

Principal Commissioner of Income Tax, Madurai v. Shri Ganesan Anbuselvam

T.C.A. No. 40 of 2026

T.C.A. No. 40 of 2026 (Mad HC, decided 12.06.2026) | 2026-06-12

Section 69C unexplained expenditure addition of Rs. 2,27,76,680 deleted where CIT(A) admitted additional evidence under Rule 46A and the Assessing Officer in his remand report verified and accepted that the bank deposits and purchases were consistent with the assessee's retail business.

Income-tax Act, 1961: sections 69C, 142(1), 143(2), 143(3), 250 and 260A | Income-tax Rules, 1962: Rule 46A

High Court of Judicature at Madras | 2-judge bench (Division Bench) | Sushrut Arvind Dharmadhikari, CJ. | G. Arul Murugan, J.

Assessment years: 2017-18

Revenue's perversity challenge foreclosed by the Assessing Officer's own favourable Rule 46A remand report

The Division Bench noted (paragraphs 8-10, PDF pp. 4-5) that once additional evidence was admitted by the CIT(A) in compliance with Rule 46A and the Assessing Officer in remand proceedings examined and accepted the assessee's explanation and acknowledged that the cash deposits/purchases were consistent with business activity, the Revenue could not assail the consequential deletion as perverse under section 260A.

01 FACTS OF THE CASE

The respondent assessee, Shri Ganesan Anbuselvam, carried on the business of selling alcoholic beverages under the name and style of 'Anbu Wines Bar' and filed his return for AY 2017-18 on 31.03.2018 declaring total income of Rs. 11,97,090. In scrutiny under CASS (notices under section 143(2) dated 21.09.2018 and section 142(1) dated 07.12.2019), the Assessing Officer examined cash deposits in bank accounts and added Rs. 2,27,76,680 under section 69C towards alleged unaccounted purchases. Before the CIT(A), the assessee filed additional evidence under Rule 46A of the Income-tax Rules, 1962, which was forwarded to the Assessing Officer for a remand report. In the remand report, the Assessing Officer verified and accepted the assessee's explanation and evidence and acknowledged that the deposits were consistent with the assessee's business activity. Relying on the remand report, the CIT(A) deleted the addition, and the ITAT Chennai 'B' Bench (order dated 26.09.2025 in ITA No. 3181/Chny/2024) dismissed the Revenue's appeal.

Source: [Paragraphs 1-4, 7-8; PDF pp. 2-4](#)

02 DISCUSSION BY THE HON'BLE COURT

Rejecting the Revenue's contention that the remand report was based on affidavits of two non-tax-paying entities and that the deletion was perverse, the Division Bench held that the additional evidence had been duly admitted under Rule 46A without any procedural lapse or prejudice to the Revenue, and the Assessing Officer himself had examined the materials in remand proceedings and reported that the deposits and purchases were consistent with the assessee's retail business. Where the CIT(A) and ITAT concurrently deleted the section 69C addition on the basis of the Assessing Officer's own favourable remand report, no error, perversity or substantial question of law arose under section 260A.

Source: [Paragraphs 5-10; PDF pp. 3-5](#)

03 JUDICIAL DECISION

Holding that no substantial question of law arose for consideration, the High Court dismissed T.C.A. No. 40 of 2026.

Source: [Paragraph 10; PDF p. 5](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee (Shri Ganesan Anbuselvam). The Revenue's appeal was dismissed, affirming the deletion of the Rs. 2,27,76,680 section 69C addition for AY 2017-18.

Source: [Paragraphs 9-10; PDF p. 5](#)

05 AKHB REVIEW POINT

AKHB analysis: where assessment additions under section 68/69A/69C arise from incomplete reconciliation during scrutiny, file a complete Rule 46A application before the first appellate authority and actively participate in the AO remand verification. Once the AO's remand report accepts the reconciliation on facts, the department is effectively estopped from establishing perversity before the ITAT or High Court.

Source: [AKHB analysis based on paragraphs 4-10 / PDF pp. 3-5](#)

SOURCE & VERIFICATION

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

Six-page official Madras High Court judgment PDF in T.C.A. No. 40 of 2026; paragraphs 1-10 span PDF pages 1-6.

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 6-page official Madras High Court PDF read and verified. Original bytes match SHA-256 295022b08f4e9bc8d2954844656a5fd5f696939802bc53b474d05481ea2641ab.

STATUTORY SCOPE

Applies section 69C and section 260A of the Income-tax Act, 1961 read with Rule 46A of the Income-tax Rules, 1962 for AY 2017-18. Income-tax Act, 2025 equivalence is not verified.

LATER TREATMENT

Source checked 2026-10-17. Full judgment checked. 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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