

आयकर अपीलीय अधिकरण, 'सी' न्यायपीठ, चेन्नई।
**IN THE INCOME TAX APPELLATE TRIBUNAL
'C' BENCH: CHENNAI**

श्री एबी टी. वर्की, न्यायिक सदस्य एवं
श्री एस. आर. रघुनाथा, लेखा सदस्य के समक्ष

**BEFORE SHRI ABY T. VARKEY, JUDICIAL MEMBER AND
SHRI S.R.RAGHUNATHA, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No.2034/Chny/2025
निर्धारण वर्ष/Assessment Year: 2017-18

Mrs. Chandra Swaminathan, B3, Raj Castle Apartments, Surya Nagar, Medavakkam, Chennai-600 100. [PAN: BFXPS 5541 F]	v.	The ITO, Non-Corporate Ward-22(1), Tambaram.
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)
अपीलार्थी की ओर से/ Appellant by	:	Mr. J. Radhakrishnan, Advocate & Mr. Vishnu Jayaram. R, Advocate
प्रत्यर्थी की ओर से /Respondent by	:	Ms. R. Anitha, Addl.CIT
सुनवाईकीतारीख/Date of Hearing	:	29.01.2026
घोषणाकीतारीख /Date of Pronouncement	:	17.04.2026

आदेश / ORDER

PER ABY T. VARKEY, JM:

This is an appeal preferred by the assessee against the order of the Learned Commissioner of Income Tax (Appeals)/NFAC, (hereinafter referred to as "the Ld.CIT(A)"), Delhi, dated 23.05.2025 for the Assessment Year (hereinafter referred to as "AY") 2017-18.

2. The grievance of the assessee relates to the action of the Ld.CIT(A) confirming the additions of ₹49,80,330/- & ₹10,80,000/- made by the AO



:: 2 ::

by way of unexplained monies u/s.69A of the Income Tax Act, 1961 (hereinafter referred to as "the Act").

3. Brief facts of the case as discernible from the records are that, the assessee an individual lady had sold her apartment at Rajparis, Crystal-Spring on 04.10.2016 to Shri K. Manoharan vide registered Sale Deed No.10626/2016 for a sale consideration of ₹35,50,000/-, according to which ₹33,00,000/- was received in bank and ₹2,50,000/- was received in cash. Simultaneously in the event of such sale, the assessee had also separately disposed off imported household utensils, electronic items etc. of her apartment at Rajparis, Crystal- Spring to several vendors and had realized ₹8,09,600/- in cash. The assessee is found to have deposited the cash of ₹2,50,000/- received from sale of flat, ₹8,09,600/- received from sale of household items, ₹1,00,000/- received by way of gift from her husband and daughter along with her cash balance of ₹20,400/-, aggregating to ₹11,80,000/- in her bank account. Thereafter, the assessee invested the ibid sale-consideration, by purchasing a Residential Flat viz., Flat No.B-3,Third-Floor, Raj Castle, Medavakkam from the seller represented by Shri Mr. M.S. Swaminathan, Power of Attorney-holder (PoA) of vendor, Shri Vijay Guruswami, son-in-law of the assessee at a cost of ₹35,00,000/- vide registered deed D.No.123/2017 dated 05.01.2017. The assessee had incurred stamp duty and registration charges of ₹2,80,330/- in relation to this acquisition of flat. The assessee



:: 3 ::

had further spent ₹12,00,0000/- on the interiors of the newly acquired flat. The assessee accordingly claimed to have spent ₹49,80,330/- towards the new residential flat at Raj Castle, Medavakkam. According to the assessee, she had re-invested the sale consideration from transfer of her residential flat at Rajparis, Crystal- Spring in acquisition of new residential flat at Raj Castle, Medavakkam and thus, she claimed the long term capital gain arising from sale of her flat by way of deduction u/s 54 of the Act. It is seen that, the appellant had inter alia reported long term capital loss of ₹7,05,542/- after claiming exemption u/s 54 of the Act and declared total income of ₹2,01,156/-.

4. The case of the assessee was selected for scrutiny. The AO is found to have taken note of the sale of flat at Crystal-Spring apartment on 04.10.2016 for ₹35,50,000/- (₹33 lakhs through bank & ₹2.5 lakhs in cash), which was supported by sold registered Sale Deed No.10626/2016 and thus did not dispute the long term capital gains derived therefrom. The AO thereafter called for the details of the flat purchased at Raj Castle to verify the deduction claimed u/s 54 of the Act. Upon examination of the details, particularly the registered deed dated 05.01.2017 and the bank statements, the AO noted that, the payment made towards acquisition of flat to the vendor and the cost of interiors of ₹35,00,000/- and ₹12,00,000/- respectively was made only in the month of August 2017 and not January 2017, as stated in the registered deed. The AO required



:: 4 ::

the assessee to explain this discrepancy and provide the source of payment. The AO was of the view that, if the assessee had already paid ₹33,00,000/- in January 2017, as mentioned in the registered deed, then why did she paid sums of ₹33,00,000/- and ₹12,00,000/- again in August 2017. To this, the assessee is found to have explained that, though she had issued and handed over the cheque of ₹33,00,000/- at the time of registration in January 2017, but the same was encashed by the seller only on in August 2017. The assessee clarified that, the payment made in August 2017 [whose cheque was issued in January 2017] was the sole payment and no other sum was paid to the vendor. The assessee further explained that, the flat which was purchased from her son-in-law had been leased by the latter to certain tenant(s), who had sought time to vacate the premises until they got suitable alternative accommodation. Accordingly, she had proposed to the seller [her son-in-law] that the cheque issued by her upon registration ought to be encashed only when the tenant(s) vacate the flat and the physical possession is given to her. The assessee submitted that, though she was given symbolic possession vide registered deed in January 2017, but the physical possession was received only in August 2017 and accordingly, the seller had encashed the cheque then, which was issued in January 2017. The AO is noted to have asked the assessee to adduce proof in support of this explanation. In response, the assessee furnished a copy of the lease agreement dated



:: 5 ::

05.01.2017 between her and the seller. The AO however doubted the veracity of the said lease deed since it was executed on a stamp paper dated November 2017, and the stamp paper was also issued in someone else's name. The AO thus disbelieved the entire transaction, as explained by the assessee. The AO is found to have curiously not only denied the deduction claimed u/s 54 of the Act, but he went on to reject the nature and source of payment of ₹49,80,330/- viz., the cost of purchase of flat, stamp duty & registration charges and the cost of interior works, and added the same by way of unexplained monies u/s 69A of the Act. The AO is noted to have also added the cash deposits of ₹10,80,000/- in assessee's bank account treating it to be unexplained u/s 69A of the Act. On appeal, the Ld. CIT(A) concurred with the findings of the AO. Being aggrieved, the assessee is now in appeal before us, assailing the impugned action of authorities below.

5. The Ld AR, assailing the action of AO/CIT(A) submitted that the addition made by AO of ₹49,80,000/- was incomprehensible and flawed, and that the Ld.CIT(A) did not even bother to appreciate the inherent fallacy and improbability of the case as built by AO to saddle the huge addition. The Ld. AR brought to our notice that, though the Ld.CIT(A) acknowledged at Para No.5.2.2 of his order that sale consideration was actually paid several months after the registration of Sale-Deed on 05.01.2017, but then, he curiously observed that such payment points to



:: 6 ::

an unexplained inflow of fund at a later date, whereas the Ld. AR showed us that there was none. The Ld. AR further rebutted the assertion of the Ld CIT(A) that there was no evidence available regarding source of such funds at the time of purchase in January 2017, by showing us that the assessee had sufficient bank balance in excess of Rs 45 lakhs at that material time. According to Ld. AR therefore, such findings rendered by the Ld.CIT(A) to justify the impugned addition, is not only self-contradictory, but perverse and is nothing but based on suspicion and conjectures.

6. According to the Ld.AR, both the Ld.CIT(A) & the AO has misdirected themselves on the basis of post-dated stamp-paper of November, 2017, to disbelieve the entire transaction. He submitted that the undisputed contemporaneous facts was that, the assessee had sold her flat and received sum of ₹35,50,000/- from the purchaser and further sum of ₹8,09,600/- upon sale of household items and electronics & appliances. The Ld. AR argued that, the veracity of the registered purchase deed of January 2017 was not in question, in as much as, the assessee had indeed paid the stamp duty and registration charges, at that material time. In so far as the payment of consideration towards the purchase of flat is concerned, the Ld. AR showed us that, the said payment was indeed cleared later on in August 2017, which is verifiable from the bank statements, and supported by the confirmation furnished



:: 7 ::

by the vendor. The Ld. AR submitted that, the time gap between the execution of deed and the clearance of cheques and/or the explanation of the same, was totally indecisive to ascertain the eligibility of exemption claimed u/s 54 of the Act or for that matter make any addition u/s 69A of the Act, when the fact remains that, the source of payment towards the flat acquired by the assessee was evidently out of the proceeds of flat sold by the assessee.

7. The Ld. AR reminded us that registration of the purchase of Raj-Castle apartment made in January, 2017 had not been questioned, and that without payment of registration charges/stamp-duty of ₹35,330/- & ₹2.45 lakhs, it was impossible to register the property in assessee's name. The Ld. AR showed us that, even this payment was added by the AO way of unexplained monies u/s 69A of the Act, which according to him, exposes the whimsical attitude and arbitrary exercise of power by the AO/Ld.CIT(A). The Ld. AR further brought to our notice that, the source of payment of ₹49,80,330/- inter alia comprised of the cash deposits of ₹10,80,000/- in assessee's bank account. He submitted that, the AO had first arbitrarily added the payment made out of such cash deposits towards purchase of flat, while making addition of ₹49,80,330/- by way of unexplained monies u/s 69A of the Act, and thereafter he again added the cash deposits itself of ₹10,80,000/-, resulting in double addition. The Ld. AR contended that, even this double addition, which was



:: 8 ::

ex-facie evident from the records, had not been correctly appreciated by the Ld. CIT(A) / AO, which in his view, showed the high-handed action taken against the assessee. He thus urged that the impugned additions were factually perverse and wants us to delete the same.

8. Per Contra the Ld. DR fully supported the action of both Ld CIT(A) as well as that of AO, and doesn't want us to interfere with the impugned action of Ld CIT(A).

9. We have heard both the parties and perused the records. The issue before us is regarding the impugned additions of ₹49,80,330/- & ₹10,80,000/- as unexplained money u/s.69A of the Act. Since both the additions are based on facts which are inter-twined with each other, we are taking them up together for adjudication.

10. The background facts leading to the impugned addition(s) are that, the assessee had conducted two separate transactions during the relevant year. Firstly, the assessee had sold her apartment at Crystal Spring from which she had derived proceeds of ₹35,50,000/- comprising of ₹33,00,000/- in cheque and sum of ₹2,50,000/- in cash. This is verifiable from the terms of the deed bearing no. 10626/2016 dated 04.10.2016. Secondly, the assessee had executed purchase/sale deed dated 05.01.2017 in terms of which she had purchased a new residential flat at Raj Castle Apartments on which she had expended stamp duty and



:: 9 ::

registration charges aggregating to ₹2,80,330/-. The assessee is noted to have claimed deduction u/s 54 of the Act on the ground that the capital gain equivalent arising from transfer of her flat at Crystal-Spring had been re-invested in purchase of new residential flat at Raj Castle. The assessee is found to have furnished the relevant deeds before the lower authorities, which are found to be verifiable from Pages 1 to 51 of the paper book filed before us as well. It is further seen that the receipt of ₹33,00,000/- in cheque [out of total consideration of ₹35,50,000/-] upon sale of her flat at Crystal Palace is found to be verifiable from assessee's bank statements as well. As regards the discharge of purchase consideration of flat at Raj Castle Apartment is concerned, it is seen that, the assessee is shown to have issued and handed over cheques on 05.01.2017 of Rs.35 lacs and Rs.12 lacs each, which was albeit encashed by the vendor in August 2017.

11. According to the Revenue however, the amount was actually paid to the vendor in January 2017 along with registration and stamp duty charges out of unexplained sources and therefore the monies of ₹49,80,330/- was added u/s 69A of the Act. We find that this assertion of the Revenue is not based upon the facts, as is verifiable from the records before us. We find that the vendor had confirmed the sale made in January 2017 and that the consideration of Rs.47 lacs, in aggregate, was received by him in August 2017. The payment of registration charges and



:: 10 ::

stamp duty charges is also traceable to the bank statement of the assessee. We further observe that, the assessee had sufficient bank balance on 04.01.2017 to issue and hand over cheques of Rs.47 lacs to the vendor on 05.01.2017. It is also not in dispute that, later on, the vendors had encashed the cheques and the amounts were paid out of the bank account of the assessee in August, 2017. We thus find that the addition made by the AO u/s 69A was without any basis and on incorrect appreciation of relevant facts and that he had misdirected himself on irrelevant material.

12. We find that the AO was swayed by the post-dated stamp paper of the lease agreement furnished by the assessee, for explaining the delayed encashment of cheques by the vendor. The AO found this agreement furnished by the assessee to be an after-thought, to justify the delay in clearance of payment and thus disbelieved not only this lease agreement, but the entire transaction/arrangement itself. According to us, the disputed lease agreement has no bearing on the issue at hand. It is not the Revenue's case that, the deed bearing no.123/2017 registered on 05.01.2017 was obtained through fraud or was sham. The payment of stamp duty and registration charges, rather, fortifies, the veracity of the acquisition of flat. It is also an undeniable fact that, the assessee had sufficient bank balance on the date of registration and therefore it can be plausibly accepted that she could have issued cheques of Rs.45 lacs on



:: 11 ::

that date, whose receipt has been acknowledged by the seller in the registered deed. It could be for varied reasons that, the payment was ultimately encashed and cleared later on viz., in August 2017, but the fact remains that, the payment was made to the bank account of the seller alone. Indeed, the lease agreement furnished by the assessee to explain the delay in clearance of cheques suffers from skepticism. The Ld. AR however has rightly explained that, if the AO had doubt about the belated presentation of cheque and wanted to verify when the vendor's tenant vacated Raj-Castle Apartment in August 2017, then the AO should have confronted the vendor, whose details including PAN, Aadhar, address details were in the possession of AO and not the assessee. In this context, we note that, the vendor had furnished confirmation which is found placed at page 54 of PB, where the details of sale-consideration of Rs 35 lakhs transferred from bank account of assessee to vendor account dated 03.08.2017 is found placed therein and page 55 of PB gives similar details of payment of Rs 12 Lakhs in August 2017 through bank. This confirmation further affirms the case of the assessee that, there was no unexplained payment made towards the purchase of the flat at Raj Castle in January 2017 and that the cheques issued then had been encashed by the vendor in August 2017 and therefore there was no involvement of any unexplained monies. It is also seen that the source of payment is found to be out of the proceeds received upon sale of flat at Crystal Spring by the



:: 12 ::

assessee. It is also not the Revenue's case that, the payment was not cleared within the time limit specified in Section 54 of the Act viz., two years from the date of sale of capital asset, which could have otherwise resulted in denial of deduction u/s 54 of the Act. The Ld. DR was also unable to clarify that, if for the sake of argument, it is assumed that, the assessee had discharged the sale consideration out of unexplained sources in January 2017, then for what purpose could have the same amount been paid and cleared to the vendor from her bank account in August 2017. We thus are in agreement with the Ld. AR that the case made out by the lower authorities was bereft of logic and fraught with conjectures and that the impugned addition of ₹49,80,330/- made u/s 69A was unsustainable.

13. At the cost of repetition, it is noted the assessee has placed the relevant documents to prove the claim u/s 54 of the Act by adducing the best evidence to prove the sale of her apartment in October 2016 by producing the registered Sale-Deed dated 04.10.2016 & thereafter purchase of flat in January 2017 by registered Purchase Deed dated 05.01.2017. It is settled position of law that a registered Sale-deed carries with it a formidable presumption of validity and genuineness. Registration is not a mere formality but a solemn act that imparts high degree of sanctity to the document. Consequently, it was held by Hon'ble



:: 13 ::

Supreme Court in plethora of cases to name one, ***Prem Singh and Ors vs Birbal and Ors (2006) 5 SCC 353***, that a Court must not lightly or casually declare a registered instrument as 'Sham'. Further, the entries in bank statement of the assessee also corroborates both the sale and purchase transactions executed by the assessee. The registered purchase Deed dated 05.01.2017 between the assessee and the PoA-holder of the vendor, has not been questioned by the latter before any court or authority alleging fraud. Only because the assessee purchased the property from her son-in-law who encashed the cheques issued towards the consideration amount subsequent to registration of the property, cannot be a ground to disbelieve such a fact, unless there is any evidence to show that registration of purchase/sale-deed dated 05.01.2017 is sham, which is not the case of AO. In the absence of such insinuation, the assessee's title of Raj-Castle Apartment from 05.01.2017, cannot be disputed. When these are the proved facts, the assessee is noted to have discharged the burden to prove investment of sale-consideration she received from sale of flat in October 2016, by proving purchase of residential flat in January 2017, and satisfied the condition precedent for claiming capital-gain exemption u/s 54, which claim is legally tenable and hence, in our view, ought to have been allowed.



:: 14 ::

14. For the above reasons, we hold that, not only was the AO unjustified in denying the deduction claimed by the assessee u/s 54 of the Act, but the addition of ₹49,80,330/- made u/s 69A of the Act is held to be arbitrary and unsustainable, in the light of foregoing discussions. We thus direct the AO to delete the impugned addition of ₹49,80,330/- holding it to be erroneous and allow the deduction claimed by the assessee u/s 54 of the Act.

15. Now coming to the addition of ₹10,80,000/- on account of cash deposited by the assessee in her bank account. It is seen that, the assessee had deposited sums aggregating to ₹11,80,000/-. When asked to provide the nature and source of the same, the assessee is noted to have furnished confirmations of ₹50,000/- each from her husband & daughter as gift, which was deposited in her bank account. These gifts were accepted by the AO. In respect of the balance amount of ₹10,80,000/-, the assessee explained that, portion of it represented the cash received upon sale of her flat i.e. ₹2,50,000/- and the balance was represented by the proceeds from sale of expensive imported house-hold utensils, electronic gadgets, etc., which she had to dispose of in the event of her selling her Crystal-Spring apartment. The assessee is noted to have provided the details of the purchasers along with the relevant bills and invoices in support of the same. The AO however disbelieved the



:: 15 ::

explanation of the assessee, on the ground that the assessee was unable to furnish confirmations from the purchasers and that summons sent to five out of eight parties had returned un-served. This action has been confirmed by Ld CIT(A). Hence, assessee is now before us.

16. Heard both parties. The break-up of the nature and source of cash deposits of ₹10,80,000/- in dispute before us, as provided by the assessee, is noted to be as under:

(i) Rs. 50,000/- gifted by husband.

(i) Rs. 50,000/- gifted by daughter.

(iii) Rs. 2,50,000/- cash received on sale of property to Mr.Manohar (see page No. 6 of the Sale Deed dated 04.10.2016).

(iv) Rs. 97,000/- received on sale of personal effects to smart electronics.

(v) Rs.1,95,000/- received on sale of personal effects to Guna Enterprises.

(vi) Rs.94,600/- received on sale of personal effects to smart electronics.

(vii) Rs.1,41,000/- received on sale of personal effects to Madan Enterprises.

(viii) Rs.1,43,000/- received on sale of personal effects to H. Khader and Sons.

(ix) Rs.1,39,000/- received on sale of personal effects to S.K.S. Traders.

17. In respect of the cash of ₹2,50,000/- received upon sale of flat at Crystal-Spring, we find that, the said receipt is verifiable from Page no 6 of the registered sale deed dated 04.10.2016. It is also observed that this cash receipt of ₹2,50,000/- was accepted and taken as a part of the sale consideration by the AO, while assessing the capital gains arising on sale of the property. We are therefore of the view that, the AO was unjustified



:: 16 ::

in treating the said receipt to be unexplained and thus direct the AO to delete the same.

18. The balance deposits of ₹8,30,000/- is found to be inter alia represented by proceeds of ₹8,09,600/- derived by the assessee upon sale of household items, electronic gadgets and appliances, upon the event of disposal of her flat at Crystal-Spring. The remaining cash deposit of ₹20,400/- [₹8,30,000 – ₹8,09,600] is found to have been explained out of the current year's income and cash balance of the assessee, which we find to be correct. The Ld. AR has showed us that, the individual value of sales to the respective vendors, to whom these second hand items aggregating to Rs.8,09,600/- were sold, was less than Rs.2,00,000/- and therefore we are in agreement with him, that the assessee was under no obligation to obtain and retain their PAN details in terms of Rule 114B of the Income Tax Rules, 1962. It is seen that, the sales were supported by the relevant bills and vouchers and the surrounding facts and circumstances also justified the quantum of such sales, as she had to dispose them off upon sale of her flat in October 2016, as noted supra. The Ld. AR explained that these vendors who had purchased these items and household effects generally deal in cash and that the assessee did not have any continuing relationship with them, basis which she could have obtained any further confirmations in the manner as requisitioned by the AO or ensure their attendance of



ITA No.2034/Chny/2025 (AY 2017-18)
Mrs. Chandra Swaminathan

:: 17 ::

summons. Given the overall facts and circumstances in this specific facts of this case, according to us, the explanation furnished by the assessee regarding the proceeds derived on sales of household items, electronic appliances and gadgets of Rs.8,09,600/- is found to be plausible. We thus hold the action of the AO in adding the same as unexplained monies to be unjustifiable. Overall therefore, the addition of Rs.10,80,000/- made u/s.69A of the Act can't be sustained and is directed to be deleted.

19. In the result, appeal filed by the assessee is allowed

Order pronounced on the 17th day of April, 2026, in Chennai.

Sd/-

(एस. आर. रघुनाथा)

(S.R.RAGHUNATHA)

लेखा सदस्य/**ACCOUNTANT MEMBER**

Sd/-

(एबी टी. वर्की)

(ABY T. VARKEY)

न्यायिक सदस्य/**JUDICIAL MEMBER**

चेन्नई/Chennai,

दिनांक/Dated: 17th April, 2026.

TLN

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT, Chennai / Madurai / Salem / Coimbatore.
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF