

आयकर अपीलिय अधिकरण, चेन्नई पीठें, चेन्नई
INCOME TAX APPELLATE TRIBUNAL, CHENNAI BENCHES,
CHENNAI BENCH: B

BEFORE SHRI INTURI RAMA RAO, ACCOUNTANT MEMBER
AND
SHRI MANU KUMAR GIRI, JUDICIAL MEMBER

ITA No.1406/CHNY/2026		
निर्धारण वर्ष/Assessment Year: 2012-13		
Deputy Commissioner of Income Tax, Investigation Wing, Room No.B3, Ground Floor, New No.46, M.G.Road, Chennai – 600034.	V S .	RAINBOW FOUNDATION LTD, No.4, Thanikachalam Road, T.Nagar, Chennai- 600017.
अपीलार्थी Appellant		प्रत्यर्थी Respondent
Permanent Account Number of Assessee:		AAACR3089B
अपीलार्थी द्वारा/Appellant represented by:	Mr.Fateh Chand Jain, FCA	
प्रत्यर्थी द्वारा/Respondent represented by:	Mr S.Janardhan – CIT	
सुनवाई की तारीख / Date of conclusion of hearing:	20.08.2026	
घोषणा की तारीख / Date of pronouncement:	13.10.2026	

आदेश / ORDER

PER INTURI RAMA RAO, ACCOUNTANT MEMBER :

This is an appeal filed by the Revenue directed against the order of learned Commissioner of Income Tax(Appeal), Chennai-19 dated 15.12.2025 passed u/s.250 of the Income Tax Act, 1961 for the Assessment Year 2012-13.

2. The Revenue raised the following grounds of appeal :

“1. The Ld.CIT(A) erred in not appreciating that the addition has been made on the basis of seized material found during the course of the search & a sworn statement recorded w/s. 132(4) from the assessee, both of which have evidentiary value and the legal presumption embedded in Section. 132(44), which states that the "contents of such books of account and other documents are true?

2 The Ld CIT(A) erred in relying upon the decision of the Hon'ble Supreme Court in the case of CIT vs. Sinhgad Technical Education Society (2015), 235 Taxman 163 (Born), wherein it was held that, the assessment was completed U/ s.153C without establishing any correlation with the incriminating material seized.

3. The Ld.CIT(A) failed to consider that, in the impugned case the assessment was completed based on the incriminating material seized, hence, the same is very much within the provisions of Section 153C. In this regard reliance is placed on the decision of Hon'ble Supreme court in the case of Mis. Abhisar Buildwell (P) Ltd. 149 taxmann.com 399 (SC) and M/s.U.K. Paints (Overseas) Ltd. reported in 150 taxmann.com 108.

4. The Ld.CIT(A) erred in The CIT(A) erred in holding that the conditions for invoking section 69B were not satisfied when the seized documents clearly established that the assessee received cash consideration of Rs. 13.53 Crores in connection with the sale of Padmanabha Theatre property & same was not disclosed as recorded in the sworn statement recorded u/s

132(4) of Shri R.V. Raajah dated 17.11.2016 clearly stated that Rs. 13.53 Crores was paid in cash to the assessee.

5. For these grounds and any other ground including amendment of grounds that may be raised during the course of the appeal proceedings, the order of the Hon'ble ITAT may be set aside and that of the Assessing Officer be restored.”

3. Briefly, the facts of the case are that the respondent-assessee is a Company duly incorporated under the provisions of Companies Act, 1956. It is engaged in the business of development and sale of apartments, promoting resorts and layouts. The Department had conducted search and seizure operations u/s.132 of the Income Tax Act, 1961 in the case of M/s.Khajana Jewelers Pvt. Ltd along with the respondent-assessee company on 21.04.2016. The premises of one Mr.R.V.Raajah was also covered in the same operations. During the course of such search and seizure operations in the case of said Mr.R.V.Raajah at No.20/12, Ambar Road, Kotturpuram, Chennai, certain loose sheets were found and seized vide Annexure No.ANN/RVR/MS/LS/S-1. It is stated that the said

Mr.R.V.Raajah played role of mediator / broker in the deal of purchase of land of Padmanabha Theatre by M/s.Rathnapuri Constructions Pvt. Ltd from the respondent-assessee company. The statement was also recorded u/s.132(4) from said Mr.R.V.Raajah, wherein, he confessed that the total consideration of Rs.27 crores was paid on the purchase of Padmanabha Theatre land admeasuring 55 grounds approximately by M/s.Rathnapuri Constructions Pvt. Ltd from M/s.Rainbow Foundations in which Mr.R.V.Raajah played a role of broker. He stated that out of total consideration of Rs.27 crores, an amount of Rs.13,53,00,000/- was paid in cash and the balance consideration of Rs.13,53,00,000/- was paid by the Cheque in terms of agreement of sale. It is stated that the loose sheets no.1 to 18 refers to agreement of sale dated 08.12.2011 entered into between M/s.Rathnapuri Constructions Pvt. Ltd and the respondent-assessee company. According to the Assessing Officer, during the course of the search and seizure operations conducted in the case of M/s.Khajana Jewellery Group, it was

also found that on-money consideration was paid to the respondent-assessee company in respect of purchase of the said land. It is further stated that Joint Managing Director(JMD) of the respondent-assessee company i.e.Mr.Gajraj Jain, had also accepted that on-money consideration was received for the relinquishment of the company's rights in the said land. It is also found that during the course of search operations conducted in the case of Smt.P.Ambujam, who was one of the Co-owners of the said property, material indicating the receipt of on-money consideration. Based on this incriminating material, the Assessing Officer formed opinion that undisclosed income got escaped assessment from tax, accordingly, a notice u/s.153C of the Act was issued on 21.02.2018 calling upon the appellant to file the Return of Income. In response to notice u/s.153C of the Act, the respondent-assessee company filed Return of Income on 22.03.2018 showing income of Rs.53,35,460/-. Against the said return of income, the assessment was completed by the Deputy Commissioner of Income Tax, Central Circle-2(2), Chennai-34

(hereinafter called 'AO') vide order dated 31.12.2018 passed u/s.143(3) r.w.s 153C of the Income Tax Act, at a total income of Rs.14,06,35,460/-. While doing so, the Assessing Officer made addition on account of receipt of on-money on sale of land to M/s.Rathnagiri Construction Pvt Ltd based on the incriminating material found during the course of search and seizure operations in the case of Mr.R.V.Raajah.

4. Being aggrieved by the above assessment order, an appeal was filed before the Learned CIT(A) contending that the addition made by Assessing Officer had no nexus with the seized material or documents found in the case of M/s.Khajana Jewellery Pvt. Ltd. The respondent-assessee was not given copy of the statement recorded from Mr.R.V.Raajah, nor the opportunity of cross-examining him. The Learned CIT(A) found that the notice u/s.153C was issued based on the incriminating material found relating to the respondent-assessee during the search and seizure in the case of M/s.Khajana Jewellery. However, the addition was made based on the statement recorded from

Mr.R.V.Raajah u/s.132(4) of the Act and the incriminating material found in relation to the respondent-assessee in the premises of Mr.R.V.Raajah. The Learned CIT(A) was of the opinion that when the Assessing Officer issued notice u/s.153C of the Act on 21.02.2018 based on the satisfaction note issued by the Assessing Officer of M/s.Khajana Jewellery, there was no incriminating material found in relation to the respondent-assessee. However, the addition was made based on the satisfaction note recorded by the Assessing Officer of the Mr.R.V.Raajah. Therefore, he proceeded to hold that when the Assessing Officer assumed the jurisdiction, there was no incriminating material found relating to respondent-assessee, as a result of search and seizure operations in the case of M/s.Khajana Jewellery Pvt Ltd. Therefore, Assessing Officer ought not have assumed jurisdiction to make addition based on the satisfaction note issued by the Assessing Officer of Mr.R.V.Raajah. The Learned CIT(A) placing reliance on the decision of the Hon'ble Supreme Court in the case of

PCIT(Central)-3 Vs. Sinhgad Technical Educational Society 397 ITR 344 had proceeded to hold that in the absence of incriminating material, no addition u/s.153C can be made. Accordingly, directed the Assessing Officer to delete the addition of Rs.13,53,00,000/-.

5. Being aggrieved by the order of the Learned CIT(A), the Revenue is in appeal before us challenging the correctness of the findings of the Learned CIT(A). The Learned CIT-DR submits that the addition in the assessment was made pursuant to notice issued u/s.153C of the Act, based on the satisfaction note issued by the Assessing Officer of the Mr.R.V.Raajah and there is no material to show that notice u/s.153C was issued based on the satisfaction note issued by the Assessing Officer of M/s.Khajana Jewellery Pvt. Ltd. He further submits that any information which had come to the knowledge of the Assessing Officer during the course of assessment proceedings u/s.153C of the Act can be taken into consideration for the purpose of making the assessment. He submits that the Learned CIT(A) had clearly fell

in the error in placing reliance on the decision of Hon'ble Supreme Court in the case PCIT Vs. Sinhgad Technical Education Society(supra). The ratio of the decision of PCIT Vs. Abhisar Buildwell Pvt. Ltd. [2023] 454 ITR 212 (SC) is clearly applicable in this case.

6. On the other hand, the Learned Counsel submits that the Learned CIT(A) after examination of the satisfaction note issued by the Assessing Officers' of the M/s.Khajana Jewellery Pvt. Ltd., and Mr.R.V.Raajah had come to the conclusion that the jurisdictional conditions for invoking the provisions of section 153C of the Act were not satisfied and therefore, the order passed by the Learned CIT(A) is a reasoned one and requires no interference by this Tribunal.

7. We heard rival submissions and perused the material available on record. The only issue that arises for our consideration is whether the Learned CIT(A) was correct in law in holding that the Assessing Officer ought not have invoked the

provisions of section 153C of the Income Tax Act in the absence of incriminating material suggesting the existence of undisclosed income. We carefully perused the assessment order and perused the material on record. From the mere reading of the assessment order, it is evident that the Assessing Officer made addition of Rs.13,53,00,000/- on account of the receipt of on-money consideration on the sale of land to M/s.Rathnagiri Construction Pvt. Ltd. The Assessing Officer reached the conclusion that the respondent-assessee received the on-money consideration based on the statement recorded from one Mr.R.V.Raajah u/s.132(4) of the Act during the course of search and seizure operations conducted in the premises of said Mr.R.V.Raajah and also material found in the form of agreement of sale dated 18.12.2011 between respondent-assessee company and M/s.Rathnagiri Construction Pvt. Ltd. The copy of the statement recorded from Mr.R.V.Raajah was reproduced by the Assessing Officer in the assessment order. The Assessing Officer also took into consideration of assignment deed and MoU

dated 08.02.2011 between Mr.R.V.Raajah Managing Director of Goodwill Infrastructure and Housing Pvt. Ltd and the respondent-assessee company wherein the payments made to the respondent-assessee had been listed out. The on-money consideration paid in cash of Rs.13.5 crores had not shown neither in the financials, nor in the Income Tax Return. The Assessing Officer also taken into consideration the incriminating material found from M/s.Khajana Group and also statement of JMD of the respondent-assessee company, who had accepted the receipt of on-money consideration on the sale of land. The above material formed the basis of addition made by the Assessing Officer. However, the Learned CIT(A) after the examination of the assessment record found that the notice u/s.153C was issued on 21.01.2018, accordingly, concluded that when the notice was issued on 21.01.2018, there was no satisfaction note which formed the basis for issue of notice u/s.153C of the Act, no jurisdictional fact existed for exercise of the power u/s.153C of the Act. The jurisdictional condition for exercise of power

u/s.153C was not satisfied. Based on these facts, the Learned CIT(A) assumed that there was no incriminating material, accordingly, quashed the assessment. The correctness of the findings of the Learned CIT(A) was challenged by the Revenue in the present appeal. We find from the order of the Learned CIT(A) that the satisfaction note by the Assessing Officer of the M/s.Khajana Jewellers Pvt Ltd was recorded in the month of April 2016 and the notice u/s.153C was issued by the Assessing Officer to the respondent-assessee on 21.02.2018. Therefore, it is crystal clear that the Learned CIT(A) had assumed wrong facts that the satisfaction note by the Assessing Officer of the M/s.Khajana Jewellers Pvt Ltd was issued in the month of October 2018 and there was no satisfaction note issued by the Assessing Officer M/s.Khajana Jewellers Pvt. Ltd. as on date of issue of notice u/s.153C of the Act. Once the Assessing Officer of searched person records satisfaction that incriminating material is found in relation to the third party, once such incriminating material is handed over along with the satisfaction

note to the Assessing Officer of the third party, the Assessing Officer of the third party was justified in assuming the jurisdiction u/s.153C of the Act. At the time of issue of notice u/s.153C of the Act, there need not be conclusive evidence of existence of undisclosed income which had escapement of the assessment from tax. In this present case, firstly there was no material to show that the Assessing Officer issued notice based on the satisfaction note recorded by the Assessing Officer of the M/s.Khajana Jewellery Pvt. Ltd., secondly, even assuming for a moment that the notice u/s.153C was issued based satisfaction issued by the M/s.Khajana Jewellery Pvt Ltd, from the satisfaction note recorded by the Assessing Officer of M/s.Khajana Jewellers Pvt. Ltd., extracted by the Learned CIT(A) at page no.14 of his order, it is clearly evident that the satisfaction note was recorded in the month of April-2016 and the Assessing Officer was justified in invoking the jurisdiction u/s.153C of the Act based on the satisfaction recorded by the Assessing Officer of the M/s.Khajana Jewellers. Once the

Assessing Officer had validly assumed the jurisdiction u/s.153C, the Assessing Officer is very much within his power to take into consideration, the other satisfaction note or incriminating material which had come to his knowledge of the Assessing Officer during the course of assessment proceedings as held by the Hon'ble Apex Court in the case of PCIT Vs. Abhisar Buildwell Pvt. Ltd. The relevant paragraph of the judgment is extracted here under :

"14. In view of the above and for the reasons stated above, it is concluded as under:

- i)*
- ii)*
- iii) in case any incriminating material is found/unearthed, even, in case of unabated/completed assessments, the AO would assume the jurisdiction to assess or reassess the 'total income' taking into consideration the incriminating material unearthed during the search and the other material available with the AO including the income declared in the returns; and"*

8. Therefore, in the light of above discussion, we are of the considered opinion that the Learned CIT(A) had clearly fallen in error in holding that the Assessing Officer was not justified in assuming jurisdiction u/s.153C of the Act. Further, the Learned

CIT(A) had failed to consider the evidentiary value of the statements recorded u/s.132(4) of the Act from Mr.R.V.Raajah and Mr.Gajraj Jain-JMD and also the evidentiary value of the incriminating material found during the course of search and seizure operations in the case of Mr.R.V.Raajah and M/s.Khajana Jewellers Pvt. Ltd., in respondent-assessee's own premises. The incriminating material found clearly indicated receipt of on-money consideration by respondent-assessee. The findings of the Learned CIT(A) are bereft of any evidence, hence we reverse the findings of the Learned CIT(A) and restore the assessment order passed by the Assessing Officer.

9. In the result, appeal filed by the Revenue stands allowed.

Order pronounced in the open Court on 13th October, 2026.

Sd/-
(MANU KUMAR GIRI)
JUDICIAL MEMBER

Sd/-
(INTURI RAMA RAO)
ACCOUNTANT MEMBER

Chennai; दिनांक / Dated : 13th Oct, 2026
SGR, Sr.PS

आदेश की प्रतिलिपि अग्रेषित / Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant.
2. प्रत्यर्थी / The Respondent.
3. The CIT Chennai/Madurai/Coimbatore/Salem.
4. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, "बी" बेंच,
चेन्नई / DR, ITAT Chennai.
5. गार्ड फ़ाइल / Guard File.

GANGADHARA
RAO SALEELA

Digitally signed by
GANGADHARA RAO
SALEELA
Date: 2026.10.14 18:12:19
+05'30'