आयकर अपीलीय अधिकरण, हैदराबाद पीठ
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'B' Bench, Hyderabad

श्री रविश सूद,न्यायिक सदस्य एवं श्री मधुसूदन सावड़िया लेखा सदस्य समक्ष|
Before Shri Ravish Sood, Judicial Member
A N D
Shri Madhusudan Sawdia, Accountant Member

आ.अपी.सं /**ITA No. 6/Hyd/2026**
(निर्धारण वर्ष/Assessment Year: 2019-20)

Shri Mothi Kumar Houdekar, NAGARKURNOOL PAN: AEEPH6368A	Vs.	Income Tax Officer Ward-1 Mahabubnagar
(Appellant)		(Respondent)

निर्धारिती द्वारा/Assessee by:	CA S. Raghavender
राजस्व द्वारा/Revenue by:	Shri K. Prasad, Sr. AR
सुनवाई की तारीख/Date of hearing:	17/08/2026
घोषणा की तारीख/Pronouncement:	21/08/2026

आदेश/ORDER

Per Madhusudan Sawdia, A.M.:

This appeal is filed by Shri Mothi Kumar Houdekar ("the assessee"), feeling aggrieved by the order passed by the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC) ("Ld. CIT(A)") dated 06.11.2025 for the A.Y. 2019-20.

2. The assessee has raised the following grounds of appeal:

Ground No. 1

The order passed by the learned Commissioner of Income-tax (Appeals) is bad in law, erroneous on facts and opposed to the provisions of the Income-tax Act, 1961.

Ground No. 2 – Addition under Section 69C

The learned Commissioner of Income-tax (Appeals) erred in confirming the addition of Rs. **10,70,807** treated as unexplained expenditure under section **69C** of the Income-tax Act, 1961, without establishing that the appellant had actually incurred any such expenditure and without bringing any material evidence on record.

Tax Effect relating to this Ground: ₹ 8,35,229

Ground No. 3 – Interest under Section 234A

The learned Commissioner of Income-tax (Appeals) erred in confirming the levy of interest of Rs.**3,42,432** under section **234A** of the Income-tax Act, 1961, which is purely consequential and liable to be deleted once the impugned addition is deleted.

Tax Effect relating to this Ground: ₹ 3,42,432

Ground No. 4 – Interest under Section 234B

The learned Commissioner of Income-tax (Appeals) erred in confirming the levy of interest of **Rs. 5,84,640** under section **234B** of the Income-tax Act, 1961, which is purely consequential and liable to be deleted once the impugned addition is deleted.

Tax Effect relating to this Ground: ₹ 5,84,640

Ground No. 5 – Fee under Section 234F

The learned Commissioner of Income-tax (Appeals) erred in confirming the levy of fee of **₹10,000** under section **234F** of the Income-tax Act, 1961, which is unsustainable and consequential to the impugned assessment.

Tax Effect relating to this Ground: ₹ 10,000

Ground No. 6 – Reassessment / Natural Justice / Consequential Ground

The learned Commissioner of Income-tax (Appeals) erred in upholding the reassessment proceedings initiated under section **147** and in confirming the assessment in violation of the principles of natural justice. Consequently, the addition made, interest charged and fee levied are bad in law and liable to be deleted.

3. The brief facts of the case are that the assessee is an individual who had not filed the return of income under section 139(1) of the Income-tax Act, 1961 ("the Act") for the assessment year 2019-20. On the basis of information available with the Assessing Officer, the case of the assessee was reopened under section 147 of the Act and, accordingly, notice under section 148 of the Act dated 06.04.2023 was issued. In response to the said notice, the assessee filed the return of income on 29.04.2023 declaring total income of Rs. 2,30,850/-. During the course of assessment proceedings, the Assessing Officer observed that the assessee had made total purchases of Rs. 12,48,500/- and claimed expenses of Rs. 46,008/-, aggregating to Rs. 12,94,508/- during the year under consideration. However, the Assessing Officer further observed that the assessee had made cash payments through bearer cheques to the tune of Rs. 23,65,315/-. Accordingly, the Assessing Officer noticed a difference of Rs. 10,70,807/- between the payments made through bearer cheques and the total purchases and expenses claimed by the assessee. The Assessing Officer treated the said difference of Rs. 10,70,807/- as unexplained expenditure and made an addition under section 69C of the Act. Consequently, the assessment was completed by the Assessing Officer under section 147 read with section 144B of the Act vide order dated 15.01.2025, assessing the total income of the assessee at Rs. 13,01,657/-.

4. Aggrieved by the assessment order, the assessee preferred an appeal before the Ld. CIT(A), who dismissed the appeal and confirmed the addition made by the Assessing Officer.

5. Aggrieved by the order of the Ld. CIT(A), the assessee is in appeal before the Tribunal. Before us, the Learned Authorized Representative ("Ld. AR") submitted that the only issue arising out of the grounds raised by the assessee is with regard to the addition of Rs. 10,70,807/- made by the Assessing Officer under section 69C of the Act. Inviting our attention to para no. 4 of the assessment order, the Ld. AR submitted that the Assessing Officer himself has recorded that the assessee had made cash payments through bearer cheques to the tune of Rs. 23,65,315/-, whereas the purchases and expenses claimed by the assessee aggregated to Rs. 12,94,508/-. The difference of Rs. 10,70,807 /-was, therefore, treated by the Assessing Officer as unexplained expenditure under section 69C of the Act. Further, inviting our attention to the provisions of section 69C of the Act, the Ld. AR submitted that an addition under the said provision can be made where the assessee has incurred an expenditure and either offers no explanation about the source of such expenditure or the explanation offered by him regarding its source is not found satisfactory by the Assessing Officer. In the present case, the Assessing Officer has not doubted the source of the payment of Rs. 10,70,807/-. On the contrary, the Assessing Officer himself has recorded that the payments were made through bearer cheques drawn on the bank accounts of the assessee. Therefore, even if the assessee was unable to satisfactorily explain the purpose or destination of the excess payment of Rs. 10,70,807/-, the source of such payment was not doubted by the Assessing Officer. Accordingly, the Ld. AR submitted that the conditions prescribed under section 69C of the Act are not

satisfied and, therefore, the impugned addition is liable to be deleted.

6. Per contra, the Learned Departmental Representative (“Ld. DR”) relied upon the orders of the lower authorities and submitted that the addition made by the Assessing Officer and sustained by the Ld. CIT(A) deserves to be upheld.

7. We have heard the rival submissions and perused the material available on record. We have gone through para no. 4 of the assessment order, which is to the following effect:

> 4. Conclusion :
>
> In view of the above the submissions made by the assessee is considered. After due examination of the bank account statement and ITR filed by the assessee for the year under consideration, it is observed during the year as per the ITR total purchase is of Rs.12,48,500/- and the total expenses claimed by the assessee is of Rs.46,008/- in total Rs.12,94,508/-. But it is seen from the current bank account statement, assessee has made cash payment through bearer cheque to the tune of Rs.23,65,315/- during the financial year. Hence the difference of excess cash payment through bearer cheque of Rs.10,70,807/- remains unexplained expenditure.
>
> A final Show cause notice was issued to show cause why proposed variation should not be made but assessee remained non responsive.
>
> Where in the year the taxpayer has incurred any expenditure of Rs.10,70,807/- and the explanation, if any, offered by him is not, in the opinion of the Assessing Officer, satisfactory, then the amount covered by such expenditure or part thereof, as the case may be, may be deemed to be the income of the taxpayer for such year. Aforesaid unexplained expenditure which is deemed to be the income of the taxpayer by virtue of section 69C shall not be allowed as a deduction under any head of income.
>
> In view of above discussion, the assessment is completed under section 147 r.w.s.144B with variation.

8. On perusal of the above, we find that the Assessing Officer has categorically recorded that the assessee had made payments through bearer cheques to the tune of Rs. 23,65,315/-. Against the said payments, the assessee had claimed purchases of Rs. 12,48,500/- and expenses of Rs. 46,008/-, aggregating to Rs. 12,94,508/-. On this basis, the

Assessing Officer arrived at the difference of Rs. 10,70,807/- and treated the same as unexplained expenditure under section 69C of the Act. However, we find that the Assessing Officer has not recorded any finding expressing dissatisfaction regarding the source from which the aforesaid payments were made. On the contrary, the Assessing Officer himself has recorded that the payments were made through bearer cheques from the bank accounts of the assessee. We have also gone through the provisions of section 69C of the Act, which is to the following effect:

> **Jnexplained expenditure, etc.**
>
> **59C.** Where in any financial year an assessee has incurred any expenditure and he offers no explanation about the source of such expenditure or part thereof or the explanation, if any, offered by him is not, in the opinion of the Assessing Officer, satisfactory, the amount covered by such expenditure or part thereof as the case may be, may be deemed to be the income of the assessee for such financial year :
>
> **Provided** that, notwithstanding anything contained in any other provision of this Act, such unexplained expenditure which is deemed to be the income of th ssessee shall not be allowed as a deduction under any head of income.

9. On a perusal of the above, we find that the said provision, inter alia, provides that where in any financial year an assessee has incurred any expenditure and he offers no explanation about the source of such expenditure or part thereof, or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the amount covered by such expenditure or part thereof may be deemed to be the income of the assessee for such financial year. Thus, for invoking section 69C of the Act, the relevant requirement is the absence of a satisfactory explanation regarding the source of the expenditure incurred by the assessee. In the present case, the Assessing Officer has not recorded any dissatisfaction

regarding the source of the payments in question. Rather, the assessment order itself records that the payments were made through bearer cheques from the bank accounts of the assessee. The basis of the addition is that the payments made through bearer cheques exceeded the purchases and expenses claimed by the assessee by Rs. 10,70,807/-. In our considered view, the inability of the assessee to explain the purpose or destination of such excess payments, by itself, cannot satisfy the statutory requirement of section 69C of the Act when the source of the payments has neither been doubted nor found unexplained by the Assessing Officer. Accordingly, in the absence of any finding by the Assessing Officer that the source of the expenditure of Rs. 10,70,807/- was unexplained or that the explanation offered regarding its source was unsatisfactory, the provisions of section 69C of the Act cannot be invoked merely on account of the difference between the payments made through bearer cheques and the expenditure claimed by the assessee. We, therefore, set aside the order of the Ld. CIT(A) on this issue and direct the Assessing Officer to delete the addition of Rs. 10,70,807/- made under section 69C of the Act. Accordingly, the grounds raised by the assessee are allowed.

10. In the result, the appeal of the assessee is allowed.

Order pronounced in the Open Court on 21st August, 2026.

Sd/-	Sd/-
(RAVISH SOOD) **JUDICIAL MEMBER**	**(MADHUSUDAN SAWDIA)** **ACCOUNTANT MEMBER**

Hyderabad, dated 21st August, 2026.
Vinodan/sps

Copy to:

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3	Pr. CIT Hyderabad
4	DR, ITAT Hyderabad Benches
5	Guard File

By Order

KAMALA KUMAR ORUGANTI

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