

Raj Pal Katyal v. The Commissioner of Income Tax

ITA 1215/2005 & CM APPL. 44560/2026

ITA 1215/2005 (Del HC, decided 01.10.2026) | 2026-10-01

Section 68 cash credits: addition of Rs. 7,00,000 on unsecured loans upheld where two alleged lenders denied advancing any loan upon examination by the AO and two others could not explain preceding cash deposits in their bank accounts; cheque payment alone does not prove creditworthiness.

Income-tax Act, 1961: sections 68, 131, 143(3) and 260A

High Court of Delhi | 2-judge bench (Division Bench) | Subramonium Prasad, J. | Amit Sharma, J.

Assessment years: 1997-98

Section 68 reproduction in paragraph 13 includes post-2012/2022 provisos, though paragraph 14.1 (quoting NRA Iron & Steel) notes the pre-2012 statutory text applicable to AY 1997-98

While paragraph 13 reproduces the modern text of section 68 including the first and second provisos, the operative reasoning in paragraphs 14-16 applies the settled primary-onus test under pre-2012 section 68 (identity, creditworthiness and genuineness) as expounded in *Kale Khan Mohd. Hanif, Roshan Di Hatti, Oasis Hospitalities and NRA Iron & Steel*, and distinguishes *PCIT v. KRBL Infrastructure Ltd.*, (2026) 486 ITR 88 (Del).

01 FACTS OF THE CASE

The appellant, Raj Pal Katyal (proprietor of M/s Kailash Engineers, trading and servicing generators), filed his return for AY 1997-98 on 31.10.1997 declaring income of Rs. 2,02,320. In scrutiny under section 143(3) (order dated 30.03.2000), the Assessing Officer added Rs. 9,00,400 under section 68 towards unsecured loans after examining five produced lenders on oath. On appeal, the CIT(A) (order dated 17.08.2000) deleted Rs. 2,00,400 (comprising Rs. 18,000 from Government servant Surinder Katyal, Rs. 50,000 from Narinder Kumar whose statement the AO did not record, and Rs. 1,32,400 received in prior years), but sustained the addition of Rs. 7,00,000 in respect of four creditors: Pawan Kumar (Rs. 50,000) and S.L. Magoo (Rs. 1,00,000), both of whom denied advancing any loan, and Santosh Rani (Rs. 4,50,000) and Vimla Arora (Rs. 1,00,000), who were non-assessees and could not explain how the money was raised or the cash deposits in their bank accounts immediately preceding the cheques. The ITAT affirmed the Rs. 7,00,000 addition on 02.03.2005.

Source: [Paragraphs 1-11; PDF pp. 1-7](#)

02 DISCUSSION BY THE HON'BLE COURT

Applying the three-pronged section 68 burden of proof (identity, creditworthiness/capacity, and genuineness) laid down in *Kale Khan Mohd. Hanif v. CIT*, (1963) 50 ITR 1 (SC), *Roshan Di Hatti v. CIT*, (1977) 107 ITR 938 (SC), *CIT v. Oasis Hospitalities (P) Ltd.*, (2011) 333 ITR 119 (Del), and *CIT v. NRA Iron & Steel (P) Ltd.*, (2019) 15 SCC 529, the Division Bench held that merely routing loans through account-payee cheques or filing affidavits does not discharge the assessee's initial onus when two of the four alleged creditors flatly denied advancing any loan upon interrogation and the other two could not explain the immediate source of cash deposits in their bank accounts prior to issuing the cheques. Distinguishing *PCIT v. KRBL Infrastructure Ltd.*, (2026) 486 ITR 88 (Del) (where the AO, CIT(A) and ITAT had concurrently accepted creditworthiness on facts), the Court held that the concurrent findings of all three authorities below rejecting creditworthiness were completely non-perverse.

Source: [Paragraphs 12-17; PDF pp. 7-12](#)

03 JUDICIAL DECISION

Answering the substantial question of law in favour of the Respondent/Department and against the assessee, the High Court dismissed ITA 1215/2005 along with pending applications.

Source: [Paragraphs 17-18; PDF p. 12](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Revenue. The assessee's appeal was dismissed and the section 68 addition of Rs. 7,00,000 for AY 1997-98 stood confirmed.

Source: [Paragraphs 17-18; PDF p. 12](#)

05 AKHB REVIEW POINT

AKHB analysis: contrast Raj Pal Katyal (ITA 1215/2005, decided 01.10.2026) with PCIT v. KRBL Infrastructure Ltd., (2026) 486 ITR 88 (Del) and Superdeal Resources (ITAT 162/2026, Cal HC); under section 260A, concurrent factual findings on section 68 creditworthiness are rarely disturbed unless perverse, and an account-payee cheque trail collapses if the produced lender either repudiates the loan in section 131 examination or is a non-filer with unexplained cash deposits immediately preceding the cheque.

Source: [AKHB analysis based on paragraphs 10-17 / PDF pp. 3-12](#)

SOURCE & VERIFICATION

[Delhi High Court official digital judgment PDF - AKHB Cloud Repository](#)

Twelve-page official Delhi High Court judgment PDF in ITA 1215/2005; paragraphs 1-18 span PDF pages 1-12.

Supplied source-reviewed note retained; original bytes and identity validation checked in this release. Substantive re-review is not claimed for this record.

[Open cited source rendition](#)

Full 12-page official Delhi High Court PDF read and verified. Original bytes match SHA-256 7f4e45153e4d88144c627b7d5fdab4fcf9a099bd187948dfda8695ef606f96af.

STATUTORY SCOPE

Applies section 68 and section 260A of the Income-tax Act, 1961 for AY 1997-98. Income-tax Act, 2025 equivalence is not verified.

LATER TREATMENT

Source checked 2026-10-17. Full judgment checked. Applies CIT v. NRA Iron & Steel (P) Ltd., (2019) 15 SCC 529, Kale Khan Mohd. Hanif v. CIT, (1963) 50 ITR 1 (SC), Roshan Di Hatti v. CIT, (1977) 107 ITR 938 (SC), and CIT v. Oasis Hospitalities (P) Ltd., (2011) 333 ITR 119 (Del), and distinguishes PCIT v. KRBL Infrastructure Ltd., (2026) 486 ITR 88 (Del). Comprehensive subsequent judicial treatment has not been verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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