

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

श्री जॉर्ज जॉर्ज के, उपाध्यक्ष एवं सुश्री पद्मावती एस, लेखा सदस्य के समक्ष
**BEFORE SHRI GEORGE GEORGE K, VICE PRESIDENT AND
MS PADMAVATHY S, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No.: **2931/CHNY/2025**

निर्धारण वर्ष/Assessment Year: 2017-18

&

C.O. No.4/CHNY/2026

[in I.T.A.No.2931/CHNY/2025]

The Income Tax Officer,
Ward 1,
Tiruvarur

Shri Jaisingh Shankar,
Vs. No.122, Thiruthuraipoondi
Road, Muthupet,
Thiruvarur – 614 704.

(अपीलार्थी/Appellant)

PAN: AKDPJ 3201H
(प्रत्यर्थी/Respondent)/Cross Objector

राजस्व की ओर से /Revenue by

: Ms. Nayani Swapna, CIT

निर्धारिती की ओर से/Assessee by

: Shri H. Yeshwanth Kumar, Advocate

सुनवाई की तारीख/Date of Hearing

: 07.07.2026

घोषणा की तारीख/Date of Pronouncement

: 10.07.2026

आदेश /O R D E R

PER GEORGE GEORGE K, VICE PRESIDENT:

This appeal filed by the Revenue and the cross objection filed by the assessee is directed against the order of Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi dated



26.08.2025, passed under section 250 of the Income Tax Act, 1961 (hereinafter called 'the Act'). The relevant Assessment Year is 2017-18.

2. We shall first adjudicate the appeal filed by the Department (ITA No.2931/CHNY/2025). The grounds raised by the Revenue reads as follows:-

(1) The order of the Ld. CIT(A) is opposed to law on the facts and in the circumstances of the case.

(2) The Ld. CIT(A) was correct in deleting the addition of Rs.3,44,35,116/- made u/s 69A of the Income-tax Act, 1961 without appreciating the fact that the assessee has failed to produce concrete evidence such as written agreements with foreign exchange entities to establish that he acted as an authorized sub-agent of the said foreign exchange entities.

(3) The Ld. CIT(A) erred in holding that the assessee acted as an authorized sub-agent of the said foreign exchange entities merely because he had received commission income from the said entities, when the assessee failed to establish, with documentary evidence, that the fund transfers in his bank account were meant only for disbursement to clients of the foreign exchange entities.

(4) The Ld. CIT(A) erred in deleting the addition of Rs.3,44,35,116/- made u/s 69A of the Income-tax Act, 1961, as the assessee had failed to establish, with documentary evidence, that the fund transfers in his bank account were meant only for disbursement to clients of the foreign exchange entities, especially in the absence of evidence of instructions from such entities and where such disbursement to clients did not occur through banking channels.

(5) For these and such other grounds that may be adduced at the time of hearing, it is prayed that the order of the Ld. CIT(A) may be reversed and that of the Assessing Officer restored.



3. Brief facts of the case are as follows: The assessee is an individual. For the assessment year 2017-18, he did not file his return of income u/s.139(1) of the Act. Based on information available with the Department that credits aggregating to Rs.3,67,22,792/- were reflected in the assessee's bank account maintained with Lakshmi Vilas Bank (now DBS Bank), a notice u/s.148 of the Act was issued on 28.03.2024. During the reassessment proceedings, the AO noticed that there were total cash withdrawals of Rs.3,44,35,116/- and cash deposits of Rs.5,00,000/- in the above mentioned bank account of assessee. The AO directed the assessee to explain the transactions in the bank account. In response, the assessee submitted that he was engaged as a commission agent/sub-agent for foreign exchange entities, namely Tanscorp International Ltd. and Muthoot Forex Ltd., and that the funds received in his bank account were meant solely for disbursement to customers after verification of KYC documents. It was explained that the assessee merely acted as an intermediary, maintained books of account including day book and ledger, and that the cash withdrawals represented cash disbursed to customers as per the instructions of the foreign exchange companies. The AO called upon the assessee to explain why the cash withdrawals should not be treated as unexplained money u/s.69A of the Act. The assessee



reiterated that the withdrawals were duly recorded in the books and pertained to his commission agency business. However, he expressed his inability to furnish complete details of the end beneficiaries, such as their names, PANs, e-mail IDs and supporting instructions from the foreign exchange entities, stating that the business had been closed and the records were not readily available. The AO was not convinced with the explanation submitted by the assessee. The AO held that the assessee had failed to discharge the onus of substantiating the purpose of the cash withdrawals with cogent documentary evidence and treated the cash withdrawals as unexplained money u/s.69A r.w.s. 115BBE of the Act in the reassessment order completed u/s.147 r.w.s.144B of the Act (order dated 17.01.2025). The relevant findings of the AO are as under:

*“4.5.1
.....In view of the same, it is crystal clear that the assessee has nothing to say in respect of huge cash withdrawal during the year under consideration. Hence, the said transaction of cash withdrawal of Rs. 3,44,35,116/- remained unexplained for the year under consideration in the absence of supporting documentary evidences from the assessee. Therefore, the corresponding credits/ receipts against the transaction amounting to Rs. 3,44,35,116/- is being treated as unexplained money of the assessee for the year under consideration and accordingly the said unexplained money of Rs. 3,44,35,116/- is added back to the taxable income for the year under consideration in view of provisions of section 69A r.w.s. 115BBE of the I.T. Act, 1961.”*



4. Aggrieved, assessee filed appeal before the First Appellate Authority (FAA). Before FAA, the assessee furnished copies of the relevant bank statements, day book and ledger accounts. After extracting the relevant extracts and upon examining the material on record, the FAA found that the assessee was engaged as an authorised sub-agent of Transcorp International Ltd. and Muthoot Fincorp Ltd., facilitating money transfer transactions on a commission basis. The FAA observed that the foreign exchange entities remitted funds to the assessee's designated bank account in Lakshmi Vilas Bank (now DBS Bank), and the assessee's role was confined to verifying the KYC compliance of customers and disbursing the amounts to the beneficiaries as per the instructions of the foreign agents. The FAA further noted that commission income paid to the assessee was subjected to tax deduction at source u/s.194H of the Act, as reflected in Form 26AS, thereby corroborating the assessee's claim of acting merely as an intermediary. Accordingly, the FAA held that the assessee was not the beneficial owner of the funds deposited in the bank account and directed the AO to delete the addition of Rs.3,44,35,116/- made u/s.69A of the Act. The relevant findings / conclusions of the FAA read as follows:-

“4.5 The facts and circumstances of the case clearly establish that the appellant was functioning as an intermediary/authorized sub-agent of M/s.



Transcorp International Ltd. and M/s. Muthoot Forex Ltd. In this capacity, the appellant received a total sum of Rs. 3,56,57,700.68/- from the aforesaid entities in his bank account No. 452352000000190. These funds were not in the nature of the appellant's income but were received solely for the purpose of onward disbursement to various clients, after due verification of their KYC documents, and the appellant derived only commission income for rendering such services. In light of the above facts, and considering the evidences placed on record which substantiate the appellant's role as an intermediary rather than the beneficial owner of the deposits, the addition of Rs. 3,44,35,116/- made by the Assessing Officer by invoking the provisions of section 69A of the Act cannot be sustained. The Assessing Officer is accordingly directed to delete the said addition from the hands of the appellant. Accordingly, the Ground No. 3, 4 & 6 raised in the appeal is allowed."

5. Aggrieved by the order of the FAA, the Department has filed the present appeal before the Tribunal. The Ld.DR relied on the grounds raised and the findings of the AO.

6. The Ld.AR reiterated the submissions made before the Income-tax Authorities and relied on the findings of the FAA.

7. We have heard rival submissions and perused the material on record. The reassessment proceedings were initiated on the basis of information that credits aggregating to Rs.3,67,22,792/- were reflected in the assessee's bank account. During the reassessment proceedings, it was noticed that the actual cash deposits were only Rs.5,00,000/-, whereas the cash withdrawals amounted to Rs.3,44,35,116/-. The AO called upon the assessee to explain the purpose of such withdrawals. The assessee explained that he was



functioning as an authorized sub-agent of Transcorp International Ltd. and Muthoot Forex Ltd. and that the cash withdrawn was utilized for making payments to the ultimate beneficiaries in accordance with the instructions of the said entities. However, since the assessee could not furnish complete particulars of the beneficiaries, such as their names, PANs and e-mail IDs, the AO invoked the provisions of section 69A of the Act and treated the cash withdrawals as unexplained money.

8. We find that the First Appellate Authority, after examining the bank statements, day book, ledger accounts and Form 26AS, has recorded a categorical finding that the assessee was engaged as an authorized sub-agent of Transcorp International Ltd. and Muthoot Forex Ltd. on a commission basis. The documentary evidence demonstrates a consistent pattern of receipt of funds from the said entities and corresponding disbursement to beneficiaries. The Form 26AS also reflects commission income received by the assessee from the aforesaid entities, on which tax was deducted at source u/s.194H of the Act, thereby corroborating the assessee's claim that he was merely an intermediary and that his income was confined to commission earned from such agency operations. The Revenue has not brought any material on record to controvert the factual findings



recorded by the FAA or to establish that the assessee was the beneficial owner of the funds withdrawn from the bank account. In the absence of any such evidence, and having regard to the nature of the transactions supported by the books of account, bank statements and Form 26AS, we find no infirmity in the conclusion of the FAA that the assessee merely facilitated the transfer of funds on behalf of the foreign exchange companies and that the amounts routed through his bank account did not represent his unexplained money. Even otherwise, in our considered view, the approach adopted by the AO is legally unsustainable. Section 69A of the Act contemplates addition of unexplained money, bullion, jewellery or other valuable articles found to be owned by the assessee. In the context of bank transactions, we are of the view that the provision may apply to unexplained cash deposits or credits and not to cash withdrawals from the assessee's own bank account. Therefore, the basis for invoking section 69A of the Act in respect of cash withdrawals in our view is misplaced given the facts and circumstances of the case. Accordingly, we uphold the order of the FAA deleting the addition of Rs.3,44,35,116/- made u/s.69A of the Act. The grounds raised by the Revenue are dismissed.



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9. In the cross objection, the assessee has raised a legal ground challenging the validity of the reopening of assessment u/s.148 of the Act. Since the Ld.AR did not press the said ground at the time of hearing, the same is dismissed as not pressed.

10. In the result, the appeal filed by the Revenue and the cross objection preferred by the assessee are dismissed.

Order pronounced in the open court on 10th July, 2026 at Chennai.

Sd/-

(पद्मावती एस)

(PADMAVATHY S)

लेखा सदस्य/ACCOUNTANT MEMBER

चेन्नई/Chennai,

दिनांक/Dated, the 10th July, 2026

RSR, Sr.PS

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. निर्धारिती /Assessee
2. राजस्व /Revenue
3. आयकर आयुक्त /CIT, Madurai
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF.

Sd/-

(जॉर्ज जॉर्ज के)

(GEORGE GEORGE K)

उपाध्यक्ष /VICE PRESIDENT

By Order