

आयकर अपीलीय अधिकरण, 'ए' न्यायपीठ, चेन्नई।
IN THE INCOME TAX APPELLATE TRIBUNAL
'A' BENCH: CHENNAI

श्री एबी टी. वर्की, न्यायिक सदस्य एवं सुश्री पदमावती यस, लेखक सदस्य के समक्ष
BEFORE SHRI ABY T. VARKEY, JUDICIAL MEMBER AND
MS. PADMAVATHY.S, ACCOUNTANT MEMBER

ITA No.2217/CHNY/2025 (निर्धारण वर्ष/Assmt. Year: 2016-17) Permanent Account Number: GAAPS4849K		
BOSE SARAVANAN 12-A, ARIMALAM PALAIYUR, PUDUKKOTTAI-622201, TAMIL NADU.	Vs.	DCIT, CIRCLE-2(1), TIRUCHIRAPPALLI-, TAMIL NADU
(अपीलार्थी / Appellant)		(प्रत्यर्थी / Respondent)
निर्धारिती द्वारा/Assessee represented by:	Mr. R.Subramanian, C.A.	
राजस्व द्वारा/Revenue represented by:	Mr. C.Sivakumar, Addl.CIT (virtual)	
सुनवाई की तारीख / Date of conclusion of hearing:	06-05-2026	
घोषणा की तारीख / Date of pronouncement:	11-05-2026	

आदेश / ORDER

PER PADMAVATHY.S, A.M:

This appeal by the assessee is against the order of the Commissioner of Income Tax (Appeals)/National Faceless Appeal Centre (NFAC), Delhi, (in short "CIT(A)") passed u/s. 250 of the Income Tax Act, 1961 (in short "the Act") dated 18.07.2025 for Assessment Year (AY) 2016-17.

2. The assessee is an individual and is a Chartered Accountant. The assessee filed a return of income for AY 2016-17 on 14.10.2016 declaring total income of Rs.2,95,197/-. The A.O received information that the assessee

:- 2 -:

has deposited substantial amount of cash into his bank account. Since the income declared by the assessee in the return of income is not commensurate with the cash deposit, the A.O had a reason to believe that the income of the assessee has escaped assessment and accordingly reopened the assessment by issue of notice u/s. 148 of the Act. The assessee submitted before the A.O that the impugned bank account was opened for the purpose of paying taxes on behalf of the clients and that the entire amount deposited is with respect to the amount received from the clients towards payment of various taxes such as income tax, VAT, TDS, Service tax, etc. The A.O however did not accept the submissions of the assessee and proceeded to make addition of Rs. 23 Crores u/s. 69A of the Act. Aggrieved, the assessee filed further appeal before the CIT(A). Before the CIT(A) the assessee submitted documents substantiating the payment of taxes on behalf of the clients. The CIT(A) enhanced the addition made by the A.O by Rs.6,87,60,832/- by considering the credits in another bank account of the assessee with HDFC bank account as unexplained. Aggrieved, the assessee filed further appeal before the CIT(A).

3. The Ld. Authorized Representative (AR) of the assessee submitted that the assessee is practising in a small town near Pudukottai and since the clients of the assessee did not have proper access to pay taxes online, the assessee undertook the responsibility of remitting various taxes on behalf of the clients. The Ld. AR took the Bench through the various debits in the bank account of the assessee to submit that all the debits pertain to various taxes paid by the assessee on behalf of his clients. The Ld. AR argued that the lower authorities are not correct in completely ignoring the debits in the impugned bank account and treating the entire credits as unexplained. The Ld. AR also took the bench through the sample bank challans towards taxes paid on behalf of the clients and the corresponding debits in the bank account of the assessee to

:- 3 -:

substantiate that these are the debits in the bank account is supported by the documentary evidence. With regard to the amount enhanced by the CIT(A), the Id. AR submitted that the assessee has transferred the impugned amount from Axis Bank to HDFC Bank which again is used to make payment towards taxes. The Ld. AR in this regard drew out attention to the HDFC bank statement containing the impugned entries (Page 359 of paper book). Accordingly, the Ld. AR submitted that the assessee has received the money in his fiduciary capacity to make payment towards taxes on behalf of clients and the money deposited in the bank account does not belong to the assessee.

4. The Ld. Departmental Representative (DR), on the other hand, relied on the orders of the lower authorities.

5. We have heard the parties, and perused the material available on record. The A.O noticed substantial tax deposit in the bank account of the assessee and accordingly reopened the assessment. The A.O did not accept the submissions of the assessee that the amount deposited belong to clients on whose behalf the assessee has made various tax payments. On further appeal, the CIT(A) enhanced the addition made by the A.O considering the deposit in one more bank account of the assessee. The assessee before us submitted an affidavit in support of the claim that the deposit in the bank account are amounts collected from the clients towards payment of various taxes and does not belong to the assessee. The relevant extract of the affidavit is reproduced below:

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தமிழ்நாடு தமில்நாடு TAMILNADU
BOSE SARAVANAN
7 APR 2025

EU 569762
S.P. VELUSAMY
STAMP VENDER
LICENCE No. 15 / B3 / 97
K.K. NAGAR, CHENNAI - 78

AFFIDAVIT

BEFORE THE HON'BLE INCOME TAX APPELLATE TRIBUNAL

IN THE MATTER OF : BOSE SARAVANAN
Assessment Year : 2016-17
ITA No. : 2217/CHNY/2025

I, Bose Saravanan, Son of Bose, aged about 36 years, residing at 2A, Arimalam Palaiyur Pudukkottai – 622 201, do hereby solemnly affirm and state as under:

I am the appellant in the above matter and hence competent to swear this affidavit.

I am a Chartered Accountant by profession, practicing in a small village and surrounding rural areas, regularly engaged in providing professional services including tax compliance, filing of return of Income.

I hereby state and submit that a substantial majority of my clients are persons with limited educational background, who are not conversant with statutory compliances and lack familiarity with online banking systems and electronic modes of tax payment

and are therefore entirely dependent upon my professional assistance for compliance with various statutory obligations under the applicable laws.

In the course of my professional practice, such clients have paid cash to me solely for the purpose of remitting their statutory dues, including Income Tax, Tax Deducted at Source (TDS), Value Added Tax (VAT), and Service Tax, on their behalf.

I hereby state that the amounts so received from clients were immediately deposited into my bank account purely as a temporary measure and were thereafter utilized exclusively for making statutory payments on behalf of such clients, without retaining any portion thereof as my income.

During the Financial Year relevant to Assessment Year 2016-17, I had deposited a total sum of Rs. 29,87,60,832/- into my bank account. [Axis Bank: Cash Deposit of Rs. 27,29,61,954/- and HDFC Bank: Cash Deposit of Rs. 2,57,98,878/-]

I hereby state that the said cash deposits do not represent my income, but constitute amounts received from my clients exclusively for the purpose of remitting statutory dues on their behalf.

Out of the aforesaid amount deposited, I have utilised the same towards payment of statutory liabilities of my clients as under:

Particulars	Amount (Rs.)
CBDT - Income Tax	22,13,95,742/-
CBDT - TDS	2,36,991/-
TNVAT	7,13,95,431/-
CBDT - Service Tax	53,59,408/-
TOTAL	29,83,87,572/-

All such payments were made without delay upon receipt of funds from the respective clients.

I further state that the challans evidencing payment of the aforesaid statutory dues are available on record and have been duly produced before the Authority. The said challans clearly establish that the payments were made in the names of the respective clients to the statutory authorities and not towards any personal liability of mine.

:- 5 -:

I further state that I have not earned any income whatsoever out of the aforesaid transactions and that the amounts received from my clients were held by me in a fiduciary capacity, with no element of profit, commission, or personal benefit embedded in the said cash deposits.

I reiterate that the cash deposits in my bank account represent client funds temporarily handled exclusively for statutory compliance purposes and that the said bank account was used solely for remitting statutory dues on behalf of my clients. Accordingly, such amounts cannot be treated as my income under the provisions of the Income Tax Act, 1961, including Sections 68, 69, or 69A of the Income Tax Act, 1961.

In the course of my professional practice, it is a common and bona fide practice, and consistently followed, that


Clients entrust funds for payment of statutory dues; The same are deposited into bank and remitted to Government accounts; Such transactions are duly recorded in the books of Accounts and are not in the nature of income.

The entire transaction is duly recorded in my regular books of account, including cash book and bank book, which were produced before the Commissioner of Income Tax Appeals (NFAC).

I respectfully submit that the Assessing Officer has considered only the credit entries in the bank account (cash deposits) and has completely ignored the corresponding debit entries, which clearly establish that the amounts were utilised only for statutory payments.

I further submit that the closing balance as per my bank book as on 31.03.2016 is only Rs. 7,31,056/-, which clearly demonstrates that the cash deposits were not retained or accumulated by me. The funds were continuously cycled and utilised for statutory remittances. There is no accretion of income or unexplained enrichment

I state that the above transactions are genuine, bona fide and fully explained, and the addition made by the Assessing Officer amounting to Rs. 29,87,60,832/- treating the same as my income is factually incorrect and legally unsustainable.



VERIFICATION

I, Bose Saravanan, do hereby verify that the contents of the above affidavit are true and correct to the best of my knowledge, belief and information and nothing material has been concealed therefrom.



DEPONENT

Place: Pudukottai

Date: 30.04.2026

5. From the perusal of the various documents submitted by the assessee (pages 1 to 433 of paper book – I and paper book II containing 119 pages), we notice that the assessee has made tax payments through his bank account to the tune of Rs. 29,83,87,572/-. We further notice that on sample basis the tax challans match with the debits reflected in the bank account of the assessee.

:- 6 -:

We also notice that the lower authorities while making the addition has completely ignored the debits in the impugned bank account of the assessee which in the narration clearly mentions the various government authorities that supports the contention of the assessee that the amounts collected are used towards various tax payments on behalf of the clients of the assessee. Considering the overall facts and circumstances, we see merit in the submission that the assessee has acted as a conduit for payment of taxes on behalf of the clients and that the deposits reflecting in the bank account of the assessee does not belong to the assessee. Further, the debits in the bank accounts reflecting the payment of taxes also substantiate the submissions of the assessee. Accordingly, we are of the considered view that the addition made treating the credits in the bank account of the assessee as unexplained cannot be sustained considering various evidences submitted by the assessee. Therefore, we direct the A.O to delete the addition made in this regard.

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

Order pronounced on 11th day of May, 2026 at Chennai.

Sd/-
(एबी टी. वर्की)
(ABY. T. Varkey)

न्यायिक सदस्य / Judicial Member

Sd/-
(पदमावती यस)
(Padmavathy.S)

लेखा सदस्य / Accountant Member

चेन्नई/Chennai, दिनांक/Dated: 11th May, 2026.

EDN, Sr. P.S

:- 7 -:

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT, Chennai/Madurai/Coimbatore/Salem
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF

EJTADA DURGA
NARESH

Digitally signed by
EJTADA DURGA NARESH
Date: 2026.05.13
11:33:47 +05'30'