

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

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

I.T.A. No.1939/Ahd/2025
(Assessment Year: 2016-17)

Kanubhai Ambalal Patel, 49, Rutu Bunglows, Nr. Anand Party Plot Road, GST Crossing, New Ranip, Ahmedabad-382470	Vs.	Income Tax Officer, Ward-2(1)(2), Ahmedabad
[PAN No.AFFPP0921F]		
(Appellant)	..	(Respondent)

Appellant by :	Shri S. N. Divatia, AR
Respondent by:	Shri C Dharani Nath, Sr. DR

Date of Hearing	10.03.2026
Date of Pronouncement	24.03.2026

O R D E R

PER SIDDHARTHA NAUTIYAL - JUDICIAL MEMBER:

This appeal has been filed by the Assessee against the order passed by the Ld. Commissioner of Income Tax (Appeals), (in short “Ld. CIT(A)”), National Faceless Appeal Centre (in short “NFAC”), Delhi vide order dated 22.08.2025 passed for A.Y. 2016-17.

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

“1.1 The order passed U/s.250 on 22-08-2025 for A.Y. 2016-17 by NFAC, [CIT(A)], Delhi (for short CIT(A))” upholding the addition of Rs.78,29,905/- being financial transaction with Shri Renuka Mata (A ' Multi State Urban Co. Op. Credit Society Ltd. (Renuka Mata Society) by A.O. is wholly illegal, unlawful and against the principles of natural justice.

2.1 The ld.CIT(A) has grievously erred in law and or on facts in upholding that the proceedings u/s 147 and notice u/s 148 were valid, though the condition precedent were not satisfied in as much as, the nexus or link between the appellant and the Renuka Mata Society was not pointed out.

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2.2 *That the in the facts and circumstances of the ld. CIT(A), ought not to have upheld proceedings u/s 147 and notice u/s 148 as valid.*

3.1 *The ld.CIT(A) has grievously erred in law and or on facts in upholding that the appellant was beneficiary of the financial transaction with Renuka Mata Society and thereby upholding the impugned addition of Rs. 78,29,905/- being cash deposits made with it.*

3.2 *That the in the facts and circumstances of the ld. CIT(A), ought not to have upheld the appellant was beneficiary of the financial transaction with Renuka Mata Society and thereby upholding that the impugned addition of Rs. 78,29,905/- being cash deposits made with it.*

4.1 *Without prejudice to above and in the alternative, the appellant had contended that under the circumstances of the case, it was a normal practice to estimate commission income and as such the addition of Rs. 78,29,905/- should be deleted.*

It is, therefore, prayed that the addition of Rs. 78,29,905/- upheld by the CIT(A) may kindly be deleted or in the alternative reduced substantially.”

3. The brief facts of the case are that the assessee filed his return of income for the Assessment Year 2016–17 declaring total income of Rs. 3,41,140/-. Subsequently, the assessment was reopened under section 147 of the Income-tax Act, 1961 ("the Act") on the basis of information received from the Investigation Wing indicating that the assessee had deposited substantial cash in his bank account maintained with **Shree Renuka Mata Multi State Urban Co-operative Credit Society Ltd.** During the course of reassessment proceedings, the Assessing Officer examined the information and observed that the assessee had deposited cash amounting to Rs. 78,29,905/- during the financial year 2015–16. The assessee was asked to explain the source and nature of the said deposits. In response, the assessee submitted that the bank account was opened at the request of officials of the said society and that he had merely lent his bank account to unknown persons who deposited cash and subsequently withdrew the same. The assessee claimed that the money deposited in the account did not belong to him and

that the account was used merely for routing funds of third parties. The assessee further stated that he was promised a commission of about 0.1% for facilitating such transactions, though according to him no commission was actually received. The Assessing Officer, however, was not satisfied with the explanation furnished by the assessee. The Assessing Officer observed that the assessee had failed to provide any documentary evidence to substantiate his claim, such as the identity of the persons who deposited the cash, details of the persons to whom the account was allegedly lent, or any affidavit confirming such assertions. In the absence of supporting evidence, the Assessing Officer rejected the explanation of the assessee and treated the entire cash deposits of Rs. 78,29,905/- as unexplained investment under section 69 of the Act. Accordingly, the assessment was completed under section 147 of the Act by making the addition of Rs. 78,29,905/-.

4. Aggrieved by the reassessment order, the assessee preferred an appeal before the Commissioner of Income Tax (Appeals) and raised various grounds challenging both the reopening of the assessment as well as the addition made under section 69 of the Act. With respect to **Ground No.1**, the CIT(Appeals) observed that the ground was general in nature and therefore did not require specific adjudication. **Ground No.2** challenged the validity of reopening of the assessment under section 148 on the ground that the Assessing Officer had merely relied upon information received from the Investigation Wing without independent application of mind. The assessee also contended that the request for inspection of records was not granted during the assessment proceedings and therefore the reassessment proceedings were in violation of principles of natural justice. The

CIT(Appeals), however, rejected these contentions and held that the Assessing Officer had sufficient reason to reopen the assessment since tangible material in the form of information relating to cash deposits in the bank account of the assessee was available on record suggesting escapement of income. In this regard, reliance was placed on the decision of the Hon'ble Supreme Court in **CIT vs. Kelvinator of India Ltd. [(2010) 320 ITR 561 (SC)]**, wherein it was held that reassessment proceedings can be initiated where the Assessing Officer has tangible material indicating escapement of income. The CIT(Appeals) also relied upon the decision of the ITAT Jaipur Bench in **Uma Mandal vs. ITO [2021] 128 taxmann.com 369 (Jaipur - Trib.)**, wherein reopening was held to be valid where the Assessing Officer had information regarding cash deposits in the bank account of the assessee. Accordingly, Ground No.2 was dismissed.

5. **Ground Nos.3, 4, 5 and 6** related to the addition of Rs. 78,29,905/- made under section 69 of the Act. The assessee reiterated before the CIT(Appeals) that he was neither the owner nor the beneficiary of the funds deposited in the bank account and that the account was used by the society merely for routing third-party funds. The assessee further submitted that the bank statements clearly showed that the deposits were immediately followed by withdrawals of similar amounts, indicating that the account was used only as a pass-through mechanism and that there was no accretion to the wealth of the assessee. However, the CIT(Appeals) observed that the assessee had failed to produce any documentary evidence to substantiate his claim. **The assessee did not produce deposit slips to establish the identity of the persons who deposited the cash, nor did he provide details of the alleged**

beneficiaries or the destination bank accounts where the funds were transferred. The assessee also failed to produce any affidavit identifying the persons to whom the bank account was allegedly lent or any evidence to show that the funds belonged to someone else. In the absence of such evidence, the CIT(Appeals) held that the explanation of the assessee could not be accepted. The CIT(Appeals) further observed that under section 69 of the Act, where investments are found to have been made by the assessee and the assessee fails to satisfactorily explain the nature and source of such investments, the value thereof may be deemed to be the income of the assessee. Since the cash deposits were found in the bank account of the assessee and the assessee failed to establish the identity of the depositors, the creditworthiness of such persons or the genuineness of the transactions, the CIT(Appeals) confirmed the addition of Rs. 78,29,905/- made by the Assessing Officer under section 69 of the Act. Accordingly, Grounds 3, 4, 5 and 6 were dismissed.

6. The assessee is in appeal before us against the order passed by CIT(Appeals) dismissing the appeal of the assessee.

7. Before us, the ld. counsel for the assessee placed reliance on the case of Kaushik Pravinchandra Gohel v. JCIT in ITA No. 690 to 694/Ahd/2023, wherein in similar set of facts only 0.25% of the said deposits were taxed in the hands of the assessee.

8. In response, Ld. DR placed reliance on the observations made by CIT(Appeals) in the appellate order.

9. We have heard the rival submissions and perused the material available on record. The assessee has challenged both the validity of reopening as well as the addition of Rs.78,29,905/- made under section 69 of the Income-tax Act, 1961. So far as the validity of reopening is concerned, we find no infirmity in the order of the learned CIT(Appeals). The reassessment proceedings were initiated on the basis of information received from the Investigation Wing indicating substantial cash deposits in the bank account maintained by the assessee with **Shree Renuka Mata Multi State Urban Co-operative Credit Society Ltd.** Such information constituted tangible material available with the Assessing Officer suggesting escapement of income. The Hon'ble Supreme Court in **CIT vs. Kelvinator of India Ltd. (2010) 320 ITR 561 (SC)** has held that reassessment can be initiated where there exists tangible material indicating escapement of income. Further, the Hon'ble Gujarat High Court in **Geetaben Dineshchandra Gupta vs. ITO (2021) 129 taxmann.com 346 (Guj.)** has held that where information received from the Investigation Wing reveals that the assessee was involved in providing accommodation entries and commission income arising therefrom had not been disclosed, the formation of belief by the Assessing Officer regarding escapement of income is justified. In the present case also, the information regarding cash deposits in the bank account of the assessee provided sufficient basis for the Assessing Officer to form a prima facie belief that income chargeable to tax had escaped assessment. Accordingly, we find no merit in the grounds raised by the assessee challenging the reopening of the assessment and the same are hereby dismissed.

10. Coming to the addition made under section 69 of the Act, it is an undisputed fact that cash deposits amounting to Rs.78,29,905/- were made in the bank account of the assessee during the relevant financial year. The explanation of the assessee before the Assessing Officer as well as before the CIT(Appeals) was that the bank account was merely used for routing funds belonging to third parties and that the assessee was only a name lender. However, as rightly observed by the CIT(Appeals), the assessee failed to furnish any documentary evidence such as the identity of the depositors, details of beneficiaries, affidavits or any other supporting material to substantiate this claim. In the absence of such evidence, the explanation furnished by the assessee cannot be accepted in toto. At the same time, it is also evident from the bank statement that the deposits were immediately followed by withdrawals of similar amounts, which indicates that the bank account may have been used as a conduit for routing funds.

11. Before us, the learned counsel for the assessee placed reliance on the decision of the Ahmedabad Bench of the Tribunal in **Kaushik Pravinchandra Gohel vs. JCIT in ITA Nos. 690 to 694/Ahd/2023**, wherein under similar circumstances only a small percentage of the deposits was brought to tax in the hands of the assessee. However, on perusal of the facts of the said decision, we find that the same were on a different footing. In that case, the Tribunal noted that the assessee was an illiterate individual belonging to a poor strata of society who had allowed the bank account to be opened and operated by officials of Renukamata Society and that the assessee had signed blank forms and documents on the advice of the society's officials and tax consultant. The Tribunal also recorded that the assessee had acted

under bona fide belief and was not aware of the scheme being carried out by the real beneficiaries. In the light of such peculiar facts, the Tribunal accepted the contention that the assessee was merely a name lender and granted substantial relief.

12. In the present case, however, no such circumstances have been established by the assessee. The assessee has not demonstrated that he was misled by the officials of the society or that he was compelled to open the bank account under any such circumstances. Further, the assessee has failed to produce any material identifying the persons who allegedly deposited the cash or the beneficiaries to whom the funds were transferred. Therefore, the factual matrix of the present case is clearly distinguishable from the decision rendered in **Kaushik Pravinchandra Gohel vs. JCIT (ITA Nos. 690 to 694/Ahd/2023)** and the same cannot be applied mechanically to the facts of the present case.

13. Nevertheless, considering the pattern of deposits and withdrawals in the bank account and taking into account the possibility that the assessee might have been involved in routing unaccounted funds on behalf of other persons, it would be reasonable to conclude that the assessee had participated in accommodation entry transactions and would have earned commission income therefrom.

14. Considering the totality of the facts and circumstances of the case, and in order to meet the ends of justice, we are of the considered view that taxing the entire deposits under section 69 of the Act would be excessive. At the same time, the assessee cannot escape taxation altogether in view of the

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failure to explain the nature and source of the deposits. Accordingly, the Assessing Officer is directed to work out the peak balance of the bank account and thereby tax the same accordingly, in the hands of the assessee, as per law.

15. In the result, **the appeal of the assessee is partly allowed.**

This Order is pronounced in the Open Court on	24/03/2026
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Sd/-
(NARENDRA P. SINHA)
ACCOUNTANT MEMBER

Ahmedabad; Dated 24/03/2026

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