

**IN THE INCOME TAX APPELLATE TRIBUNAL
'A' BENCH: BANGALORE**

**BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT
AND
SHRI SOUNDARARAJAN K, JUDICIAL MEMBER**

ITA No. 2774 to 2780/Bang/2025
Assessment Year: 2011-12 to 2017-18

Shri Keelukote Venkatappa Jayaram No. 171, Venkatappa garden Behind Stadium, Keelukote, Kolar, Karnataka – 563101 PAN No: AQEPJ1066H	Vs.	The Deputy Commissioner of Income tax, Central Circle 2 (2), Bangalore
APPELLANT		RESPONDENT

Assessee by	:	Shri Ravishankar Advocate
Revenue by	:	Shri Balusamy N - Joint Commissioner of Income tax [Senior Departmental representative]

Date of Hearing	:	05-03-2026
Date of Pronouncement	:	07-04-2026

ORDER

PER PRASHANT MAHARISHI, VICE – PRESIDENT

1. The Assessee/Appellant has lodged seven Appeals against the Appellate Order passed by the Commissioner of Income Tax (Appeals)-15, Bengaluru [the Learned CIT(A)], pertaining to Assessment Years 2011-12 to 2017-18, dated 25.09.2025. These Appeals relate to the dismissal of the Assessee's Appeals against Assessment Orders passed u/s. 153C and 144 of the Income Tax Act, 1961 ("the Act"), dated 31.12.2018, for the Assessment Years 2011- 12 to Assessment Year 2016- 17 and u/s. 144 of the Act for Assessment Year 2017- 18 by the Deputy Commissioner of Income Tax, Central Circle-2, Bangalore [the Ld. Assessing Officer].

2. A search was conducted pursuant to Section 132 of the Income Tax Act in the case of Sri Nagappa Nagaraju at 69, Manjunatha Nilaya, Bengaluru, on 09.02.2017. **The residential premises of the Assessee, located at 71 Keelukote, Kolar, Karnataka, were also included in the search proceedings.** Subsequently, by order dated 23.02.2018 issued u/s. 127 of the Act by the Principal Commissioner of Income Tax, Bangalore, the Assessee's cases were centralised.
3. **During search proceedings, documents were seized from the premises of the Assessee. These documents contained incriminating information and pertained to undisclosed income of the Assessee. The seized materials were catalogued as S/KVG/POLAR/01 through S/KVG/COLLAR/06, all originating from locations owned by the Assessee.**
4. **To the revenue, these items were uncovered during the investigation related to Shri Nagappa Nagaraja [searched person] and are relevant to the determination of the total income of the Assessee [other person] for the applicable Assessment Year. According to the Assessee, the premises of the Assessee was searched, and documents were unearthed from the residence of the Assessee.**
5. During the Assessment Year 2011–12, the Assessee did not file an income tax return as required u/s. 139(1), although JK International School, Kolar was operational. On 24.09.2019, a notice was served to the Assessee u/s. 153C of the Income Tax Act. However, the Assessee did not submit a return in response, leading to the issuance of a subsequent notice u/s. 142(1), which also did not receive any response. A show cause notice was later issued on 26.11.2018, yet no reply was provided by the Assessee.
6. The Assessing Officer made the addition based on the statement recorded u/s. 132(4) dated 09.02.2017, in which the Assessee provided a detailed, page-wise account of the seized materials. It was noted that pages 21-33 specifically pertained to unaccounted property sales. As a result, a sum of Rs. 17,50,000/-

was treated as undisclosed investment, supported by the relevant documents. Furthermore, analysis of the seized materials provided evidence of cash transactions involving another party, which the Assessee acknowledged as undisclosed income. As a result, an addition of Rs. 3,60,000/- was made u/s. 69 of the Act. In addition, a credit of Rs. 8,56,700/- appeared in the Assessee's bank statement without any explanation; accordingly, this amount was added u/s. 69B of the Act. In summary, for AY 2011-12, a total addition of Rs. 89,66,700/- was made to the assessed income u/s. 153C of the Income Tax Act. The Assessing Officer recorded in the Assessment Order (page 15 of 16) that the reassessed total income pursuant to Sections 147/153 amounted to Rs. 89,66,700/-. This Assessment Order, approved by the Additional Commissioner of Income Tax, Central Range-2, Bengaluru, was finalized u/s. 144 and 153C of the Act on 31.12.2018.

7. For the Assessment Year 2012-13, the Assessee did not submit any return of income u/s. 139(1) of the Income Tax Act. A notice u/s. 153C was issued on 24.09.2018; however, there was no response and no return was filed. Subsequently, a notice u/s. 142(1) was issued on 06.12.2018, which also went unanswered. The Assessee later filed a return in response to the notice u/s. 153C on 28.11.2018, declaring an income of Rs. 5,40,257/-. Due to the lack of responses to these notices, the Assessing Officer proceeded to issue an Assessment Order u/s. 144 of the Act. Additionally, a notice u/s. 143(2) was issued on 11.12.2018. Based on seized documents, an amount of Rs. 3,44,900/- was added for expenses incurred on school construction, as no verifiable source for this expenditure could be identified; thus, this addition was made u/s. 69C of the Act. Furthermore, a sum of Rs. 4,98,000/- was included in the total income for credits in the Assessee's bank account for which no explanation was provided. As a result, the Assessment Order was passed u/s. 144 read with Section 153C of the Income Tax Act on 31.12.2018, determining a total income of Rs. 13,83,157/-.

8. For the Assessment Year 2013-14, a notice u/s. 153C was issued on 24.09.2018. In response, a return of income was filed on 24.11.2018, declaring a total income of Rs. 6,46,130/-. However, Assessee did not provide any responses to subsequent notices. Consequently, the Assessing Officer proceeded to issue an Assessment Order u/s. 144 of the Income Tax Act. According to the findings of the Assessing Officer—based on the Assessee's statements—a loan of Rs. 1,40,000/- had been received from Mr. Krishnamurthy, while only Rs. 60,000/- was reflected in the balance sheet. As a result, Rs. 80,000/- was considered repaid without explanation regarding the source of repayment, and this amount was taxed as income from other sources. Additionally, a sum of Rs. 6,50,000/- related to a loan taken from an individual named Appaji was added to the total income, reflecting its repayment. Since the source for this expenditure was not explained by the Assessee, it was also treated as income from other sources. Based on seized material, a cumulative total of Rs. 11,00,000/- was included in the Assessee's income. The Ld. Assessing Officer issued the Assessment Order u/s. 144 r.w.s. 153C of the Income Tax Act at 19:00:61 on 31.12.2018, determining the total income of the Assessee at Rs. 37,03,124/-. This represents an addition of Rs. 30,57,000/- to the returned income u/s. 153C of the Act, which had originally been declared as Rs. 6,46,130/-.
9. For the Assessment Year 2014-15, Assessee did not file any return of income u/s. 139(1) of the Income Tax Act. In response to a notice issued u/s. 153C of the Act on 24.09.2018, the Assessee also failed to submit a return of income. Consequently, the assessment proceedings were completed u/s. 144, based on statements recorded u/s. 132(4) of the Act. The Ld. Assessing Officer made an addition of Rs. 5,00,000/- based on an agreement for the purchase of land valued at Rs. 43.20 lakhs, in which the Assessee had paid Rs. 5,00,000 and agreed to pay tax thereon as documented in their statement u/s. 132(4). Further, pages 46–64 of the seized material contain a copy of an agreement to lease between the Assessee and another individual dated 28.04.2014, indicating that the Assessee incurred cash expenditure of Rs. 12,60,000/- without providing any explanation regarding the source; therefore, this amount was added to the

Assessee's total income. Additionally, seized materials 77–80 include a lease agreement showing monthly rental receipts with a gross annual value of Rs. 72,000/-; accordingly, Rs. 50,400/- was added as income from house property towards unaccounted rent. Moreover, the bank statements of the Assessee show credits totalling Rs. 1,06,900/-, which were not disclosed as income. As a result, this amount was added u/s. 69B of the Act. In summary, as per the Assessment Order dated 31.12.2018 u/s. 144 r.w.s. 153C of the Income Tax Act, a total addition of Rs. 19,17,300/- was made to the Assessee's total income.

10. For the Assessment Year 2015-16, Assessment Order was issued on 31.12.2018, wherein an addition of Rs. 20,00,000/- was made based on material seized at page 65-71 of the Act. This material included a sale agreement entered by the Assessee with Scots Garments Limited, indicating that the Assessee had received Rs. 30,00,000/-. The Ld. Assessing Officer thoroughly examined the seized documents, and determined that, as the property was obtained through partition, the capital gain arising therefrom should be computed at Rs. 20,00,000/-. This addition was affected due to the absence of further supporting documentation provided by the Assessee. The Assessee also explained seized papers at pages 81-83, which contained a copy of the lease agreement between the Assessee and another party dated 28.04.2014. Based on this, Rs. 48,400/- was added to the total income as income from house property. Further seized material at page 2 showed a payment of Rs. 4,00,000/- received from Rajeshwari on 08.09.2014; the Assessee agreed to pay tax on this amount, leading to an addition of Rs. 4,00,000/-. Pages 77-80 contained another lease agreement, resulting in an additional Rs. 50,400/- being attributed as income from house property. Additionally, the bank statement reflected a credit of Rs. 48,100/- for which no explanation was provided; consequently, this amount was added u/s. 69B of the Income Tax Act. Thus, the total income of the Assessee was assessed at Rs. 24,98,800/-.
11. For the Assessment Year 2016-17, the Assessee did not file any return of income. Consequently, a notice was issued to the Assessee on 26.11.2018, initiating

assessment based on the statement recorded u/s. 132(4) of the Act. During post-search proceedings, the Assessee provided the income computation sheet to the Deputy Director of Income Tax (Investigation) for the assessment year 2016-17, declaring a total income of Rs. 17,59,167/-. The Assessee neither retracted nor supplied additional information; therefore, the Assessment Order u/s. 144/153C of the Income Tax Act was issued on 31.12.2018 for the sum of Rs. 17,70,667/-.

12. For the Assessment Year 2017–18, the Assessment Order was issued u/s. 144 of the Income Tax Act, 1961, on 31.12.2018. The Assessee had not filed any return of income u/s. 139(1) of the Act for the relevant Assessment Year. However, during post-search proceedings, the Assessee provided income computation sheets to the Deputy Director of Income Tax (Investigation), indicating a total income of Rs. 12,35,749/-. This statement was neither retracted nor disputed during the assessment proceedings; consequently, the Assessing Officer determined the total income of the Assessee at Rs. 12,36,299/- in the Assessment Order.
13. Aggrieved by the Assessment Orders, Assessee filed appeals before the Ld. Commissioner of Income Tax (Appeals) [CIT(A)] for all relevant Assessment Years. The CIT(A) issued notices to the Assessee on 07.01.2025, 24.02.2025, 28.07.2025, 18.08.2025, and 08.09.2025; however, no response was received from the Assessee in respect of these notices. Consequently, the CIT(A) proceeded to decide the Appeals on their merits, taking into consideration the findings of the learned Assessing Officer, and dismissed all Appeals filed by the Assessee.
14. For Assessment Year 2011- 12 to Assessment Year 2016- 17 Assessee raised a ground that in this case search took place at the residence of the Assessee, documents are seized from his residence, therefore, Appellant is a searched person and not other person and therefore assessment in his case should have been made u/s. 153A of the act and not u/s. 153 C of the Act. This ground for all these years is also dismissed.

15. Aggrieved by the Appellate Order, the Assessee has appealed before us. The grounds raised by the Assessee for assessment years 2011–12 to 2016–17 relate to the Ld. Assessing Officer issuing an order u/s. 153C of the Act following a search conducted in the case of the Assessee. The authorised representative referenced the Assessment Order for 2011–12, which states that a search was conducted in the case of Shri Nagappa Nagaraj u/s. 132 of the Income Tax Act on 09.02.2017, and that the residence of the Assessee was also searched u/s. 132. He referred to the first paragraph of the Assessment Order, and further cited paragraph three, which confirms the Assessee case was centralised by notification u/s. 127 by the Principal Commissioner of Bangalore. Paragraph four of the Assessment Order indicates additions were made in the hands of the Assessee based on documents seized from the premises at #171 Kelu Kotte, Kolar, Karnataka, on 09.02.2017. The representative emphasised that the Assessing Officer noted incriminating documents were found during the search and listed them as Annexure A-KVG/Kolar/01-A/KVG/Kolar/06, confirming all documents were seized from the Assessee's premises. He further referred to paragraph five, where the Assessing Officer reiterated that the documents seized from the premises belonged to Sri K.V. Jayaram (the Assessee). However, the Assessing Officer stated that Mr. K.V. Jayaram is a connected person in the search proceedings relating to Sri Nagappa Nagaraja (searched person), and therefore initiated notice u/s. 153C. The authorised representative contended that assessment proceedings should have been conducted u/s. 153A since the Assessee is the searched person and the incriminating documents were found at his residence, which was also covered under the search as per statements by the Assessing Officer. Consequently, he argued that all orders passed u/s. 153C are invalid and the correct procedure would have been to pass assessment orders u/s. 153A for the years 2011–12 to 2016–17.
16. Regarding the Assessment Order issued u/s. 144 for the Assessment Year 2017-18, it was submitted that the addition was made solely based on the statement provided by the Assessee u/s. 132(4) of the Act before the Deputy Director of

Income Tax. There is no supporting evidence available to the Assessing Officer to justify this Assessment. The claim was made that the computation of total income, as agreed by the Assessee before the Deputy Director of Income Tax, should not have resulted in the same sum being added to the Assessee's account in the absence of any other relevant material corroborating that statement.

17. The Authorised Representative submitted a paper book consisting of 116 pages, wherein several decisions from the Hon'ble Karnataka High Court and Supreme Court were cited. Initially, the representative relied on the judgment of the Karnataka High Court in Deputy Commissioner of Income Tax v. Sunil Kumar Sharma [2020] 159 taxman.com 179 (Karnataka). Further reference was made to the Supreme Court's affirmation in Deputy Commissioner of Income Tax v. Sunil Kumar Sharma [2024] 168 taxman.com 77 (SC), where the special leave petition was dismissed, thereby upholding the Karnataka High Court's decision. Additionally, the representative referred to the decision in Deputy Commissioner of Income Tax Circle 1(4), Bangalore v. Sunil Kumar Sharma (Diary No. 60856 of 2024), and further relied upon C.R. Ram Mohan Raju v. Deputy Commissioner of Income Tax (Writ Petition No. 33057 of 2024) in support of the case.
18. The Departmental Representative expressed vehement support for the order issued by the Assessing Officer, stating that the order is free from any deficiencies. He clarified that since the search was not conducted in relation to the Assessee, but rather in connection with search on Mr. Nagarpara Nagarjuna, the Assessment Order u/s. 153C of the Income Tax Act, along with other related orders, is considered appropriate.
19. In response to the bench's inquiry regarding the location of document seizure, it was confirmed that the Assessment Order specifies the documents were obtained from the Assessee's residence. Nevertheless, it was asserted that merely seizing documents from the Assessee's residence does not constitute sufficient grounds; as no search was undertaken against him, the Assessment Order should be concluded u/s. 153C of the Income Tax Act. It was further

clarified that an Assessment Order may only be issued u/s. 153A when a search has been formally initiated for the relevant parties.

20. The bench further put a query that whether any search initiated against the Assessee, as the Assessment Order specifically mentions that there was a search on the Assessee u/s 132 of the act along with Shri nagarappa Nagarjuna, it was replied that in fact search took place on residence off Assessee on 09.02.2017 simultaneously.
21. Upon thorough review of the competing arguments and examination of the orders issued by the Ld. revenue authorities, after considering the judicial precedent cited by the Ld. authorised representative, it is evident that the pertinent facts are clearly outlined in the Assessment Order. The documentation establishes that, concurrent search u/s. 132 of the Income Tax Act on Shri Nagappa Nagaraja in Bengaluru, and a simultaneous search was conducted at the residence of the Assessee at No. 171 Kalakote, Kolar, Karnataka. During these search proceedings, certain documents were seized exclusively from the premises of the Assessee. The Ld. Assessing Officer (AO) noted that many of these documents were incriminating and relevant to undisclosed income. Although the AO seized documents from the Assessee's premises, he determined—given the connection between the Assessee and Shri Nagappa Nagaraja, who was the subject to search—that the provisions of Section 153C would apply to the Assessee. In this instance, the same Assessing Officer assessed case of both the parties i.e., matters concerning both Shri Nagappa Nagaraja and the Assessee and after reviewing the seized materials, concluded that the documents pertained to the Assessee. Accordingly, the assessment proceeded based on the seized material as it related to the Assessee by invoking provisions of section 153C of the Act.
22. The facts indicate that a simultaneous search was conducted on the Assessee along with Mr. Nagappa Nagaraj on 09.02.2017. All incriminating materials were discovered at the residence of this Assessee and inventoried during the search,

as referenced in Annexure A/KVG/COLLAR/01-A/KVG/COLLAR-06. Accordingly, the materials used by the Assessing Officer for making additions were also found at the Assessee's residence and inventoried. The Assessing Officer further states that the search was conducted at the residence of the Assessee. Moreover, the seized materials, which formed the basis for the additions made in the hands of this Appellant, were found and seized from the residence of this Assessee. Despite these documented findings in the Assessment Order itself, the Assessing Officer invoked the provisions of Section 153C of the Income Tax Act for the Assessee, reasoning that the original search was on Shri Nagappa Nagaraj—who was treated as the searched person—while the Assessee was regarded merely as a connected person. It is important to note that the Income Tax Act does not recognize the term "connected person."

23. For Invoking provision of section 153C of the Act essential conditions to invoke Section 153C of the Income-tax Act, 1961 are that there must exist primary person on whom search must be conducted, there must be discovery of documents found in the custody of the 'searched person' relating to the 'other person' and such documents found must be incriminating material to invoke proceedings against the 'other person'. As the title enunciates, "Assessment of income of any other person", no search is sine qua non for issuance of proceedings u/s. 153C of the Income-tax Act, 1961. The searched person in the instant case is the Assessee, as the search was conducted in his premises, which is evident from the findings of the Assessment Order. The distinction between 'searched person' and 'other person' is misinterpreted in the case advanced by the Ld. DR, as the premises of the Assessee was searched and documents pertaining to him were seized therefrom, thereby making him the searched person.
24. There is no reference of a single document which was found from the residence or premises of the other person Shri Nagappa Nagaraj in the Assessment Order of the Assessee for all these years. Thus, the search on the other person Shri Nagappa Nagaraj did not yield any incriminating document pertaining to the

Assessee and further there is no reference of any evidence pertaining to that search on Shri Nagappa Nagaraj in the assessment order of the Assessee.

25. Therefore, the assessment order should have been passed in this case u/s 153A of the Act. Such is also the mandate of Hon'ble Karnataka High court in case of Deputy Commissioner of Income-tax vs. Sunil Kumar Sharma [2024] 159 taxmann.com 179 (Karnataka)/ [2024] 469 ITR 197 (Karnataka) [] [-01-2024].
26. Further the Ld. Authorised Representative has relied upon the decision of the Hon'ble Karnataka High Court in case of C R Ram Mohan Raju versus Deputy Commissioner Of Income Tax in writ petition number 33057 of 2024 [NC: 2025:KC: 42657] where in in paragraph number 14 the Hon'ble High Court has held on identical facts and circumstances that in the light of the undisputed fact that the premises of the Assessee were searched and documents seized from him by recording his statement, the only inference that can be arrived at from the material on record is that the Assessee was a searched person and not a non-searched person [i.e. "Other Person"] as contemplated u/s. 153 C of the Income Tax Act and consequentially section 153C would neither be applicable nor invocable as against the Assessee who was a searched person to whom this provision would not apply and the impugned orders passed by the Ld. Assessing Officer for Assessment Year 2011-12 to 2016-17 are not sustainable in law. Therefore, these assessment orders are quashed.
27. With respect to the Assessment Year 2017- 18, we find that the addition has been made by the Ld. Assessing Officer based on the declaration made by the Assessee u/s. 132 [4] of the act and has submitted a computation of total income giving head wise income and therefore based on this the assessment was framed. No specific arguments were also raised before us by the Ld. Authorised Representative but merely submitted that the addition has been made without corroborative evidence.
28. We do not find any infirmity in the addition made by the Ld. Assessing Officer for Assessment Year 2017- 18 as it was based on disclosure made u/s. 132 [4] of

the act and further during the course of assessment proceedings there is no evidence produced by Assessee before the Ld. Assessing Officer even stating that it is incorrect. Therefore, no inference can be drawn that the disclosure made by the Assessee is incorrect. Therefore, the order of the Ld. Assessing officer for impugned assessment year 2017-2018 is upheld.

29. However, in this case the CIT(A) has confirmed the action of the Ld. Assessing Officer as the Assessee remained not represented before him on four notices issued by him. May that be the case, however before us for Assessment Year 2011- 12 to 2016- 17 the issue is decided based on findings in the Assessment Order itself and following the decision of the Hon'ble Karnataka High Court. Further it is not the case that these grounds were not before the Ld. CIT(A). These grounds are apparent where the Ld. CIT(A) has reproduced this ground for Assessment Year 2011- 12 at serial number 3 for Assessment Year 2012- 13 at serial number 2 and likewise for all these Assessment Years from Assessment Year 2011-12 to Assessment Year 2016-17. The Ld. CIT(A) could have decided this issue based on the record itself and when these facts are also mentioned in this statement of facts before him.
30. In view of the above facts and circumstances, we allow the Appeal of the Assessee for assessment year 2011-12 to 2016-17 and dismiss the Appeal of the Assessee for assessment year 2017-18.
31. Accordingly, all these seven Appeals are disposed of as above.

Order pronounced in the open court on 07th April, 2026.

Sd/-
(SOUNDARARAJAN K)
JUDICIAL MEMBER

Sd/-
(PRASHANT MAHARISHI)
VICE-PRESIDENT

Bangalore,
Dated, the 07th April, 2026.

TNTS

Copy to:

1. Appellant
2. Respondent
3. CIT
4. DR, ITAT, Bangalore
5. CIT(A)

By order

Assistant Registrar,
ITAT, Bangalore