आयकर अपीलीय अधिकरण, हैदराबाद पीठें, हैदराबाद

INCOME TAX APPELLATE TRIBUNAL
HYDERABAD BENCHES, HYDERABAD

BENCH: A

BEFORE SHRI VIJAY PAL RAO, VICE PRESIDENT &
SHRI MANJUNATHA.G, ACCOUNTANT MEMBER

ITA 2411/HYD/2025 (निर्धारण वर्ष/Assessment Year: **2023-24**)		
SANTOSH KUMAR KATTURI 4-185/1, MAIN ROAD, BOATH, ADILABAD-504304, TELANGANA	Vs.	ITO, WARD-1 BEHIND TIRUMALA FILLING STATION ADILABAD-504001, TELANGANA
अपीलार्थी **Appellant**		प्रत्यर्थी **Respondent**
Permanent Account Number of Assessee**:**		ACTPK1261E
अपीलार्थी द्वारा/Appellant represented by:		Mr. Pradeep Raj Kuna, CA
प्रत्यर्थी द्वारा/Respondent represented by:		Mrs.Seema Meena, CIT-DR

सुनवाई की तारीख / Date of conclusion of hearing:	01.10.2026
घोषणा की तारीख / Date of pronouncement:	16.10.2026

आदेश / ORDER

PER MANJUNATHA.G, AM:

This appeal filed by the assessee is directed against the order of the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), [in short "the Ld.CIT(A)"] Delhi, dated 31.10.2025, and pertains to assessment year 2023-24.

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2. The brief facts of the case are that the assessee is a commission agent, engaged in the business of purchase & sale of grains & Kapas in the name & style of M/s. Mallikarjuna Commission Agent, at the Agricultural Market Committee, Baoth Mandal, Adilabad district. The assessee had filed its Return of Income for AY 2023-24 declaring total income of Rs.20,42,800/-. The case was selected for scrutiny under CASS for the reason cases in which large additions made in earlier years. During the course of assessment proceedings, the AO issued notice u/s.142(1) of the Income Tax Act, 1961 [in short "the Act"] along with questionnaire and called upon the assessee to furnish financial statement, bank accounts and details of unsecured loan, etc. In response, the assessee submitted various details as called for by the AO. The AO after considering relevant details submitted by the assessee observed that the assessee has made cash withdrawal amounting to Rs.31,43,00,647/- from his bank account held with SBI and therefore, issued show cause notice dated 28.02.2025 and called upon the assessee to explain the reason for withdrawal of huge cash from the bank account. In response, the assessee vide letter dated 04.03.2025 submitted that, he is a commission agent and received amount from M/s. Sai Datta Ginning & Pressing Factory [in short "M/s.SDG**&**PF"] for supply of cotton directly from the farmers through his Commission Agency and out of amount received from M/s.SDG**&**PF, he withdrawn cash from the bank and distributed to the farmers. To support his contention filed relevant license issued by the Agricultural Marketing Committee, details of sale of cotton through various farmers to M/s.SDG**&**PF, relevant bank account

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statement, etc. The AO after considering relevant submissions, observed that the assessee has failed to explain the source for cash deposits which was withdrawn during the year and also failed to prove the relevant documentary evidence, bills, vouchers, etc., to establish the creditworthiness and genuineness of the parties from whom the goods were sold/purchased during the year to support cash withdrawal of Rs.31,43,00,647/-. Therefore, rejected explanation of the assessee and made addition towards entire amount of cash withdrawals of Rs.31,43,00,647/- as unexplained expenditure u/s.69C of the Act.

3. Aggrieved by the assessment order, the assessee preferred an appeal before the Ld.CIT(A). Before the Ld.CIT(A), the assessee has reiterated his submissions made before the AO and claimed that, he is a commission agent for farmers as per license issued by the Agricultural Marketing Committee and the source for cash withdrawal from bank amounting to Rs.31,43,00,647/- was out of amount received from M/s.SDG**&**PF towards supply of cotton directly from the farmers. The amount of cash withdrawal from bank has been distributed to the farmers on the very same day. The Ld.CIT(A) after considering relevant submissions of the assessee and also taken note of relevant reasons given by the AO to make addition towards cash withdrawal as unexplained expenditure u/s.69C of the Act observed that the assessee has failed to demonstrate the creditworthiness of the parties involved in transportation of goods procured and sold or complied with statutory provisions such has GST regulations, including proper filing of returns, tax invoice and e-way bills, etc. The Ld.CIT(A) further observed

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that unless the assessee is demonstrated with cogent evidences, the explanation of the assessee for huge cash withdrawal can't be accepted. Therefore, rejected the explanation of the assessee and upheld the addition made by the AO.

4. Aggrieved by the order of the Ld.CIT(A), the assessee is now in appeal before this Tribunal.

5. The Ld. Counsel for the assessee, Mr.Pradeep Raj Kuna, CA, submitted that the Ld.CIT(A) erred in confirming the addition made by the AO towards cash withdrawals of Rs.31,43,00,647/- u/s.69C of the Act as unexplained expenditure without appreciating the relevant fact that the provisions of Sec.69C of the Act can't be pressed into service when the source for said cash withdrawal was accepted by the AO. The Ld. Counsel for the assessee further submitted that the assessee is a licensed commission agent issued by the Agricultural Marketing Committee and working as a commission agent for procurement and supply of cotton from the farmers to the Ginning Mills. The assessee has procured cotton from various farmers and the same has been directly supplied to M/s.SDG**&**PF, but the amount towards supply of cotton has been paid through commission agent. The assessee being a commission agent received amount from M/s.SDG**&**PF through RTGS and the same has been withdrawn on the very same day and paid to the farmers. To support his contention filed relevant "takpatti" and claimed that the assessee is not raising any bills for supply of cotton and further supply is directly from farmers to M/s.SDG**&**PF.

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Therefore, he submitted that the AO erred in making addition towards cash withdrawal u/s.69C of the Act and thus, the addition made by the AO should be deleted.

6. The Ld.Sr.AR for the Revenue, on the other hand, supporting the order of the AO & the Ld.CIT(A) submitted that the assessee has not furnished any evidence to explain the reason for withdrawal of huge amount of cash from the bank account and thus, the AO has treated cash withdrawal from bank account as unexplained expenditure and made addition u/s.69C of the Act. Therefore, he submitted that the addition made by the AO should be upheld.

7. We have heard both the parties, perused the materials available on record and had gone through orders of the authorities below. There is no dispute with regard to the fact that the assessee is a commission agent as per the license issued by Agricultural Marketing Committee, Baoth Mandal, Adilabad District, in the name & style of M/s. Mallikarjuna Commission Agent. It is also not in dispute from the facts available on record that the assessee has received entire amount of credit in his bank account through RTGS from M/s.SDG**&**PF. The assessee claims that, he is a commission agent and deals with farmers and M/s.SDG**&**PF for procurement of cotton from the farmers and supply directly to M/s.SDG**&**PF. But, payment towards purchase of cotton from the farmers has been paid through commission agent. To support his arguments, furnished relevant bank account statement & "takpatti" issued by M/s.SDG**&**PF under Annual

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Contract. We have verified relevant bank accounts which are available in Paper Book filed by the assessee and as per the bank account statement, the entire amount of credits in his bank account was received through RTGS or cheque deposited from M/s.SDG&PF. Further, on the very same day, the assessee has withdrawn cash from the bank account in total and the assessee further claimed cash withdrawn from the bank has been distributed to the farmers, for which, the assessee has filed a list of farmers who supplied cotton to M/s.SDG&PF along with details of quantity of cotton supplied by the farmers and amount paid against supply of cotton. The assessee had also furnished "takpatti" issued by M/s.SDG&PF and as per the "takpatti", we find that the assessee's name was taken as Commission Agent and further specified the quantity of cotton procured from the farmers, name of farmer, their address, if bank account is available, relevant bank account details, etc., including vehicle number. Therefore, in our considered view, from the details submitted by the assessee, it appears that the assessee is a Commission Agent arranges procurement of cotton from the farmers and supply to M/s.SDG&PF directly without raising any purchase invoices in his name. The assessee had also claimed that in this line of business activity, the commission agent doesn't raise any sales invoice or purchase invoice and only acts as a Commission Agent on the basis of "takpatti" issued by the purchaser i.e. M/s.SDG&PF and thus, going by the nature of business of the assessee and the evidences submitted in support of its contention, it appears that there is no dispute about source for cash withdrawal from bank account, which is the subject matter of

additions u/s.69C of the Act. In fact, the assessee has received entire amount of credit in his bank account from one party i.e. M/s.SDG**&**PF and the amount has been withdrawn on the very same day and claims to have paid to farmers. Since source for cash withdrawn was accepted by the AO as received from M/s.SDG**&**PF, in our considered view, the addition made by the AO towards cash withdrawn from his bank as unexplained expenditure u/s.69C of the Act, can't be sustained. Because, Section 69C of the Act is applicable only in a case where in any Financial Year, the assessee has incurred any expenditure and offers no explanation about the source of such expenditure or explanation, if any, offered by him is not the opinion of the AO, satisfactorily, the amount covered by such expenditure or part thereof, as the case may be deemed to be income of the assessee for such Financial Year. In the present case, the AO never proved any expenditure incurred by the assessee, which was not recorded in the books of accounts, nor made out a case that the assessee has not explained the source for such cash withdrawal. Therefore, in our considered view, the addition made by the AO towards cash withdrawn from bank account u/s.69C of the Act can't be upheld.

8. Further, although the assessee has proved receipt of credits in his bank account through M/s.SDG**&**PF in the light of "takpatti" issued by above party but not conclusively proved the payment of cash withdrawn from bank to the farmers with supporting evidences. Although, the assessee has filed an excel-sheet showing details of name of the farmer and quantity of cotton procured from them along with value and against this cash payment to the

farmers but has filed few sample "takpattis" for our verification. Since the assessee has not submitted complete details of "takpatti" to support the entire amount of cash withdrawn and payment to the farmers, in our considered view, for limited purpose of verification of "takpatti", the issue needs to be set aside to the file of the AO. Thus, we set aside the order of the Ld.CIT(A) and restore the issue to the file of the AO. The AO is directed to verify the claim of the assessee in the light of relevant "takpatti" issued by M/s.SDG**&**PF to prove the claim of the assessee towards cash withdrawal from bank and payment to farmers. In case, the assessee is able to submit relevant details of "takpatti", then the AO is directed to delete addition towards cash withdrawal from bank account for Rs.31,43,00,647/- u/s.69C of the Act.

9. In the result, appeal filed by the assessee is allowed for statistical purposes.

Order pronounced in the open court on 16.10.2026.

Sd/-	**Sd/-**
(विजय पाल राव)	**(मंजूनाथा. जी)**
(VIJAY PAL RAO)	**(MANJUNATHA.G)**
उपाध्यक्ष /VICE-PRESIDENT	**लेखा सदस्य/ACCOUNTANT MEMBER**

Hyderabad
Dated: 16.10.2026
TLN

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Copy to:

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2	ITO, WARD-1, BEHIND TIRUMALA FILLING STATION, ADILABAD-504001, TELANGANA
3	THE PCIT / CIT, HYDERABAD
4	THE D.R., ITAT, HYDERABAD BENCH
5	GUARD FILE

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ASSISTANT REGISTRAR /
SR. PRIVATE SECRETARY
I.T.A.T., HYDERABAD

Sr. No.	Details	Date
1	Draft dictated on	06.10.26
2	Draft placed before author	14.10.26
3	Draft proposed & placed before the Other Member	
4	Draft discussed/approved by the Other Member	
5	Approved Draft comes to the Sr. PS/PS	
6	Kept for pronouncement	
7	File came to P.S.	
8	Date of uploading the Tribunal Order on website	
9	File sent to the Bench Clerk / Dealing Clerk	
10	Date on which the file goes to Office Superintendent	
11	Date on which file goes to Assistant Registrar	
12	Date of Dispatch of order	