

If letter of confirmation of loan amount not considered by AO section 68 additions invalid

Summary – The High Court of Karnataka in a recent case of Bairappa Krishnappa, (the Assessee) held that If letter of confirmation of loan amount is not considered by AO, section 68 additions are invalid

Facts

- The assessee individual had filed his return of income wherein it was declared that he had availed loans from banks and hand loans from the private individuals to meet various expenses.
- The Assessing Officer treated the hand loans as unexplained cash credit under section 68 and the same was upheld by CITA without regarding the letter of confirmation in relation to the amount borrowed by way of hand loan, furnished by the assessee.
- In instant appeal.

Held

- The ITAT held that both the AO and the CITA have not applied their mind while arriving at a decision insofar as this issue is concerned since they have not considered the letter of confirmation issued by various persons to establish the hand loans received by the assessee.
- Hence, the proceedings are restored to the file of the Assessing Officer to re-do the assessment in accordance with law, considering the documents furnished by the assessee and arrive at a decision by passing a speaking order, giving reasons, after hearing the parties concerned.