

**IN THE INCOME TAX APPELLATE TRIBUNAL,
JAIPUR BENCHES, "A" BENCH, JAIPUR**

**BEFORE SHRI SANJAY GARG, JUDICIAL MEMBER
&
SHRI RATNESH NANDAN SAHAY, ACCOUNTANT MEMBER**

**ITA No. 1772/JPR/2025
(Assessment Year: 2020-21)**

Sh. Manish Dhariwal, Kalani & Co LLP, Chartered Accountants, 5th Floor, Milestone Building, Gandhinagar Turn, Tonk Road, Jaipur, Rajasthan-302015 PAN/GIR No: ABRPD3709M	Vs.	DCIT, Central Circle, Kota, Rajasthan-324009
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**ITA No. 1773/JPR/2025
(Assessment Year: 2020-21)**

Nikita Dhariwal, Kalani & Co LLP, Chartered Accountants, 5th Floor, Milestone Building, Gandhinagar Turn, Tonk Road, Jaipur, Rajasthan-302015 PAN/GIR No: AGTPD0046J	Vs.	DCIT, Central Circle, Kota, Rajasthan-324009
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**ITA No. 1774/JPR/2025
(Assessment Year: 2020-21)**

Neetu Dhariwal, Kalani & Co LLP, Chartered Accountants, 5th Floor, Milestone Building, Gandhinagar Turn, Tonk Road, Jaipur, Rajasthan 302015 PAN/GIR No: AHCPD0246J	Vs.	DCIT, Central Circle, Kota, Rajasthan-324009
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Appellant by :	Shri P.C. Parwal, CA
Respondent by :	Shri Rajesh Ojha, CIT

Date of Hearing	24.03.2026
Date of Pronouncement	16.06.2026

[O R D E R]

Per Sanjay Garg, Judicial Member:

The captioned appeals have been preferred by the different but related assesseees against the separate orders of even date 23.09.2025 of the Ld. Commissioner of Income Tax (Appeals) [hereinafter referred to as "Ld. CIT(A)"] passed u/s 250 of the Income Tax Act, 1961 (hereinafter referred to as "Act") for the Assessment Year (AY) 2020-21. Since the facts and issue involved in all these appeals are identical and are arising out of the same search action in the case of Friends SPC Group, Kota dated 01.08.2019, hence, these appeals were heard together and are being disposed of by this common order. ITA No.1772/JPR/2025 in the case of Manish Dhariwal is taken as the lead case.

ITA No.1772/JPR/2025

2. The assessee in this appeal has taken the following ground of appeal:

"1. The Ld. CIT(A) has erred on facts and in law in upholding the validity of notice issued u/s 153C of IT Act, 1961 and the consequent order passed by the AO.

2. The Ld. CIT(A) has erred on facts and in law in confirming the addition of Rs.37,20,000/- u/s 69 of IT Act, 1961 on account of alleged cash paid for purchase of flat in the project Royal Palm even when no evidence of any receipt indicating payment of such amount was found in search of Friends SPS Group, Kota and neither the copy of the statement of the concerned person of the group OR the opportunity to cross examine such person was provided.

3. *The Ld. CIT(A) has erred on facts and in law in confirming the addition relying on the excel sheet containing details of 55 flats which was not found in search but subsequently got prepared 3 from the searched person on 03.08.2019 and therefore making the addition relying on such excel sheet is unjustified and unwarranted.*

4. *The Ld. CIT(A) has erred on facts and in law in confirming the addition in the AY under consideration ignoring that sale deed of the flat was executed on 26.10.2020 which falls in AY 2021-22.*

5. *The appellant craves to alter, amend and modify any ground of appeal.*

6. *Necessary cost be awarded to the assessee."*

3. The brief facts of the case are that the assessee has income from salary, house property and other sources. He filed the return of income on 30.09.2020 declaring total income of Rs. 15,95,640/-

3.1 A search u/s 132(1) was carried out on 01.08.2019 in the cases of third parties namely Friends SPS Group, Kota. In the said search action, certain incriminating documents were found. On perusal of those documents, the AO of the searched person noted that M/s Yash Akshaya Builders and Developers Pvt. Ltd. and M/s Friends SPS International (India) Pvt. Ltd. have developed a housing project named "Royal Palm"; that the said developers had received part of the sale consideration of flats sold by them in cash. The said cash consideration was not recorded in the books. M/s Friends SPS International (India) Pvt. Ltd. had accepted the aforesaid fact of unrecorded cash receipt and offered the said unaccounted cash receipt for taxation.

3.2 This information was passed by the AO of the searched persons (ADCIT, Central Circle, Kota) vide letter dt. 17.01.2023 to the then AO of the assessee (ITO, Ward-2(2), Kota). On the basis of this information the AO of the assessee recorded the satisfaction u/s 153C of the Act. As per this satisfaction note, the assessee purchased flat no. A-701 in his name and flat no. A-702 with Smt. Neetu Dhariwal

for which Rs.65,00,000/- was paid in cash in which the payment made by the assessee was Rs.48,75,000/-. Since no transaction date was mentioned in the information, it was presumed to be of FY 2019-20 in which search was conducted and thus, it was alleged that assessee concealed the income to this extent and accordingly notices u/s 153C dated 25.03.2023 was issued to the assessee for AY 2014-15 to 2020-21. The assessee in response to notice u/s 153C for the year under consideration, filed the Return of Income on 04.10.2023 declaring the same income as declared in the original return of income. Thereafter the jurisdiction over the case was assigned to DCIT, Central Circle, Kota vide order u/s 127 of the Act dt. 23.06.2023.

3.3 During the assessment proceedings, the AO show caused the assessee to the effect that a flat no. A-701 was purchased by the assessee and flat no. A-702 was purchased by Smt. Neetu Dhariwal. As per the incriminating documents found in the case of searched persons, total sale consideration paid for the said flats was of Rs.1,86,00,000/- out of which Rs.65,00,000/- was paid in cash along with Smt. Neetu Dhariwal. However, in the sale deed, the sale consideration was mentioned as Rs.55,80,000/-, but the actual sale consideration was Rs.93,00,000/- (one-half of Rs. 1,86,00,000/-). Thus, assessee made payment of on money in cash amounting to Rs.37,20,000/- (93,00,000-55,80,000) during FY 2019-20 and therefore it was proposed to make addition of Rs.37,20,000/- u/s 69 of the Act in the hands of the assessee. The assessee denied of having made any payment in cash. The assessee also filed objections relating to the validity of the satisfaction recorded by the AO of the assessee for proceeding u/s 153C of the Act. The assessee also sought cross-examination of the concerned searched persons whose statements were recorded and made basis for proceeding against the assessee u/s 153C of the Act. The assessee also contended that no incriminating material against the assessee was referred to by the AO in the assessment order. Further that the sellers nowhere stated that the assessee

has made any cash payments to them. It was further contended that even though the sellers might have offered some income for taxation allegedly received in cash which was not recorded in the books, however the said act of the sellers did not bind the assessee and that the Revenue should independently prove that the assessee had made any such cash payments. The AO, however, was not satisfied with the contentions raised by the assessee. He concluded that assessee had paid on-money of Rs.37,20,000/- and accordingly made the impugned addition of the said amount into the income of the assessee u/s 69 of the Act.

4. The Ld. CIT(A) upheld the validity of notice issued u/s 153C of the Act as well as the validity of the additions on merits. Being aggrieved by the said order of the Ld. CIT(A) the assessee has come in appeal before us.

5. We have heard the rival contentions and gone through the record. A perusal of the above reproduced grounds of appeal would reveal that the Assessee in this appeal has assailed the order of the Id. CIT(A) on legal grounds challenging the assumption of jurisdiction by the Assessing Officer (in short, “the AO”) u/s 153C of the Act as well as on the merits of the addition. Since the legal ground taken by the assessee hits at the very jurisdiction of the AO to pass assessment order u/s 153C of the Act, hence the same is taken first for adjudication.

A. Validity of the satisfaction recorded u/s 153C of the Act:

6. The learned counsel for the assessee has submitted that for initiation of proceeding u/s 153C of the Act, the AO of the person other than the searched person has to record as satisfaction that the accounts or documents seized from the searched person have bearing on the determination of total income of such other person. He has further submitted that in the satisfaction note recorded by the AO of the assessee, there is a table given and it is stated that the assessee has paid cash payment of Rs.

65,00,000/- against purchase of flat No. A701 and A702. He has further submitted that the seized material referred is the list of 55 flats which is given in letter dated 17.01.2023 of DCIT Central Circle, Kota (AO of the searched person). The learned counsel in this respect has submitted that in the satisfaction note it is nowhere mentioned that the seized document had a bearing on the determination of the total income of the assessee rather it is stated that assessee concealed income to the extent Rs. 48,75,000/-. The learned counsel therefore has contended that the satisfaction note recorded by the AO of the assessee is not valid in the eyes of law. The learned counsel has further submitted that the satisfaction note of the AO of the assessee is verbatim reproduction of letter dated 17.01.2023 (supra). The learned counsel has further submitted that there is no independent recording of the satisfaction note by the AO of the assessee u/s 153C of the Act. He therefore has submitted that there was no independent application of mind by the AO of the assessee, hence the notice issued u/s was illegal and bad in law.

7. The learned DR on the other hand has relied upon the findings of the Id. CIT(A) wherein he has observed that the language of the satisfaction note did not show that there was no application of mind by the AO as the copy of search material was handed over by the AO of the searched person to the AO of the assessee which was the only basis for recording of satisfaction note by the AO of the assessee.

8. We have considered the rival contentions. At this juncture, it will be relevant to reproduce the relevant provisions of Section 153C of the Act.

“Assessment of income of any other person.

153C (1) Notwithstanding anything contained in section 139, section 147, section 148, section 149, section 151 and section 153, where the Assessing Officer is satisfied that,—

(a) any money, bullion, jewellery or other valuable article or thing, seized or requisitioned, belongs to; or

(b) any books of account or documents, seized or requisitioned, pertains or pertain to, or any information contained therein, relates to, a person other than the person referred to in section 153A, then, the books of account or documents or assets, seized or requisitioned shall be handed over to the Assessing Officer having jurisdiction over such other person and that Assessing Officer shall proceed against each such other person and issue notice and assess or reassess the income of the other person in accordance with the provisions of section 153A, if, that Assessing Officer is satisfied that the books of accounts or documents or assessed seized or requisitioned have a bearing on the determination of the total income of such other person for six assessment years immediately preceding the assessment year relevant to the previous year in which search is conducted for requisition is made and for the relevant assessment year or years referred to in sub-section (1) of section 153A.”

9. A perusal of the afore-reproduced provisions of section 153C(1) of the Act would reveal that it is provided that where the Assessing Officer of the searched person is satisfied that, the assets, books or documents seized or requisitioned, belongs or pertain to, or any information contained therein, relates to, a person other than the person referred to in section 153A, then, the books of account or documents or assets, seized or requisitioned shall be handed over to the Assessing Officer having jurisdiction over such other person. Therefore, the AO of the searched person has to send the seized material to the AO of the other person to whom such seized material belong to or pertain to or information contained therein relate to. The AO of the searched person has no obligation to record satisfaction that such seized material has any bearing on the income of the such person other than the searched person. Such an obligation to record satisfaction has been cast upon the AO of that other person. After receipt of the seized material, the AO of the other person shall proceed under section 153C, only if, he is satisfied that the seized books of account or documents or

information contained therein have a bearing on the determination of the total income of such other person. The satisfaction contemplated by the statute is thus not a mere reason to verify, investigate, or scrutinize, but a jurisdictional satisfaction that the seized material bears upon the determination of total income. At the same time, one has also to see the satisfaction note as a whole and not by reading one line in isolation. If on cumulative reading of the entire note, the AO has clearly identified the seized material, linked the same to the assessee, and recorded in substance that the material pertains to the assessee and has nexus with determination of its undisclosed income, then a mere variation in phraseology may not by itself invalidate the proceedings. With the above clear picture in mind relating to the provisions of the section 153C of the Act, we have firstly gone through the copy of the letter dated 17.01.2023 of the AO of the searched person (DCIT Central Circle, Kota) which has been placed at Pages 10 to 15 of the paper book. A perusal of the said letter dated 17.01.2023 would reveal that DCIT Central Circle, Kota had sent the said common letter to 13 different Assessing Officers having jurisdiction over 40 assesseees, information relating to whom was passed on to the concerned 13 Assessing Officers. It is mentioned in the said letter that during the course of search as well as during the post search investigation, on the basis of incriminating documents found, it was established that the 50 persons, (though information was passed on in respect of 40 persons only) as mentioned in the list given in a table at page 3 of the said letter, had paid part of the sale consideration in cash for purchase of flats. A perusal of the said list further reveals that there are 10 columns in the said table, which are : Sr.No.; Name of the Purchaser; PAN; Date of Sale Agreement; Sale Consideration as per Agreement; Actual Sale Consideration; Cash Payment Made; Financial Year; AO. The name of the assessee exists at Sr.No.35 and 36 in the said table. There is no date of agreement mentioned and no financial year mentioned, so far as assessee is concerned. Further, there is no

detail of incriminating material seized during the search action has been given. It has been mentioned, *“There are many pages/documents related to the purchasers, which establishes that the purchasers have paid actual deal amount, which is more than the agreement value of sale. The same is the part of Annexure-A”*. Therefore, in the light of the observations made above, there is no ambiguity or lacuna in the information sent by the AO of the search person to the AO of the assessee.

10. Now coming to the satisfaction recorded by the AO of the assessee, a perusal of the said satisfaction note, copy of which has been placed at pages 16 to 18 of the paper book, would reveal that the AO of the assessee has referred to the same list which was given in the letter dated 17.01.2023 (supra) of the AO of the searched person and has extracted the relevant column/part of the said list. It is relevant to reproduce the last column of the table reproduced by the AO in the satisfaction note, ***“Details of seized material : As per the list of 55 flats provided during the search proceedings which is enclosed with the DCIT Central Circle, Kota’s above letter”***. A perusal of the entire satisfaction note of the AO would reveal that there is no mention of any seized incriminating material on the basis of which the AO of the assessee had drawn satisfaction that the said incriminating materials have any bearing on the income of the assessee. The learned AO of the assessee has just reproduced the contents of the letter dated 17.01.2023 of the DCIT Central Circle, Kota and has extracted the relevant portion of the list/table given in the said letter and concluded that as per the given summary in the table, it was clear that the assessee had made payment of on-money of Rs. 48,75,000/-, in cash for purchase of flat during financial year 2019-20. He has further mentioned that hence, the assessee cancelled the income of Rs. 48,75,000/-. He thereafter concluded that he was satisfied that it was a fit case for issuing of notice u/s 153C of the Act. The AO of the assessee has only referred to the table containing the list of 55 flats and 50 purchasers, wherein , only the summary

of the details mentioning Name of the Purchaser, PAN, Date of Sale Agreement, Sale Consideration as per Agreement, Actual Sale Consideration, Cash Payment Made, Financial Year, AO has been mentioned. There is no reference to any seized material either relating to any individual assessee or collectively to all the purchasers. The seized material was sent by the AO of the searched person as enclosure in Annexure-A. There is no reference in the satisfaction note that the AO of the assessee that he has gone through the documents sent by the DCIT Central Circle, Kota. The AO of the assessee has just verbatim reproduced the contents of the letter dated 17.01.2023 and has not referred to any seized document which was related to the assessee for form the above opinion. Therefore, the AO of the assessee has failed to comply the statutory requirement of examining the seized documents and then to record satisfaction as to which of those documents will have bearing on the determination of the total income of the assessee. Therefore, the satisfaction note recorded by the AO of the assessee is not a legally valid satisfaction note. Therefore, the assumption of jurisdiction by the AO of the u/s 153C of the Act is not legally valid, hence consequential assessment order passed u/s 153C of the Act is not sustainable in law and the same is therefore quashed on this ground.

B. Limitation / Assumption of Jurisdiction under section 153C(3) of the Act:

11. The Ld. AR has raised another jurisdictional/legal ground regarding the sunset clause. It has been pointed out that the search action in the case of Friends SPS Gropup was carried out on 01.08.2019. The AO of the searched person had sent the letter along with seized material on 17.01.2023 and after receiving the documents from the AO of the searched person, the satisfaction note was drawn by the AO of the assessee, however no date is mentioned on the said satisfaction note. Thus, the deemed date of search in the case of the assessee is after 17.01.2023 and let it be presumed as on

17.01.2023 itself, which is after 01.04.2021 therefore the sunset clause as provided u/s 153C(3) would be attracted. He, therefore, has submitted that the invocation of jurisdiction u/s 153C of the Act after 01.04.2021 was bad in law.

12. We have considered the rival contentions. The first proviso to Section 153C(1) of the Act reads as under:

“...Provided that in case of such other person, the reference to the date of initiation of the search under section 132 or making of requisition under section 132A in the second proviso to sub-section (1) of section 153A shall be construed as reference to the date of receiving the books of account or documents or assets seized or requisitioned by the Assessing Officer having jurisdiction over such other person.”

13. Section 153C (3) of the Act explicitly introduces a strict sunset clause, which reads as under:

“(3) Nothing contained in this section shall apply in relation to a search initiated under section 132 or books of account, other documents or any assets requisitioned under section 132A on or after the 1st day of April, 2021.”

14. We find immense force in this contention of the Ld. AR. As per the first proviso to Section 153C(1) of the Act, the reference to the date of initiation of the search under section 132 in case of the person other than the searched person shall be construed as reference to the date of receiving the books of account or documents or assets seized or requisitioned by the Assessing Officer of that other person. The Hon'ble Supreme Court in the case of **CIT vs. Jasjit Singh (458 ITR 437)**, has held that the period for which a person other than the searched person is required to file returns under Section 153C commences only from the date the seized materials are forwarded to his AO and not from the date when the search and seizure proceedings were conducted on the

searched person. The Hon'ble Madras High Court in *Harigovind G. Ravindran (HUF) vs. ACIT* (485 ITR 509) extensively clarified that for the "other person", the effective date of search initiation is the date the seized material is handed over. Since 17.01.2023 falls well after the cut-off date of 01.04.2021, the entire mechanism of Section 153C is extinguished and barred by the strict sunset clause of Section 153C(3). The invocation of Section 153C thus would be *void ab initio* by operation of law. The issue also came for consideration before the Hon'ble Delhi High Court in the case of "ATS Township Pvt Ltd v. ACIT" (Supra). The Hon'ble Delhi High Court addressed situations where the search (or the handover acting as the deemed search) occurred after the 31.03.2021 i.e. after the sunset clause of Section 153C. The Revenue tried to argue that since 153C was no longer applicable, they should revert to the date of the actual search to save the limitation, however, the Hon'ble High Court rejected the said contention, observing as under:

"While in the case of a search initiated after 31 March 2021 there would be no actual hand over of material to the jurisdictional AO, that does not convince us to revert to section 153A and hold that the block period is liable to be computed from the date of search. That, in our considered opinion, would amount to rewriting section 153C which would clearly be impermissible." (Para 14)

15. When this legal fiction is applied to the present facts, the date of initiation of the search for the assessee is the date on which the AO received the seized documents, which is after 17.01.2023. Since this date squarely falls after the statutory cut-off of 01.04.2021 provided in Section 153C(3) of the Act, the AO fundamentally lacked jurisdiction to proceed against the assessee under Section 153C. Reliance, in this respect, is also placed on the decision of the CO-Ordinate Jaipur Bench of this Tribunal in the case of "**Anand Jhalani vs. DCIT**" (ITA Nos. 1231 to 1234/JPR/2025) vide order dated 08.06.2026. Thus, the assessment order passed u/s

153C of the Act is procedurally fatal, time-barred, devoid of jurisdiction, and is hereby quashed.

16. Since we have decided the legal grounds in favour of the assessee, the issues raised on meris are not adjudicated at this stage and the same are left open.

17. In view of findings given above, the impugned assessment order passed u/s 153C of the Act is hereby quashed. The appeal of the assessee stands allowed.

ITA No. 1773/JPR/2025 and ITA No. 1774/JPR/2025:-

18. Since the facts and the issues involved are exactly identical to that have been discussed above, ITA No.1772/JPR/2025 will *mutatis mudandis* apply to these appeals also. Therefore, the assessment orders passed in these appeals u/s 153C of the Act are also hereby quashed.

19. In the result, all the three captioned appeals are hereby allowed.

Order is pronounced under provision of Rule 34 of ITAT Rules, 1963 on 16/06/2026.

Sd/-
(Ratnesh Nandan Sahay)
Accountant Member

Sd/-
(Sanjay Garg)
Judicial Member

Dated 16.06.2026

True Copy

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

By Order,
Asst. Registrar
ITAT, Jaipur