of the Act, on 12.03.2025 within a short span of less than two days and from the approval accorded by the Range Head, it is evident that, before according approval, the Addl.CIT/JCIT has not applied his mind to relevant facts in light of the draft assessment order passed by the A.O. so as to approve the assessment order. The learned counsel for the assessee further submitted that, the provisions of Section 148B of the Act, is *pari materia* to the provisions of Section 158D of the

Act, and in light of provisions of Section 158D, various Courts have categorically held that, approval provided under Section 158D is not an empty formality, and the authority should apply his mind to relevant facts in light of the order passed by the A.O. before according approval, if any, for passing the assessment order. This fact is further strengthened by the instruction issued by the CBDT in the form of Manual of Office Procedure, where the CBDT has categorically explained as to how approval provided under Section 158D/148B has to be considered by the Range Head. If we go by the approval accorded by the Addl.CIT, Central Range-1, Hyderabad, dated 12.03.2025, it is very clear that, from the approval, it is not discernible as to application of mind by the approving authority to the relevant facts. Therefore, the approval granted by the authority in a mechanical manner and without any application of mind is invalid, and consequently, the assessment order passed by the A.O. under Section 143(3) of the Act, dated 14.03.2025 in pursuant to said invalid approval, becomes non-est in law and liable to be quashed. In this regard, he relied upon the decision of hon'ble Supreme Court in the case of ACIT Vs. Serajuddin & Co., (2023) 163 taxmann.com 118 (SC) and also the

decision of Hon'ble High Court of Orissa in the case of ACIT Vs. Serajuddin & Co., (2023) 454 ITR 312 (Orissa). The assessee has also relied upon the following judicial precedents :

- 1) Principal Commissioner of Income Tax, Central-2 Vs. Anuj Bansal reported in (2024) 165 taxmann.com 2 (Delhi).
- 2) Principal Commissioner of Income Tax, Central-2 Vs. Anuj Bansal reported in (2024) 165 taxmann.com 3 (SC).
- 3) Principal Commissioner of Income Tax Vs. Shiv Kumar Nayyar reported in (2024) 163 taxmann.com 9 (Delhi).
- 4) Principal Commissioner of Income Tax Vs. Subash Dabas in ITA Nos. 243 & 245 of 2023 dated 17.05.2024 (Delhi).
- 5) Principal Commissioner of Income Tax Vs. MDRL Hotels (P.) Ltd. reported in (2024) 166 taxmann.com 327 (Delhi).
- 6) Principal Commissioner of Income Tax Vs. Subodh Agrawal reported in (2023) 149 taxmann.com 373 (Allahabad).
- 7) Principal Commissioner of Income Tax Vs. Sapna Gupta reported in (2023) 147 taxmann.com 288 (Allahabad).
- 8) Principal Commissioner of Income Tax Vs. Siddarth Gupta reported in (2023) 147 taxmann.com 305 (Allahabad).
- 9) Smt. Shreelakha Damani Vs. Deputy Commissioner of Income Tax reported in (2017) 88 taxmann.com 383 (Mumbai - Trib.).
- 10) Principal Commissioner of Income Tax Vs. Smt. Shreelakha Damani in ITA No. 668 of 2016 dated 27.11.2018 (Bombay).
- 11) Bathina Kumara Swamy Reddy Vs. Deputy Commissioner of Income Tax in ITA Nos. 287, 288 & 289/Viz/2025 for A.Y. 2017-18 to A.Y. 2019-20 (Visakhapatnam - Trib.).
- 12) Utility Supply (P.) Ltd. Vs. Deputy Commissioner of Income Tax reported in (2025) 174 taxmann.com 250 (Mumbai - Trib.).
- 13) Dheeraj Chaudhary Vs. Assistant Commissioner of Income Tax reported in (2025) 178 taxmann.com 360 (Delhi - Trib.).

13. The learned Sr.A.R. for the Revenue, Dr. Sachin Kumar, on the other hand, submitted that, the case laws referred to by the learned counsel for the assessee are distinguishable on facts, because in all those cases, draft order was passed on fag end of the limitation for passing of the assessment order and on the same day, the Range Head has accorded approval under Section 158D of the Income Tax Act, 1961. In the present case, although the time limit for completing the assessment was up to 31.03.2025, but the A.O. has passed the draft order well within the time limit and the same has been forwarded to the Addl.CIT, Central Range-1, Hyderabad on 10.03.2025 and the Range Head, after considering the draft order, has accorded approval under Section 148B of the Act, on 12.03.2025 and therefore, it cannot be said that the approval accorded by the authority is mechanical and without any application of mind. The learned Senior A.R. for the Revenue further submitted that, the law does not provide for any approval in a particular manner, and it is subjective satisfaction of the Range Head. Therefore, from the approval accorded under Section 148B of the Act, dated 12.03.2025, it is very clear that, the Range Head has perused the draft assessment

order and has accorded approval. Therefore, the argument of the counsel for the assessee in light of certain judicial precedents is devoid of any merit and needs to be rejected.

14. We have heard both parties, perused the material available on record, including the relevant additional ground of appeal filed by the assessee and the issue of validity of assessment order passed by the A.O. under Section 143(3) of the Act, dated 14.03.2025, in light of approval accorded under Section 148B of the Act, dated 12.03.2025 in light of various arguments of the learned counsel for the assessee and counter-arguments of the learned Senior A.R. for the Revenue. We have also carefully considered relevant case laws relied upon by the learned counsel for the assessee on this issue. This issue is common for all assessees. The findings given by us in this appeal is applicable to remaining appeals as well. The assessee has challenged validity of assessment order passed by the A.O., in light of approval accorded under Section 148B of the Act, dated 12.03.2025 by the Addl.CIT/JCIT, Central Range - 1, Hyderabad and claims that, the approval accorded by the authority is mechanical and without any application of mind, which is evident from the relevant approval dated 12.03.2025,

where it is not discernible from the approval as to any application of mind by the authority to relevant facts in light of draft assessment order passed by the A.O. Admittedly, the A.O. has sent draft assessment order vide letter dated 10.03.2025. The authority i.e., Addl.CIT, Central Range-1, Hyderabad, has accorded approval under Section 148B of the Act, on 12.03.2025. From the perusal of relevant approval accorded under Section 148B of the Act, dated 12.03.2025, it is not discernible from the said approval as to any kind of application of mind by the authority with reference to the draft assessment order passed by the A.O. and additions made thereunder in light of material relevant for the said addition. The assessee claims that, the approval accorded by the authority is one line without any discussion as to the nature of additions made by the A.O. and the consequent reasons given by the A.O. or any material referred to by the A.O. in support of his contentions so as to sanction or accord approval as required under Section 148B of the Act. Although the counsel for the assessee refers to the date of draft assessment order and the date of approval accorded by the authority and claims that, it is only within a span of two days the

authority has accorded approval, thereby signifies the fact that, the approval has been accorded in a mechanical manner and without any application of mind, but in our considered view, from the days taken by the authority for according approval, it cannot be decided whether the approval accorded by the authority is in accordance with law and the authority has applied his mind independently to the relevant facts considered by the A.O. However, it is very essential from the approval accorded by the authority that, the authority has applied his mind to the relevant facts before according any approval as required under Section 148B of the Act. This is because the approval provided under Section 148B/158D is not an empty formality, but it is a statutory requirement provided under the Act, to put a check and balance to curtail any arbitrary or unjust exercise of power by the A.O. while passing the assessment order. Therefore, it is necessary for the authority while granting approval under Section 148B of the Act, to go through the relevant draft assessment order passed by the A.O. in light of assessment records and also discuss in the order passed for granting approval under Section 148B of the Act. This is further fortified by the Manual of Office Procedure issued by the

CBDT in February, 2023 in exercise of powers under Section 119 of the Act, where in para 9 of Chapter III of Volume 2 (Technical), a clear procedure is provided as to how an approval is to be granted for draft assessment order for passing assessment order in search cases. According to the Manual, the A.O. should submit the draft assessment order for such approval well within time, along with docketed entries in the order sheet, along with covering letter filed in the relevant miscellaneous record folder. It is further noted that, due opportunity of being heard is to be given to the assessee by the Supervising Officer giving approval to the proposed assessment, at least one month before the time available for completion of assessment. It is further noted in the Manual of Office Procedure that, once such approval is granted, it must be in writing and filed in the relevant folder indicating above after making due entry in the order sheet.

15. This issue has been examined by the Hon'ble Supreme Court in the case of JCIT vs. Serajuddin & Co. (supra), where the Hon'ble Supreme Court dismissed the SLP filed by the Revenue against the order of the Hon'ble High Court of Orissa, in the case of ACIT vs. Serajuddin & Co. and held that, when approval

granted under Section 158D of the Act, was without any application of mind by the authority, then the entire assessment becomes vitiated and liable to be quashed. This issue has been discussed by the Hon'ble High Court of Orissa in the case of ACIT Vs. Serajuddin & Co., (supra), and in Para 22, very categorically held that, although there is no need of elaborate reasons in the approval letter, but the authority must indicate what the thought process involved in granting approval as required under Section 158D of the Act. Mere repeating of the words of the statute or mere 'rubber stamping' of the letter seeking sanction by using similar words like "seen" or "approved" will not satisfy the requirement of the law. The sum and substance of the ratio laid down by the Hon'ble High Court of Orissa in the above case is that approval provided under Section 158D of the Act, is not a mere empty formality, but it is a statutory requirement and the authority granting approval must apply his mind to the relevant facts on the basis of assessment order passed by the A.O. and discuss the issues with reasoning before according any approval.

16. A similar view has been taken by the Hon'ble Delhi High Court in the case of Principal CIT, Central-2 vs. Anuj Bansal, reported in (2024) 165 taxmann.com 2 (Delhi), and also the Hon'ble Bombay High Court in the case of PCIT vs. Smt. Shreelakha Damani, ITA No. 668 of 2016 dated 27.11.2018. The Hon'ble High Court of Allahabad in the case of Principal CIT vs. Siddhartha Gupta, reported in (2023) 147 taxmann.com 305 (Allahabad), has also considered identical issue and held that, prior approval of JCIT to draft assessment order prepared by the A.O. is essential as per mandate of Section 153D, however, where draft assessment order for 123 cases were placed before the approving authority on 30.12.2017 and 31.12.2017 and the final assessment order was passed on 31.12.2017, it is a case of non-application of mind and mechanical exercise of power by the authority. In the present case, going by the order passed by the Addl.CIT, Central Range – 1, Hyderabad, dated 12.03.2025, it is not discernible from the said order as to any application of mind to relevant facts in light of draft assessment order passed by the A.O. and the issues discussed in the said order. Therefore, in our considered view, the approval accorded by the Addl.CIT/JCIT

under Section 148B of the Act, is a mechanical one, without any application of mind and thus, the assessment order passed by the A.O. on the basis of invalid approval becomes non-est in the eyes of law and liable to be quashed.

17. Coming back to various case laws relied upon by the learned counsel for the assessee. The learned counsel for the assessee relied upon the decision of the Hon'ble High Court of Orissa in the case of JCIT vs. Serajuddin & Co. (supra), wherein the Hon'ble High Court on identical set of facts and in light of approval accorded under Section 158D of the Act, while passing the assessment order in pursuant to search, has held as under:

“Among the changes brought about by the Finance Act 2007 was the insertion of section 153D. The CBDT circular dated 12-3-2008 refers to the various changes and inter alia also to the change brought about by the insertion of a new section 153D. [Para 11]

It must be noted at this stage that even prior to the introduction of section 153D, there was a requirement under section 158BG, which was substituted by the Finance Act 14 of 1997 with retrospective effect from 1-1-1997, of the Assessing Officer having to obtain a previous approval of the JCIT/Additional Commissioner by submitting a draft assessment order following a search and seizure operation. (Para 121

The CBDT issued the Manual of Office Procedure in February 2003 in exercise of the powers under section 109. [Para 13]

The requirement of prior approval under section 153D is comparable with a similar requirement under section 158BG. The only difference being that the latter provision occurs in Chapter-XIV-B relating to 'special procedure for assessment of search cases whereas section 153D is part of Chapter-XIV. [Para 14]

A plain reading of section 153D itself makes it abundantly clear that the legislative intent was to be obtaining of prior approval by the Assessing Officer when he is below the rank of a Joint Commissioner, before he passes an assessment order range Officer order under section 153A(1)(b) or 153B(2)(b). [Para 15]

That such an approval of a superior officer cannot be a mechanical exercise has been emphasized in several decisions. Illustratively, in the context of section 142 (2-A) which empowers an Assessing Officer to direct a special audit. The obtaining of the prior approval was held to be mandatory. [Para 16]

It is therefore not correct on the part of the revenue to contend that the approval itself is not justiciable. Where the approval is granted mechanically, it would vitiate the assessment order itself. [Para 17]

The contention of the revenue that the non-compliance of the said requirement does not entail civil consequences was negated. [Para 18]

It is seen that in the instant case, the Assessing Officer wrote a letter seeking approval of the Additional Commissioner. [Para 21]

As rightly pointed out by the assessee there is not even a token mention of the draft orders having been perused by the Additional Commissioner. The letter simply grants an approval. In other words, even the bare minimum requirement of the approving authority having to indicate what the thought process involved is missing in the aforementioned approval order. While elaborate reasons need not be given, there has to be some indication that the approving authority has examined the draft orders and finds that it meets the requirement of the law. As explained, the mere repeating of the words of the statute, or mere rubber stamping of the letter seeking sanction by using similar words like 'see' or 'approved' will not satisfy the requirement of the law. This is where the Technical Manual of Office Procedure becomes important. Although, it was in the context of section 158BG, it would equally apply to section 153D. There are three or four requirements that are mandated therein, (i) the Assessing Officer should submit the

draft assessment order 'well in time'. Here it was submitted just two days prior to the deadline thereby putting the approving authority under great pressure and not giving him sufficient time to apply his mind; (ii) the final approval must be in writing; (ii) The fact that approval has been obtained, should be mentioned in the body of the assessment order. (Para 22)

In the instant case, it is an admitted position that the assessment orders are totally silent about the Assessing Officer having written to the Additional Commissioner seeking his approval or of the Additional Commissioner having granted such approval. Interestingly, the assessment orders were passed on 30-12-2010 without mentioning the above fact. These two orders were therefore not in compliance with the requirement spelt out in para 9 of the Manual of Official Procedure. [Para 23]

The above manual is meant as a guideline to the Assessing Officers. Since it was issued by the CBDT, the powers for issuing such guidelines can be traced to section 119. It has been held in a series of judgments that the instructions under section 119 are certainly binding on the Department. [Para 24]

For all of the aforementioned reasons, it is found that the Tribunal has correctly set out the legal position while holding that the requirement of prior approval of the superior officer before an order of assessment or reassessment is passed pursuant to a search operation is a mandatory requirement of section 153D and that such approval is not meant to be given mechanically. The finding of the Tribunal that in the present cases such approval was granted mechanically without application of mind by the Additional Commissioner resulting in vitiating the assessment orders themselves was agreeable. [Para 25]

The question of law framed is therefore answered in the affirmative Le., in favour of the assessee and against the Department. [Para 26]

The appeals are accordingly dismissed. [Para 27]”

18. The learned counsel for the assessee has also relied upon the decision of ITAT Delhi Benches, (Third Member) decision in the case of Dheeraj Chaudhary vs. ACIT reported in (2025) 178 taxmann.com 360 (Delhi - Trib.), wherein the coordinate bench of ITAT, Delhi on identical set of facts and on the issue of approval provided under Section 158D of the Act, has held as under:

“21. I note the above observations of learned Accountant Member and is of the view that assessment proceedings or any proceedings under the Act before the Assessing Officer which affect the levy of tax on the subject are judicial in nature. It is well-settled that the Assessing Officer upon whom jurisdiction has been conferred to make all orders judicially, has to act independently. The Assessing Officer, while framing assessment, cannot act on the advice given by an outsider even though he may be an authority higher in rank to him in official hierarchy. Higher authorities that include Additional CIT//CIT under whom the Assessing Officer is administratively under control, are not entitled to give opinion or advice in regard to assessment proceedings being quasi-judicial in nature. This is, however, subject to the provisions of Section 144A of the Act, where the assessee or the Assessing Officer suo moto can refer the matter but, for that, he has to invoke this provision. This view is supported by Hon'ble Bombay High Court in the case of *Dinshaw Darabshaw Shroff v. CIT* [1943] 11 ITR 172, wherein it is held that although the Assessing Officer making an assessment is not acting as a court of law, it is clear that while framing assessment is acting in quasi-judicial capacity, and he ought to conform to the more elementary rules of judicial procedure, and in particular to conduct the case himself, and not allow somebody else, even his superior officer, to interfere in the conduct of the case. What to talk of superior authority, Hon'ble Supreme Court in the case of *Union of India v. Tata Engineering & Locomotive Co. Ltd.* 1997 taxmann.com 100/AIR 1998 SC 287, 288, held that the Assessing Officer is entitled to complete the assessment as per the provisions of Section 143(3) of the Act and, for this purpose, he can call for and examine whatever document he considers relevant. Hon'ble Supreme Court held that, if the Assessing Officer fails to follow any judgment of the High Court or of the Supreme Court, the assessee has adequate statutory remedies by way of an appeal and revision against the assessment order but, the Court should not try to control the mode and manner in which an assessment should be made. Hence, the higher authority including the Additional CIT/JCIT or CIT or CCIT, being administrative controlling authorities of the Assessing Officer, are not entitled to interfere in the judicial process of the Assessing Officer while framing assessment. In view of the above, I am of the view that, while making an assessment, the Assessing Officer is solely to be guided by the provisions of law and he cannot avail of any instructions or directions given by his higher authority including CBDT in making a particular assessment in a particular way. While passing assessment orders, he is only bound by what, if any, has been directed under Section 144A of the Act by his Additional CIT/JCIT or the instructions issued by the CBDT under Section 119 of the Act or what has been decided by the appellate authorities as mentioned in the Act. He has also to follow the precedence established by Hon'ble High Courts or the Supreme Court. The proceeding under Section 153D for granting approval is entirely different from the process of making assessment. Once draft assessment is prepared, the process of approval starts under

Section 153D of the Act. Then the authority prescribed under Section 153D Le the Additional CIT/JCIT has to apply his mind for grant of approval after verifying the assessment records, seized records, etc.

22. I noted that the common thread discussed by Hon'ble Orissa High Court in the case of Serajuddin & Co. (supra), by Hon'ble Delhi High Court in the case of Anuj Bansal (supra) and by Hon'ble Allahabad High Court in the case of Sapna Gupta (supra) is that the requirement of previous approval of assessment by the Additional CIT/Joint CIT in terms of provisions of Section 153D of the Act being an inbuilt protection against any arbitrary or unjust exercise of power by the Assessing Officer, casts a very heavy duty on the said high ranking authority to see to it that the requirement of the previous approval, envisaged in the Section is not turned into an empty formality. Needless to say that before granting approval, the Additional CIT/Joint CIT, as the case may be, must have before him the material on the basis whereof an opinion in this behalf has been formed by the Assessing Officer and the approval must reflect the application of mind to the facts of the case. The CBDT itself recognized the importance of this provision and the above laid down principle and hence issued Manual of Office Procedure in February, 2023 in exercise of powers under Section 119 of the Act. Vide Para 9 of Chapter 3 of Volume-II (Technical), a clear procedure is devised ie, how an approval is to be granted for draft assessment for passing of assessment order in search cases. According to the Manual, the Assessing Officer should submit the draft assessment order for such approval well in time along with docketed in the order sheet, a copy of the draft assessment order, covering letter filed in the relevant miscellaneous records folder. Even, it is noted that due opportunity of being heard should be given to the assessee by the supervisory officer giving approval to the proposed block assessment, at least one month before the time barring date. It is further noted that once such approval is granted, it must be in writing and filed in the relevant folder indicating above after making due entry in the order sheet. This is the mandate provided in the office manual of the Department. In view of above, I am of the view that the 'approval', as mandated u/s 153D of the Act, signifies a product of human thoughts based on the given set of facts and interpretation of the applicable law. It provides equality in treatment and thus prevents bias, prejudice and arbitrariness. It also prevents and avoids inconsistent and divergent views. The power of approval to the specified authority i.e., Superior authority has been envisaged with the objectives that no illegality or biasness, to either of the sides i.e., the assessee or the Revenue, remains.”

19. The assessee has also relied upon the decision of ITAT Mumbai Bench in the case of Utility Supply Private Limited vs. DCIT, reported in (2025) 174 taxmann.com 250 (Mumbai - Trib.). The coordinate bench of ITAT in light of approval granted under Section 158D of the Act, has held as under :

“39. Coming to the instant case, finally we reiterate and order as under. That in the instant case, the approving authority on the very same date of submitting the draft orders on 27.12.2019, granted the approval in 13 cases simultaneously and it is a fact that 28th & 29th of December 2019 were holidays being Saturday and Sunday and 31 December 2019 was the last date for making the assessment order and therefore the approving authority has left with only two working days i.e. 27th & 30th December 2019. However, the approving authority accorded the approval on the very same day (27.12.2019) of submitting the draft order and in less than 12 hours, which goes to show that the Approving Authority has not applied his mind due to paucity of time and therefore granted the approval in a mechanical and hasty manner. It is also a fact that the A.O. on the very same day of getting the approval, completed the assessment proceedings and passed the assessment order dated 27.12.2019, which also creates suspicion. As we have observed above that granting of approval is not a technical or mechanical exercise or ritual formality but must demonstrate the examination of the relevant material and finding/reasoning, as to why the approval has been granted.

And therefore the contention of Ld. DR to the effect that “the procedure normally followed in such cases is that after centralization of the case, periodic discussions are held between the Range Head and the A.O., where the appraisal report and the relevant seized material are duly discussed and submitting of the draft assessment order is the culmination of the discussion process, not the initiation of the involvement of the Range Head, who is the approving authority”, has no essence, because the Assessing Officer is an independent quasi-judicial officer and therefore he is required to act or to pass the assessment order independently and without being influenced by any interference or indulgence of any higher authority. May be the higher authority was involved in process of investigation or enquiry etc., but could not have interfered in deciding the issue(s) and/or passing the assessment order by the A.O., except granting or rejecting the approval u/s 153D of the Act. The Approving Authority after submitting the draft order and relevant material, is required to assess the proposed assessment order

independently in the context of material available on record and to give reasons for granting the approval. Admittedly, in this case, approval dated 27.12.2019, does not reflect any relevant material/findings/reasoning, which can substantiate the validity of such approval. Thus, the contention raised by the Ld. DR is untenable.

Thus, on the aforesaid analysis, we are of the considered view that in the instant case, the approval dated 27.12.2019 under consideration is not based on examination of any relevant documents and provisions of the Act in the context of the proposed addition and has been accorded in haste and time constrained pressure and therefore lacks application of mind and hence in cumulative effect, the same suffers from perversity and impropriety and consequently unsustainable. Thus, the approval is declared as invalid in the eyes of law, which would entail the assessment order dated 27.12.2019 as invalid being void ab-initio.”

20. In this view of the matter and considering the facts and circumstances of the case, and also by following various case laws discussed hereinabove, we are of the considered view that, the assessment order passed by the A.O. under Section 143(3) dated 14.03.2025, in pursuance to approval accorded under Section 148B of the Act, dated 12.03.2025, is unsustainable in law, since approval under Section 148B of the Act, has been accorded by the Addl.CIT/JCIT in a mechanical manner and without any application of mind. Thus, we quash the assessment order passed by the A.O. under Section 143(3) of the Act, dated 14.03.2025. Thus, additional ground no.8 is allowed.

21. Since we have allowed Additional Ground No.8 raised by the assessee and held that, the assessment order passed under Section 143(3) of the Act, is not sustainable in law, the other grounds raised by the assessee i.e., ground nos.1 to 7 on merits challenging the additions made under Sections 69 and 69A of the Act, become academic and hence, are not adjudicated.

22. Coming back to other appeals. The facts and issues involved in these six appeals are similar to the issue which we had considered in ITA No. 1552/Hyd/2025 for A.Y. 2023-24. In the present cases, the assesseees have challenged the validity of the assessment order passed by the A.O. in light of approval accorded under Section 148B of the Act, by the Addl.CIT/JCIT and claimed that, the approval accorded under Section 148B of the Act, is mechanical, without any application of mind and consequently, the entire assessment proceedings becomes vitiated. We find that, in all these cases, the approval under Section 148B of the Act, has been accorded by the authority i.e., Addl.CIT, Central Range-1, Hyderabad, either on the same day or on the next date, which is evident from relevant orders passed by the authority granting approval under Section 148B of the Act. Further, in all these

cases, the approval order passed by the authority is verbatim repetition of order passed in the case of Madhava Reddy Baddevolu, except for dates and amounts. From the order passed by the authority under Section 148B of the Act, and accorded approval thereon, in our considered view, it is not discernible from the said order as to any application of mind by the authority to the relevant facts in light of draft assessment order passed by the A.O. and the issues or additions made thereon. Therefore, in our considered view, the approval accorded under Section 148B of the Act, is a mechanical one, without any application of mind and becomes unsustainable in law. Further, we have also considered the identical issue in the case of Mr. Madhava Reddy Boddevolu in ITA No.1552/Hyd/2025 for A.Y. 2023-24. and the reasons given by us, in **Paragraph nos.14 to 21** shall *mutatis mutandis* apply to these appeals, as well. Therefore, for similar reasons, we quash the assessment order passed by the A.O. under Section 143(3) dated 14.03.2025 for assessment years 2022-23 and 2023-24 in all these cases.

23. In the result, the remaining appeals filed by the assesseees (at Sl.Nos.2 to 7) are allowed.

24. To sum up, all the appeals of the assesseees are allowed.

Order pronounced in the Open Court on 27th 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 27.03.2026.

TYNM/sps

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

निर्धारिती/The Assessee	:	1. Shri Madhava Reddy Baddevolu, R/o. D.No.1-89/1/59, Flat No.101, Sripriya Residency, Kavuri Hills, Madhapur, Hyderabad – 500033. 2. Villas Polymer Private Limited, Sy.No.312, Aminpur Road, Near Cocal Bottling Company, Bachepalle Village, Hyderabad – 500090. 3. Exel Rubber Private Limited, Sy.No.315 & 316, Qutubullapur Mandal, Bachupally Village, Hyderabad. 4. Shri Raghunath Reddy Gangaram, R/o. Plot No.836, Road No.43, Jubilee Hills, Hyderabad – 500033. 5. ACE Tyres Private Limited, Sy.No.314/315, Ameenpur Road, Qutubullapur Mandal, Bachupally Village, Hyderabad – 500072. 6. Shri Syed Warisuddin Naveed, R/o. D.No.4-1-1236/3, King Koti Road, Abids, Hyderabad.
राजस्व/ The Revenue	:	The Deputy Commissioner of Income Tax, Central Circle –1(2), Hyderabad.
The Principal Commissioner of Income Tax, (Central), Hyderabad.		
विभागीयप्रतिनिधि, आयकर अपीलीय अधिकरण, हैदराबाद / DR, ITAT, Hyderabad		
गार्डफाईल / Guard file		

आदेशानुसार / BY ORDER

Sr. Private Secretary
ITAT, Hyderabad