आयकर अपीलीय अधिकरण
पटना 'डीबी' बेंच कोलकाता मे

IN THE INCOME TAX APPELLATE TRIBUNAL
PATNA 'DB' BENCH AT KOLKATA

[Virtual Court]

Before

SHRI YOGESH KUMAR US, JUDICIAL MEMBER
&
SHRI RAKESH MISHRA, ACCOUNTANT MEMBER

ITA No(s). 358/PAT/2026
Assessment Year(s) 2018-19

Jai Jai Ram Singh Koriyama, Rajaur Garhpura, Begusarai, Bihar, 848204	Vs.	**Income Tax Officer, Ward-2(1)** Begusarai, Bihar, Bhagalpur, Bihar, 848204
(अपीलार्थी/Appellant)		***(प्रत्यर्थी/Respondent)***
***स्थायी खाता संख्या*/PAN: AOKPS8780H**		

उपस्थिति/Appearance:

अपीलार्थी के ओर से/

Assessee represented by (AR) **:** Harshit Srivastava, AR.

प्रत्यर्थी के ओर से/

Department represented by (DR) **:** Ravi Kant Chowdhary, Sr. DR.

सुनवाई की तिथि/
Date of concluding the hearing : 07.10.2026

आदेश उद्घोषणा की तिथि/
Date of pronouncing the order : 16.10.2026

आदेश/ORDER

PER RAKESH MISHRA, ACCOUNTANT MEMBER:

This appeal filed by the assessee is against the order of the National Faceless Appeal Centre (NFAC), Delhi Ld. CIT(A) passed u/s 250 of the Income Tax Act, 1961 (the 'Act') for AY 2018-19 dated 25.03.2026.

2. The assessee is in appeal before the Tribunal raising the following grounds of appeal:

> *"1. The Ld. AO and Ld. CIT(A), both the officers have erred in not appreciating either the facts & circumstances of the case or the submissions of appellant and has further erred in passing an impugned assessment order which is bad in law & on facts.*
>
> *2. The Ld. AO has erred in not providing a sufficient opportunity of being heard before making the assessment.*
>
> *3. The Ld. CIT(A) has erred in not making speaking order which is bad in law. Hence order dated 25/03/2026 is not in accordance with the law.*
>
> *4. The Ld. AO has completely disregarded the facts that there was covid crisis going on all over the world and the assessee was unable to provide supporting documents due to constraints of the Covid 19 pandemic.*
>
> *5. The Ld. AO and Ld. CIT(A), both the officers have erred in making/confirming addition of Rs. 92,66,803/- u/s 68 of the Act in the hands of appellant which is against true spirit of law and the provisions laid down under section 68 of the Act itself.*
>
> *6. The ld. AO and CIT(A), both the officers have not appreciated the fact that the appellant carry a prestigious financial status and earns income in crores as evident from past returns of income furnished by him.*
>
> *7. The Ld. AO and Ld. CIT(A), both the officers have erred in fact that amount in question has already been offered to tax by the assessee hence there is no escapement of income by the assessee. Such addition may lead to double taxation effect which is not permissible under the law.*
>
> *8. The Ld. AO and Ld. CIT(A), both the officers have erred in law and on facts that no addition can be made on the basis of mere conjecture, surmises, assumptions and suspicion.*
>
> *9. The ld. assessing officer has made total addition of Rs. 92,66,803/- into the total income of appellant which is unconstitutional and against the provisions of article 265 of Constitution of India. Hence, needs to be DELETED.*
>
> *10. The Ld. AO and Ld. CIT(A) both the officers have erred in fact that the alleged amount is the part of opening balance in the F.Y. 2017-18 relevant to the A.Y. 2018-19.*
>
> *The appellant craves leave to add, alter or amend any of the grounds before or at the time of hearing."*

3. Brief facts of the case are that the assessee had filed the return of income for AY 2018-19 on 25.08.2018 declaring total income at ₹4,85,08,140/-. During the course of the assessment proceeding, the Assessing Officer [Ld. 'AO'] investigated the capital introduction of ₹5,77,74,943/-. The Ld. AO observed that the excess of capital introduced over the total income earned remained unexplained, as the assessee had failed to provide satisfactory documentary evidence to establish the identity, genuineness, and creditworthiness of the provider of the funds. Consequently, the Ld. AO made an addition of ₹92,66,803/- u/s 68 of the Act and assessed the total income of the assessee at ₹5,77,74,943/- u/s 143(3) of the Act. Aggrieved with the assessment order, the assessee filed an appeal before the Ld. CIT(A), who considered the assessee's submission that the discrepancy was merely a rectification entry where profit was not transferred to the capital account in the previous year's balance sheet, but rejected this claim as according to him the balance sheet should tally at the year-end and no revised return of income was filed voluntarily. Accordingly, the Ld. CIT(A) confirmed the order of the Ld. AO and dismissed the appeal of the assessee vide his findings as under:

> *"5.2. The ground nos.1 & 2 raised by the appellant is against the action of the AO in making the addition u/s.68 of the Act. All the grounds are clubbed together for the sake of convenience.*
>
> *5.3. The AO stated that the appellant introduced capital of Rs.5,77,74,943/- during the year under consideration. The appellant filed his ITR by declaring a total income of Rs.4,85,18,144/- which comprises Income from Salary of Rs.3,00,00,000/-, Income from House Property of Rs.1,54,63,817/-, Income from Business & Profession of Rs. 1,54,63,817/- & Income from Other Sources of Rs.23,70,768/-. The appellant did not furnish any documentary evidence regarding the increase in the capital, the identity, genuineness and creditworthiness was not proved from the amount received. The difference amount of Rs.92,66,803/- (Rs.5,77,74,943/-(-) Rs.4,85,18,144/-) was*

treated as income u/s.68 of the Act and added to the total income of the appellant.

5.4. The appellant stated that there was no income which has escaped the tax. It was just a rectification entry in the capital account which led to the wrong conclusion. The closing capital for the FY 2016-17 was shown at Rs.16,61,11,202/- but profit earned during the year amounting to Rs.2,54,52,167/-, profit was kept in the P & L a/c not transferred to capital account in the Balance Sheet. Thus, the opening was taken for the year under consideration as Rs. 16,61,11,202/- instead of Rs. 19,15,63,369/-. The appellant mentioned in the Form-35 that there was additional evidence such as Capital Account. The appellant furnished the copy of capital account for the FY 2017-18, Balance Sheet for the FY 2016-17 & 2017-18 in support of his claim. The same were perused by the AO also, hence it cannot be termed as additional evidence. The contention of the appellant is there was a rectification entry in the capital account which led to the wrong conclusion, which not acceptable since the appellant should tally the Balance Sheet at the end of the year under consideration. Had, the department not selected for scrutiny, the issue would have not come to the notice of the department. Further, the appellant did not file the revised ITR voluntarily before completion of the assessment. So, the submission of the appellant, the increase in capital was due to oversight, is not acceptable.

5.5 After considering the facts and circumstances of the case, I am of the considered opinion that the action of the AO is upheld. Accordingly, the grounds raised on this issue are dismissed."

4. Aggrieved with the order of the Ld. CIT(A), the assessee has filed the appeal before the Tribunal.

5. Rival contentions were heard and the submissions made have been examined. The Ld. AR drew our attention to page 50 of the paper book being para-2 of the assessment order as per which the Ld. AO considered the introduction of capital of ₹5,77,74,943/-, out of which he gave an allowance of the income disclosed during the year at ₹4,85,08,140/- and the difference of ₹92,66,803/- was added. The Ld. AR submitted that in the preceding year, the closing balance as on 31.03.2017 was ₹19,16,03,369.52 and our attention was drawn to page 20 para 4.5 of the written submission filed on 16.09.2026. It was

submitted that the opening balance as on 01.04.2016 was ₹16,41,11,202.21 on account of capital to which profit of ₹2,54,52,167.31 was added in the previous AY 2017-18 besides current liabilities of ₹40,000/- but the capital introduced was ₹5.77 Crore which was ₹2.54 Crore as per the profit and loss account and ₹3.30 Crore from other sources including salary of ₹3.23 Crore. Page 20 from the paper book is extracted as under:

M/S JAI JAI RAM SINGH
LG-15 SOMDUTT CHAMBER -2 BIKAJI CAMA PLACE
NEW DELHI-110066

Balance Sheet as at March 31, 2018

	Schedule		(Amount in Rupees) As at 31.03.2018
SOURCES OF FUNDS			
Proprietor's funds	A		
Capital			242697243
			242697243
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	B	52,028,112	
Less: Depreciation			
Net Block			52028112
Investment	C		13025921
Current Assets, Loans & Advances			
Sundry Debtors	D	12,069,998	
Cash and Bank balances	E	58,949,030	
Other Current Assets	F	110,464,180	
			179603208
Less: Current Liabilities and Provisions			
Current Liabilities	G	1,639,998	
Provisions	H	20,000	
			1659998
Net Current Assets/(Liabilities)			177943210
	Total		242697243

The Schedules referred to above form an integral part of the Balance Sheet.

For and on behalf of
Raj babu & Co.
Chartered Accountants

Raj Babu
Proprietor
Membership No. 516345

RAJ BABU & CO. * Chartered Accountants * FRN : 024071N NEW DELHI

For and on behalf of the
M/s JAI JAI RAM SINGH

JAI JAI RAM SINGH
(Proprietor)

Place: New Delhi
Date:

5.1 It was submitted that the opening balance of capital 01/04/2016, was taken as the opening balance of 01/04/2017 instead of taking the closing balance and the profit and capital addition of the previous financial year 2016-17 were separately added as mentioned on page 58 of the paper book to arrive at the closing capital balance, which is extracted as under:

Jai Jai Ram Singh
F.Y. 2017-18

Capital Account statement			
Opening as per last year(closing balance 2016-17)			16,61,11,202.00
Add- profit during the year			1,88,11,098.00
Addition During the year			
Profit of last year not added in capital account last year shown seprately in balance sheet now added (Last Year Balance sheet Attached for verification)		2,54,52,167	5,77,74,943.00
Capital introduced during the year		3,30,54,327	
(Source of Income Salary (3,00,00,000)	3,00,00,000		
(Other Sources of income(2370768)	23,70,768		
(Income from House Property(683559)	6,83,559		
Less- withdrawls		(7,31,551)	
Closing Capital account			24,26,97,243.00

6. It was submitted that there was no discrepancy and the addition needs to be deleted. The synopsis of the written submission filed on behalf of the appellant is as under:

1. Background and disputed addition.

The appellant filed his return on 25.08.2018 declaring income of Rs. 4,85,08,140. In the limited scrutiny assessment under section 143(3) dated 18.02.2021, the AO added Rs. 92,66,803 under section 68, being the difference between alleged capital introduction of Rs. 5,77,74,943 and returned income of Rs. 4,85,08,140. The CIT(A) confirmed this addition on 25.03.2026. The appellant challenges both the factual basis and the application of section 68.

2. Earlier-year profit transferred through a rectification entry (Grounds 5 and 10).

The appellant explains that profit of Rs. 2,54,52,167 earned in F.Y. 2016-17 remained separately reflected in the Profit and Loss Account and was not transferred to capital at that year-end. Its subsequent transfer in F.Y. 2017-18 was an accounting rectification, without any fresh receipt of money. The capital statement reconciles Rs. 5,77,74,943 as earlier-year profit of Rs. 2,54,52,167 plus current-year capital introduced of Rs. 3,30,54,327, less withdrawals of Rs. 7,31,551. Thus, comparison of the entire figure with current-year taxable income overlooks the prior-year component. Reliance is placed on the capital statement, balance sheet and Profit and Loss Account for the year ended 31.03.2017, and the A.Y. 2017-18 return, which reports proprietor's capital of Rs. 19,15,63,3 70.

3. Section 68 and discharge of onus (Grounds 1,5 and 6).

The appellant submits that the nature and source of the disputed credit stands explained by the preceding year's disclosed profit and supporting accounts. His past returns and substantial declared earnings are also relied upon. The specific rectification entry is contended to be a transfer of existing balances, rather than unexplained fresh funds. The submission relies on Jatia Investment Co. v. CIT, 206 ITR 718 (Cal.), V.R. Global Energy (P.) Ltd. v. ITO [2018] 96 taxmann.com 647 (Mad.), and Aadarsh Surana v. DCIT [2025] 181 taxmann.com 627 (Chennai-Trib.), concerning book adjustments without fresh receipts.

4. Income already offered to tax (Ground 7).

The profit of Rs. 2,54,52,167 is stated to have been included in the revised return for A.Y. 2017-18. The appellant contends that taxing the disputed amount again merely because of its later transfer to capital would result in double taxation. Reliance is placed, inter alia, on CIT v. Murlidhar Jhawar and Puma Ginning and Pressing Factory, 60 ITR 95 (SC).

5. Opportunity, evidence and reasoned adjudication (Grounds 2-4).

COVID-19 constraints, including a COVID patient in the household, impeded production of supporting documents during assessment. The appellant subsequently furnished explanations and records in appeal, including the response dated 07.04.2022. He submits that the CIT(A) failed to adequately address the reconciliation, documentary evidence and reasons for earlier non-production, and passed a non-speaking order. Reliance is placed on Siemens Engineering & Manufacturing Co. of India Ltd. v. Union of India, AIR 1976 SC 1785.

6. Prayer (including Grounds 8 and 9).

The appellant submits that the addition rests on conjecture and disregards the accounting explanation, and invokes Article 265 against taxation without authority of law. It is respectfully prayed that the appeal be allowed, the addition of Rs. 92,66,803 be deleted, the impugned assessment order be annulled and appropriate consequential relief be granted."

7. The Ld. DR relied upon the order of the Ld. CIT(A) and requested that the same may be confirmed.

8. We have considered the submissions made, gone through the facts of the case and perused the record and the order of the Ld. CIT(A) and note that the Ld. AO had merely reduced the income of ₹4.85 Crore from the capital introduced at ₹5.77 Crore and treated the difference as unexplained capital whereas the assessee has reconciled the same and there is absolutely no difference between the opening capital shown and that of the closing capital as on 31.03.2017. The capital introduced at ₹ 5.77 crore included the profit of ₹ 2.5452 crore of the previous year, capital introduced during the years and ₹ 3.3054 crore being salary of ₹ 3 crore, other sources of income of ₹ 23.70 lakhs and house property income of ₹ 6.83 lakhs. Therefore, it cannot be said that the entire amount of ₹ 5.77 crore shown as capital introduced was of the current year as a sum of ₹ 2.5452 crore related to the profit of the previous year for which necessary evidence has been filed and during the year under consideration only a sum of ₹ 3,30,54,327/- related to the capital

introduced on account of salary and other sources and a sum of ₹ 1.88 crore was the profit of the year. Therefore, there is no justification for upholding the findings of the Ld. CIT(A) whose findings are reversed and the addition of ₹ 92,66,803/- made by the Ld. AO and confirmed by the Ld. CIT(A) is directed to be deleted. Thus, Ground Nos. 5 and 9 are allowed and other grounds being general in nature or related to the addition made do not require any separate adjudication as relief has been granted on merits. Hence, the appeal of the assessee is allowed.

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

Order pronounced in the open Court on 16th October, 2026.

Sd/-	*Sd/-*
[**Yogesh Kumar US**]	[**Rakesh Mishra**]
Judicial Member	Accountant Member

Dated: 16.10.2026

Bidhan (Sr. P.S.)

Copy of the order forwarded to:

1. ***Jai Jai Ram Singh.***
2. ***Income Tax Officer, Ward-2(1).***
3. CIT(A)-NFAC, Delhi.
4. CIT-
5. CIT(DR), Patna Benches, Patna.
6. Guard File.