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(1), 143(2) and 260A; Income-tax Rules: 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

Fact-specific remand findings, not a universal estoppel

The Court found no error or substantial question on this record, where the AO accepted the explanation and evidence and Rule 46A compliance was recorded. It did not declare every favourable remand report immune from challenge.

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

Revenue argued that the AO's remand report relied on an affidavit by two non-tax-paying entities and that the findings were perverse. The Court noted that the AO had accepted the explanation and evidence and acknowledged the deposits as consistent with business activity. It also recorded the Tribunal's finding that admission complied with Rule 46A without procedural lapse or prejudice. In these circumstances, the Court upheld the concurrent deletion and found no substantial question of law. It did not formulate a general estoppel against Revenue.

Source: Own paras.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 EXPERT COMMENTS

Connect the remand finding to the precise addition — The addition concerned unaccounted purchases under section 69C; the remand acceptance concerned the explanation, evidence and business consistency of deposits. A useful appeal record connects those findings to the disputed purchases and amount. Do not substitute a general assertion that deposits arose from business for a reconciliation of the item actually added.

Preserve both admission and examination of evidence — The result rested on additional evidence admitted under Rule 46A, an AO remand report and an express finding of no procedural lapse or Revenue prejudice. Retain the admission order, materials sent for examination and the resulting report. This is stronger than citing a favourable conclusion while leaving uncertain what the AO was asked to verify.

Answer the reliability objection on the actual record — Revenue challenged reliance on an affidavit by two non-tax-paying entities. The Court nevertheless upheld the accepted explanation in these circumstances; it did not hold that tax-filing status is always decisive or always irrelevant. Identify the material actually accepted and its connection to business activity, rather than assume an affidavit alone establishes the disputed transaction.

Avoid overstating the effect of a favourable report — The Court found no error, infirmity or substantial question of law on these facts. That supports a record-based response to a perversity allegation, not an absolute estoppel or immunity from appellate scrutiny. Nor does this section 69C decision automatically determine additions under sections 68 or 69A, which were not the issues adjudicated here.

Source: Editorial analysis; own paras.3–10; PDF pp.2–5

SOURCE & VERIFICATION

Madras High Court official judgment PDF - AKHB Cloud Repository

Six-page judgment; own paragraphs 1–10 on PDF pp.2–5. Final page is the court's cover/end sheet.

All 6 original pages read and visually inspected; source hash verified. AI-assisted substantive correction.

Open cited source rendition

Source bytes and identity checked; see panel-specific references and disclosed source anomalies.

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 2026-10-21. Subsequent treatment not independently 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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