

**IN THE INCOME TAX APPELLATE TRIBUNAL
“F” BENCH, DELHI**

**BEFORE SHRI S RIFAUR RAHMAN, ACCOUNTANT MEMBER
&
SHRI VIMAL KUMAR, JUDICIAL MEMBER**

**ITA No.5506/Del/2025
(Assessment Year: 2016-17)**

Angad Developers Pvt. Ltd. B-1/4, Nehru Market, Opp. L.S.R. College, Zamrudpur, Delhi 110048	Vs.	CIT (Appeals), Delhi
स्थायीलेखासं./जीआइआरसं./PAN/GIR No: AADCA8901E		
Appellant	..	Respondent

Appellant by :	Sh. A.K. Nair, Adv
Respondent by :	Ms. Harpreet Kaur Hansra, Sr. DR

Date of Hearing	02.04.2026
Date of Pronouncement	17.04.2026

ORDER

PER VIMAL KUMAR, JM:

The appeal filed by the assessee is against the order dated 08.07.2025 of the Ld. Commissioner of Income Tax (Appeals)/National Faceless Appeal Centre (NFAC), New Delhi (hereinafter referred to as “Ld. CIT(A)”), u/s 250

of the Income Tax Act, 1961 (hereinafter referred to as “the Act”), arising out of assessment order dated 30.12.2018 of the Ld. Assessing Officer/ITO Ward-2(4), New Delhi(hereinafter referred to as “Ld. AO”), u/s 143(3) of the Act for Assessment Year 2016-17.

2. Brief facts of the case are that, assessee filed return of income on 11.10.2017 declaring loss of Rs.1,05,848/-. The case was selected for scrutiny through CASS. Notice u/s 143(2) dated 07.09.2017 was issued. Notices u/s 142(1) of the Act were also issued. Assessee Company filed reply on e-filing portal of the Department. During assessment proceedings, it was noticed that in balance sheet of the company cash-in-hand was shown as Rs.80,85,609/- while in the last year cash was shown as Rs.7,25,160/-. The assessee was asked about sharp rise in cash in hand in comparison to previous order cash in hand vide notice u/s 142(1) dated 19.09.2018. Assessee filed reply vide letter dated 27.12.2018 along with documents.

2.1 On completion of proceedings, Ld. AO vide order dated 30.12.2018, made addition of Rs.75,00,000/-.

3. Against order dated 30.12.2018 of Ld. AO, the assessee filed appeal before Ld. CIT(A) which was dismissed vide order dated 08.07.2025.

4. Being aggrieved, appellant-assessee preferred present appeal on following grounds:-

1. That the order of the Ld. Commissioner of Income Tax (Appeals) NFAC, is bad in law and on facts.

2. That on the facts and circumstances of the case and in law, the Ld. CIT(A), NFAC has erred in treating the cash receipt of 275,00,000/- from Versatile Commotrade Private Limited as unexplained despite him acknowledging the facts given below in the CIT(A) order issued by his office-

a) During the assessment proceedings, it was duly explained to the Learned AO. and reiterated in the written submissions before the Ld. CIT(A), that the Appellant had entered into a valid Agreement to Sale of agricultural land with Versatile Commotrade Private Limited for a total consideration of 210,37,20,833-

b) As per the terms of the Agreement:

An initial advance of 21.25 crores was paid through banking channels.

Further, to keep the deal active, the buyer has paid cash of 275 lakhs to the appellant. This fact is mentioned in the suit filed by the buyer company against the appellant to recover the advance paid to the appellant and is also recorded in the CIT(A) order.

c) The CIT(A) order also mentions the fact that the advance received from the buyer is standing in the appellant's company financial statements, which has been duly accounted for and audited. At the specific request of the buyer to keep the transaction alive, the Appellant Company received an amount of 275,00,000-in cash, which was duly disclosed and is also reflected in the civil suit filed by the buyer against the Appellant and is duly accepted by the Ld. AO and the CIT(A) in his order and

However, despite the availability of these facts and supporting documentary evidence, the Ld. AO as well as the Ld. CIT(A) failed to properly appreciate the same and erroneously treated the said sum as unexplained cash credit under Section 68 of the Income-tax Act, 1961 in his order issued u/s 250.

3. That on the facts and circumstances of the case and in law, the Ld. CIT(A) erred in failing to consider the High Court suit and the audit report along with the financial of cash money towards advance, statements of the appellant, which were duly submitted, substantiating the fact of receipt

4. The addition made is, therefore, arbitrary, unjustified, and contrary to law and facts, as more fully explained in the accompanying written submission when submitted.

5. The Appellant craves leave to add, alter or modify the aforesaid grounds of appeal either at or before the hearing of appeal.

5. Ld. Authorized Representative for appellant assessee in written submissions submitted that the order of the Ld. Commissioner of Income Tax (Appeals) is bad in law and on the facts.

It is respectfully submitted that the Ld. Commissioner of Income Tax (Appeals) grossly erred, both in law and on facts, in treating the cash receipt of INR 75 lakhs from Versatile Commotrade Private Limited (hereinafter referred to as the "buyer") against the sale of agricultural land as unexplained cash credit. The AO and CIT (A) arbitrarily made an addition under Section 68 of the Income Tax Act, 1961, without properly appreciating the nature of the transaction, the documentary evidence submitted, and the fact that the receipt was fully explained and accounted for. The addition is, therefore, unjustified, arbitrary, and contrary to law, as more fully explained in the accompanying written submission forming part of this appeal. It is a settled principle that income-tax authorities cannot pre-empt or disregard the outcome of civil proceedings when the nature and character of a receipt is sub judice. Until the civil dispute is adjudicated, the amount retains the character

of an advance against a property transaction and cannot be arbitrarily treated as unexplained income.

5.1. That on the facts and circumstances of the case and in law, the Ld. CIT(A), NFAC has erred in treating the cash receipt of INR 75,00,000/- from Versatile Commotrade Private Limited as unexplained despite him acknowledging the facts given below in the CIT(A) order issued by his office-

a) During the assessment proceedings, it was duly explained to the Learned AO, and reiterated in the written submissions before the Ld. CIT(A), that the Appellant had entered into a valid Agreement to Sale of agricultural land with Versatile Commotrade Private Limited for a total consideration of INR 10,37,20,833/-

b) As per the terms of the Agreement

- An initial advance of INR 1.25 crores was paid through banking channels.
- The balance consideration was to be paid within 80 days from the execution of the Agreement.
- In case of failure by the buyer to pay the remaining amount within the stipulated period, the Agreement would become void ab initio and the earnest money forfeited.

c) At the specific request of the buyer to keep the transaction alive, the Appellant Company received a further sum of INR 75,00,000/- in cash, the fact of which is duly disclosed and is also reflected in the civil suit filed by the buyer against the Appellant. Thus, a sum of Rs. 2 crores was received by the Appellant Company from the Buyer. These include the cash receipts issued by the Appellant Company on receipt of the amount in cash from the buyer. However, despite the availability of these facts and supporting documentary evidence, the Ld. AO as well as the Ld. CIT(A) failed to properly appreciate the same and erroneously treated the said sum as unexplained cash credit under Section 68 of the Income-tax Act, 1961 in his order issued u/s 250.

5.2. In reference to the above-mentioned ground, it is respectfully submitted that the Learned CIT(A), NFAC, has erred in law and on facts in sustaining the addition of INR 75 lakhs as unexplained cash credit under Section 68 of the Income Tax Act, 1961. The CIT(A) failed to properly appreciate the documentary evidence, the identity of the creditor, the genuineness of the transaction, and the creditworthiness of the creditor, despite acknowledging the existence of a valid Agreement to Sale of agricultural land with M/s Versatile Commotrade Private Limited for a total consideration of INR 10,37,20,83. A copy of Agreement to Sale has been included by the Buyer in their Suit filed before the Delhi High Court vide page no. 103 to 109 of the paper book. The audited accounts of the Buyer to prove their genuineness and credit worthiness are also enclosed as per Refer Page No. 136 to 158 of the Paper Book

5.3. As per the terms of the Agreement, an advance of INR 1.25 crores was received through banking channels and duly reflected in the books of account. The balance consideration was required to be paid within 80 days, failing which the agreement would become void ab initio and the earnest money would stand forfeited.

5.4. It is respectfully submitted that during the subsistence of the agreement, and at the specific request of the buyer to keep the transaction alive, the appellant received an additional amount of INR 75 lakhs in cash. This receipt was duly recorded in the regular books of account, reflected in the cash book for the relevant financial year, and accounted for by the Appellant Company in their books of accounts. The aggregate amount of Rs. 2 crores i.e. Rs. 1.25 crores through cheque and the further sum of Rs. 0.75 lakhs in cash is the sum now being demanded back by the Buyer from the Appellant Company through the Suit filed by them in the Delhi High Court against the Appellant. The Buyer has also paid Court Fee of Rs. 2,08,060 lakhs before the Delhi High Court for recovery of this sum of Rs. 2 crores for the Buyer. The Appellant Companies Books of account also reflect a sum of Rs. 2 crores due to the buyer i.e. Rs. 1.25 crore received through banking channels & Rs. 0.75 crore in Cash.

5.5. In addition, the nature and source of the above cash receipt were consistently explained during the assessment proceedings as well as in appellate proceedings before the Ld. CIT(A). The appellant furnished the cash book, the Agreement to Sale, ownership documents of the land, audited

financial statements of the buyer establishing its identity and creditworthiness, and most importantly, copies of pleadings and orders passed by the Hon'ble Delhi High Court in the civil dispute initiated by the buyer itself. In the said civil suit, M/s Versatile Commotrade Private Limited has categorically acknowledged payment of INR 75 lakhs in cash to the appellant, and the appellant's cash receipt acknowledging such payment forms part of the judicial record. These have been furnished by M/s Versatile Commodities Private Limited in the Suit filed by them for recovery of Rs. 2 crore from the Appellant Company.

5.6. Despite the existence of this third-party confirmation emanating from judicial proceedings before the Hon'ble High Court, the Ld. CIT(A) concluded that the receipt of INR 75 lakhs could not be established merely because, there was no independent confirmation of payment by the buyer. This finding is internally inconsistent and legally unsustainable. Once the buyer itself has admitted the payment in a civil suit filed much before the Assessment Proceedings were initiated and the Hon'ble High Court has also taken cognizance of the same while passing orders, the identity of the payer,

the genuineness of the transaction, and the factum of receipt stand conclusively established.

5.7. It is further submitted that the Ld. CIT(A) failed to appreciate that Section 68 does not require the appellant to prove the source of income. The appellant discharged its primary onus by establishing the identity of the creditor, the genuineness of the transaction, and the creditworthiness of the creditor through audited financial statements and judicial records submitted before the income tax authorities. Thereafter, the burden shifted to the Revenue to rebut the explanation with cogent evidence. No such evidence has been brought on record. Mere non-compliance by the buyer to a notice issued under Section 133(6) cannot, by itself, invalidate otherwise credible and corroborated evidence.

5.8. The reliance placed by the Revenue on conjectures and suspicion, while disregarding documentary evidence and judicial acknowledgment, is contrary to settled law. Courts have consistently held that once the assessee provides a plausible and supported explanation, additions under Section 68 cannot be sustained merely on the basis of doubt or disbelief. The Ld. CIT(A) has

effectively substituted legal proof with subjective satisfaction, which is not as per the tenets of law

5.9. It is also pertinent to note that the very same amount of INR 75 lakhs is the subject matter of recovery proceedings before the Hon'ble Delhi High Court, where the buyer viz. Versatile Commodities Private Limited has sought refund of the advance paid, including the impugned cash amount. This fact alone demonstrates that the receipt represents a commercial transaction arising out of a land deal and not any unexplained or unaccounted income of the appellant.

5.10. In view of the above facts and circumstances, it is respectfully submitted that the finding of the Ld. CIT(A) sustaining the addition under Section 68 is erroneous, perverse, and contrary to the evidence on record. The receipt of INR 75 lakhs stands fully explained and corroborated, and therefore the addition deserves to be deleted in full.

5.11. The reliance can be placed upon below mentioned landmark judgement in the similar matter as follows:

Hon'ble Supreme Court in CIT v. Orissa Corporation (P) Ltd. (1986) 159 ITR 78 (SC), wherein the Hon'ble Court held that once the assessee has furnished the names and addresses of the creditors and has established their identity, the initial burden cast upon the assessee under Section 68 stands discharged. The Court further held that thereafter it is incumbent upon the Revenue to make further enquiries and bring material on record to disprove the explanation offered by the assessee. In the absence of any such adverse material, an addition under Section 68 cannot be sustained merely on the basis of suspicion or on account of non-response of the creditor to departmental notices.

5.12. It is further submitted that in the present case, the Revenue has not brought any material on record to rebut the explanation offered by the appellant, nor has it disputed the existence of the creditor or the underlying transaction, which also stands acknowledged in judicial proceedings before the Hon'ble Delhi High Court. Therefore, applying the ratio laid down by the Hon'ble Supreme Court, the impugned addition under Section 68 is unsustainable in law.

5.13. Further reliance can be placed upon below mentioned landmark judgment in the similar matter as follows:

the judgment of the Hon'ble Supreme Court in CIT v. Satranchand Baisoya & Bros. (1979) 117 ITR 159 (SC), wherein the Hon'ble Court held that for an addition to be sustained, the Revenue must bring on record positive evidence to rebut the explanation offered by the assessee. The Hon'ble Court observed that mere disbelief or lack of independent verification of the creditor's response does not, by itself, justify an addition under Section 68. Unless the Department establishes, on the basis of material on record, that the explanation offered is incorrect or incomplete, the explanation offered by the assessee must be accepted.

5.14. In the present case, the appellant, Angad Developers Pvt. Ltd., has fully disclosed the receipt of INR 75 lakhs/- from Versatile Commotrade Pvt. Ltd., which was deposited in the bank, recorded in the cash book, reflected in the audited financial statements, and supported by the sale agreement and the civil suit filed by the buyer before the Hon'ble Delhi High Court. The Revenue has not brought any material to rebut the explanation, nor disputed the identity of the creditor or the genuineness of the transaction. In view of CIT v. Satranchand Baisoya & Bros. (1979) 117 ITR 159 (SC), wherein it was held that mere disbelief or lack of independent verification cannot justify an addition under Section 68, the impugned addition of INR 75 lakhs/- is wholly unsustainable in law and deserves to be deleted.

Further reliance can be placed upon the judgment of the Hon'ble Supreme Court in CIT v. Lovely Exports (P) Ltd., 216 CTR 195 (SC), wherein the Hon'ble Court held that when the assessee provides a credible and verifiable explanation for any receipts, the Revenue cannot sustain an addition merely on the basis of suspicion or disbelief. The Court further observed that the burden lies on the Revenue to bring positive material to establish that the explanation is incorrect, incomplete, or not genuine.

5.15. In the present case, the appellant, Angad Developers Pvt. Ltd., has provided a complete and verifiable explanation for the receipt of INR 75 lakhs from Versatile Commotrade Pvt. Ltd., supported by bank entries, the cash book, audited financial statements, the sale agreement, and judicial

acknowledgment in the civil suit filed by the buyer before the Hon'ble Delhi High Court. The Revenue has failed to produce any evidence to show that the explanation is false, incomplete, or not genuine. In light of the principle laid down in CIT v. Lovely Exports (P) Ltd., 216 CTR 195 (SC), where the Hon'ble Court emphasized that mere disbelief cannot replace positive evidence, it is submitted that the appellant's explanation must be accepted in its entirety. Consequently, the impugned addition of INR 75 lakhs lacks any legal or factual basis and is liable to be deleted.

Further reliance can be placed upon the judgment of the Hon'ble Gujarat High Court in Deputy Commissioner of Income Tax v. Rohini Builders, (2002) 256 ITR 360 (Guj), wherein the Hon'ble Court held that where an assessee provides a complete explanation supported by credible evidence, including the identity and creditworthiness of the creditor, the Revenue cannot treat amounts as unexplained merely because the creditor's response is not independently verified or summonses are not complied with. The Court emphasized that the authorities must point to positive material contradicting the assessee's explanation to justify an addition under Section 68, and that mere doubt, suspicion, or procedural non-compliance is insufficient to sustain an addition.

5.16. In the present case, the appellant, has clearly established the receipt of INR 75 lakhs from Versatile Commotrade Pvt. Ltd., cash book records, audited financial statements, and acknowledgment in the civil proceedings before the Hon'ble Delhi High Court. The Revenue has not brought forward any evidence to indicate that the creditor was not genuine or lacked creditworthiness. Applying the principles laid down in Rohini Builders, it is

respectfully submitted that the addition of INR 75 lakhs cannot be sustained merely on the basis of procedural technicalities or the absence of independent verification, and must therefore be deleted.

5.17. That on the facts and circumstances of the case and in law, the Ld. CIT(A) erred in failing to consider the High Court suit and the audit report along with the financial statements of the appellant, which were duly submitted, substantiating the fact of receipt of cash money towards advance.

5.18. Without prejudice to the above, it is respectfully submitted that the Ld. CIT(A) erred in not appreciating the audit report and duly audited filed financial statements of the buyer, which were placed on record to conclusively establish the identity and creditworthiness of the purchaser. The appellant is a regularly assessed corporate entity, incorporated under the Companies Act, having audited accounts, PAN, and statutory compliances duly in place. The financial statements of the purchaser are a part of this paper book attached to this submission from page 136 to 158.

5.19. Further, as submitted above, at the specific request of the purchaser to keep the transaction alive, the Appellant Company received an amount of INR 75 lakhs in cash as earnest money. The said receipt was duly disclosed

and is also reflected in the civil suit filed by the purchaser against the Appellant. Significantly, the purchaser himself has filed a civil suit before the Hon'ble High Court seeking refund of the total advance paid to the Appellant Company, which included advance of INR 75 lakhs in cash paid by them. The pendency of this litigation conclusively establishes that the sum received was nothing but earnest money in respect of a genuine property transaction, and the nature of the receipt is not in dispute between the parties. However, despite these facts and supporting documentary evidence, the Ld. AO as well as the Ld. CIT(A) failed to properly appreciate the same and erroneously treated the said sum as unexplained cash credit under Section 68 of the Income-tax Act, 1961.

5.20. In addition to the above, the Learned CIT(A) erred in dismissing the appeal by holding that the judgment of the Hon'ble High Court dated 12/09/2018 does not establish that the buyer had paid an amount of INR 75 lakhs in connection with the land purchase. The CIT(A) failed to appreciate that the Hon'ble High Court order categorically records that "the appellant cannot be called upon to either furnish security, neither a decree could have been passed for a sum of INR 75 lakhs". This observation itself establishes

the recognition of the said sum in the dispute, and the reliance placed by the appellant on the said order cannot be disregarded. The finding of the CIT(A) is therefore perverse, contrary to record, and unsustainable in law.

5.21. The Hon'ble High Court, vide order dated 12/09/2018, has specifically referred to the disputed advance of INR 75 lakhs in the context of the pending civil dispute. A copy of said High Court order has been attached herewith as page no. 158A to 158B of the paper book. The Ld. CIT(A), despite the said order being specifically brought to his notice, failed to consider or even refer to the binding observations of the Hon'ble High Court. It is a settled principle that income-tax authorities are bound by the orders of superior courts, and disregard thereof amounts to gross violation of judicial discipline. The impugned order, therefore, suffers from a serious legal infirmity and is unsustainable in law. It is well settled that advances against property transactions are capital receipts, and mere dispute or non-completion does not convert them into taxable income.

5.22. The reliance can be placed on the following judicial precedents which are forming part of the paper book from page no. 159 to 186.

Hon'ble Supreme Court in Commissioner of Income Tax v. Balbir Singh Maini, (2017) 398 ITR 531 (SC), wherein the Hon'ble Court held that tax cannot be imposed on receipts that do not constitute realizable or legally enforceable income, and that contingent or hypothetical amounts cannot be treated as taxable merely because they appear in books or records. The Court emphasized that the Revenue must examine the substance of the transaction rather than rely on form or assumptions.

5.23. In the present case, the appellant, Angad Developers Pvt. Ltd., received INR 75 lakhs from Versatile Commotrade Pvt. Ltd. pursuant to a valid commercial arrangement for the sale of agricultural land, with the receipt duly recorded in the audited financial statements, and cash book and acknowledged in the civil suit filed by the buyer with the Hon'ble high court. The Revenue has neither questioned the legal enforceability of the transaction nor established that the receipt was contingent or hypothetical. In light of the principles in Balbir Singh Maini, it is evident that the cash receipt represents a genuine, enforceable entitlement arising from a valid commercial agreement, and therefore treating it as an unexplained credit is legally impermissible. The addition of INR 75 lakhs is consequently unsupported on the facts and law, and the same deserves to be deleted.

Further reliance can be placed upon the judgment of the Hon'ble Calcutta High Court in PCIT v. Rungta Properties Pvt. Ltd., 433 ITR 1 (Cal), wherein the Hon'ble Court examined the true character and legal substance of a transaction rather than merely its form, and held that the incidence of tax must be determined by examining whether the underlying transaction, on its true legal effect, gives rise to taxable income or is correctly

reflected in the assessee's books. The Court emphasized that where the true nature of a transaction is explained with cogent documentary and legal evidence, the authorities cannot re classify or recharacterise it in a manner that contravenes the substance of the actual agreement or legal rights arising therefrom, and that a mere assumption about the transaction's legal interpretation, without confronting its documented substance, is impermissible.

5.24. In the present case, the appellant, Angad Developers Pvt. Ltd., has received INR 75 lakhs from Versatile Commotrade Pvt. Ltd. as part of a bona fide transaction for the sale of agricultural land. This receipt is reflected in the cash book, bank statements, and audited accounts, and is acknowledged in the civil litigation initiated by the buyer. The Revenue has not demonstrated any discrepancy in the transaction itself. The principle laid down in PCIT v. Rungta Properties Pvt. Ltd., 433 ITR 1 (Cal HC) makes it clear that tax authorities cannot substitute their own assessment of what a transaction "should" represent for the actual legal and commercial reality, and cannot create additions based on assumptions or reinterpretation of otherwise valid transactions. Applying this principle, it is respectfully submitted that the impugned addition of INR 75 lakhs is not supported by evidence and represents an impermissible re-characterization of a legitimate commercial receipt. Accordingly, the addition deserves to be set aside.

6. Ld. Departmental Representative relied on orders of Departmental Authorities.

7. From examination of record, in light of the aforesaid rival contentions, it is crystal clear that, Ld. CIT(A) vide order dated 08.07.2025 upheld order dated 30.12.2018 of Ld. AO treating cash receipt of Rs.75,00,000/- from Versatile Commotrade Private Limited (hereinafter referred to as the “buyer”) against the sale of agricultural land as unexplained cash credit.

7.1. Appellant company had disclosed the fact of receipt of Rs.75,00,000/- in cash was reflected in Civil Suit filed by the buyer against the appellant. A sum of Rs.2 crores was received by the appellant company from the buyer. These include the cash receipts issued by the appellant company on receipt of the amount in cash from the buyer. A copy of Agreement to Sale has been included by the Buyer in their Suit filed before the Delhi High Court vide page no. 103 to 109 of the paper book. The audited accounts of the Buyer to prove their genuineness and credit worthiness are also enclosed as per Refer Page No. 136 to 158 of the Paper Book. The advance of Rs. 1.25 crores was received through banking channels and duly reflected in the books of account. The receipt of cash of Rs.75,00,000/- was duly recorded in the

regular books of account, reflected in the cash book for the relevant financial year, and accounted for by the Appellant Company in their books of accounts. Hon'ble High Court has also taken cognizance of the above facts. In view of above facts, the receipt of Rs.75,00,000/- stood fully explained and corroborated.

8. As per ratio of judgment in **CIT Vs. Orissa Corporation (p) Ltd. [1986] 159 ITR 78 (SC)** it is well settled that once the assessee has furnished the names and addresses of the creditors and has established their identity, the initial burden cast upon the assessee under Section 68 stands discharged. The Court further held that thereafter it is incumbent upon the Revenue to make further enquiries and bring material on record to disprove the explanation offered by the assessee. In the absence of any such adverse material, an addition under Section 68 cannot be sustained merely on the basis of suspicion or on account of non-response of the creditor to departmental notices.

9. In view of above material facts and well settled principle of law, addition of Rs.75,00,000/- made by Ld. AO being illegal is set aside.

10. Grounds of appeal Nos. 1 to 5 are accepted.

11. In the result, the appeal filed by the assessee is **allowed**.

Order pronounced in the open court on 17.04.2026

Sd/-
(S. Rifaur Rahman)
ACCOUNTANT MEMBER

Sd/-
(Vimal Kumar)
JUDICIAL MEMBER

Dated 17.04.2026
*Mittali, Sr. PS

Copy forwarded to:

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

ASSISTANT REGISTRAR
ITAT NEW DELHI