

**IN THE INCOME TAX APPELLATE TRIBUNAL
“C” BENCH, AHMEDABAD**

**BEFORE SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER
& SHRI NARENDRA PRASAD SINHA, ACCOUNTANT MEMBER**

I.T.A. No.2328/Ahd/2025
(Assessment Year: 2017-18)

Assistant Commissioner of Income Tax, Circle-1(1)(1), Vadodara	Vs.	Pradeep Ravichandra Kothari, 5 th Floor, D K House, Nr. Mithakhali Underbridge, Ahmedabad-380006
[PAN No.ACYPK5541L]		
(Appellant)	..	(Respondent)

Appellant by :	Shri Sakar Sharma, AR
Respondent by:	Shri Rignesh Das, CIT-DR

Date of Hearing	26.03.2026
Date of Pronouncement	21.04.2026

ORDER

PER SIDDHARTHA NAUTIYAL - JUDICIAL MEMBER:

This appeal has been filed by the Department against the order passed by the Ld. Commissioner of Income Tax (Appeals), (in short “Ld. CIT(A)”), ADDL/JCIT(A)-2, Noida vide order dated 22.09.2025 passed for A.Y. 2017-18.

2. The Department has taken the following grounds of appeal:

“(i) On facts and circumstance of the case and in law, the Ld. CIT(A) erred in deleting the addition of Rs.90,75,927/- u/s 41(1) on account of cessation of liability without appreciating the fact that the assessee failed to prove the genuineness of such liability.”

“(ii) On facts and circumstance of the case and in law, the Ld. CIT(A) erred in deleting the addition of 23,44,965/- in respect of liability shown against M/s Infinito Pvt. Ltd by mislinking the issue with the NCLT order in the case of M/s Innovative Tyres & Tubes Ltd.”

“(iii) “On facts and circumstance of the case and in law, the Ld.CIT(A) erred in deleting the addition of Rs. 4,57,50,696/- made u/s 68 of the Act without appreciating the fact the assessee failed to establish the identity, creditworthiness and genuineness of the transaction.”

(iv) *"On facts and circumstance of the case and in law, the Ld.CIT(A) erred in deleting the addition of Rs.82,50,000/- made u/s 68 of the Act on account of unsecured loan without appreciating the fact the assessee failed to establish the identity, creditworthiness and genuineness of the transaction."*

(v) *The appellant craves leaves to add, modify, amend or alter any grounds of appeal at the time of, or before, the hearing of appeal."*

3. The brief facts of the case are that the assessee is an individual engaged in the business of trading of carbon black and rubber chemicals as proprietor of M/s Raman Enterprise and also deriving income from other sources including house property and capital gains. The assessee filed his return of income for A.Y. 2017–18 declaring total income of ₹1,03,90,010/-, which was subsequently revised by the assessee. The case was selected for scrutiny and assessment proceedings were carried out under section 143(3) of the Income-tax Act, 1961 ("the Act"). During the course of assessment proceedings, **firstly**, the Assessing Officer examined outstanding sundry creditors relating to earlier years and observed that liabilities aggregating to ₹90,75,927/- were outstanding for a long period without any satisfactory evidence of their genuineness. The assessee submitted that the amounts were still payable and partly paid in subsequent years; however, the Assessing Officer held that the assessee failed to substantiate the nature of transactions, produce purchase invoices, confirmations with supporting documents, or establish genuineness of the liabilities. Accordingly, the Assessing Officer treated such liabilities as ceased and added the same under section 41(1) of the Act. **Secondly**, with regard to capital introduction of ₹12.08 crores, the Assessing Officer examined the sources and accepted part of the capital introduced from certain persons where identity, creditworthiness and genuineness were

established. However, in respect of balance amount of ₹4,57,50,696/-, including amounts received from certain parties and entities such as ChemiCarb and others, the Assessing Officer held that the assessee failed to produce sufficient documentary evidence like bank statements, income tax returns, and proof of source of funds. Therefore, such amounts were treated as unexplained cash credits under section 68 of the Act and taxed accordingly. **Thirdly**, the Assessing Officer examined unsecured loans of ₹82,50,000/- received from ChemiCarb and held that mere furnishing of ledger account was insufficient to prove the three essential ingredients of section 68 of the Act, namely identity, creditworthiness and genuineness. In absence of supporting documentary evidence, the said amount was also treated as unexplained and added under section 68. **Lastly**, with respect to income from house property, the Assessing Officer observed that the assessee owned multiple residential properties but had offered income only from one property. Since no details of fair market value or expected rent were furnished for the vacant properties, the Assessing Officer estimated annual letting value and added ₹3,00,000/- as income from house property.

4. Accordingly, the assessment was completed at a total income of ₹7,37,66,633/- after making additions under sections 41(1) and 68 of the Act and estimating income from house property, along with initiation of penalty proceedings.

5. Aggrieved by the assessment order, the assessee preferred an appeal before the Commissioner of Income Tax (Appeals). Before the CIT(Appeals), the assessee challenged all the additions on both legal and

factual grounds and submitted that the Assessing Officer had made additions without properly appreciating the evidence on record and without granting adequate opportunity. In respect of cessation of liability, the assessee submitted that the liabilities were genuine, arose from earlier transactions, and were either under dispute or subsequently paid or written back in later years, and therefore could not be treated as ceased during the year under consideration. The assessee also brought on record supporting documents such as ledger accounts and subsequent developments including NCLT proceedings.

6. The CIT(Appeals), after considering the submissions, partly accepted the contentions of the assessee. In respect of liability relating to RR Agency, the CIT(Appeals) noted that payments were made in subsequent years through banking channels and therefore such liability could not be treated as ceased; accordingly, this addition was deleted. In respect of liability relating to Infinito Pvt. Ltd., the CIT(Appeals) observed that the matter was under dispute and the assessee claimed to have written back the liability in a subsequent year. The CIT(Appeals) directed the Assessing Officer to verify whether the amount was offered to tax in the subsequent year and, subject to such verification, the addition may be deleted.

7. With regard to addition on account of capital introduction, the CIT(Appeals) examined detailed reconciliation and supporting documents submitted by the assessee and observed that the funds were largely sourced from sale of properties, sale of shares and past savings, and transactions

were routed through banking channels. Accordingly, the CIT(Appeals) held that the assessee had satisfactorily explained the source of capital and deleted the addition of ₹4,57,50,696/-.

8. Similarly, in respect of unsecured loans from ChemiCarb, the CIT(Appeals) accepted the contention of the assessee that the addition resulted in duplication and that the transactions were already considered while examining capital introduction. Accordingly, this addition was also deleted.

9. However, with regard to addition under the head income from house property, the CIT(Appeals) upheld the action of the Assessing Officer by observing that as per section 23(4) of the Act, only one property can be treated as self-occupied and the remaining properties are required to be assessed on notional basis. In absence of proper details from the assessee, the estimation made by the Assessing Officer was held to be reasonable and the addition was sustained.

10. Thus, the CIT(Appeals) granted substantial relief to the assessee by deleting major additions under sections 41(1) and 68 of the Act, but upheld the addition relating to house property income and dismissed other general grounds including those relating to penalty and interest.

11. The Department is in appeal before us against the order passed by CIT(Appeals) allowing the appeal of the assessee.

12. We have heard the rival contentions and perused the material on record. The present appeal has been filed by the Department challenging the relief granted by the learned CIT(Appeals) in respect of additions made under section 68 of the Act towards capital introduction and unsecured loans, as well as partial relief in respect of cessation of liability.

13. On careful consideration of the facts, we find merit in the contention of the learned Departmental Representative that the learned CIT(Appeals) has granted relief on certain issues without proper and detailed examination of facts and evidences. In particular, with regard to unsecured loans from Chemi Carb amounting to ₹82,50,000/-, the CIT(Appeals) has deleted the addition primarily on the premise that the same resulted in duplication of addition with capital introduction. However, from the material placed on record and as pointed out by the learned DR, it appears that the amounts relating to capital introduction and unsecured loans are reflected as separate and distinct entries in the books of account. The learned DR has also referred to the balance sheet to demonstrate that fresh loans were indeed taken from ChemiCarb during the year under consideration, which required independent examination under section 68 of the Act. Therefore, the finding of the CIT(Appeals) that there was double addition appears to have been recorded without proper verification of facts.

14. Further, it is also noticed that no confirmation or supporting documentary evidence in respect of such fresh unsecured loans from ChemiCarb was furnished before the Assessing Officer during the

assessment proceedings. In such circumstances, the deletion of addition by the CIT(Appeals) without proper verification of identity, creditworthiness and genuineness of the transaction is not sustainable.

15. Similarly, with regard to deletion of addition on account of unexplained capital introduction, we observe that the learned CIT(Appeals) has accepted the explanation of the assessee by broadly referring to reconciliation and banking transactions, but has not discussed the facts, evidences and specific sources of funds in a detailed and reasoned manner. The order of the CIT(Appeals) on this issue is found to be cryptic and lacking proper analysis of each component of capital introduction and the corresponding evidences required under section 68 of the Act.

16. In our considered view, the issues relating to unsecured loans from ChemiCarb and unexplained capital introduction require fresh examination at the level of the Assessing Officer after considering all relevant evidences and affording adequate opportunity of being heard to the assessee. The Assessing Officer shall specifically examine whether the loans from ChemiCarb and capital introduction represent distinct transactions, verify the balance sheet entries, call for confirmations, bank statements, income tax returns and other supporting evidences, and thereafter decide the issue in accordance with law.

17. However, with respect to issues raised in Grounds (i) and (ii), we find no infirmity in the order of Ld. CIT(A) so as to call for any interference.

18. Accordingly, in the interest of justice, we set aside the impugned order of the CIT(Appeals) on issues raised in Grounds (iii) and (iv) and restore the matter to the file of the Assessing Officer for de novo consideration with directions to carry out necessary verification and pass a speaking order after providing reasonable opportunity to the assessee.

19. In the result, the appeal of the Department is partly allowed for statistical purposes.

This Order is pronounced in the Open Court on

21/04/2026

Sd/-

**(NARENDRA P. SINHA)
ACCOUNTANT MEMBER**

Ahmedabad; Dated 21/04/2026

TANMAY, Sr. PS

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

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, अहमदाबाद / DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

उप/सहायक पंजीकार (Dy./Asstt.Registrar)
आयकर अपीलीय अधिकरण, अहमदाबाद / ITAT, Ahmedabad