

**IN THE INCOME TAX APPELLATE TRIBUNAL
'B' BENCH : BANGALORE**

**BEFORE SHRI PRASHANT MAHARISHI, VICE PRESIDENT
AND
SHRI SANDEEP SINGH KARHAIL, JUDICIAL MEMBER**

ITA No. 1489/Bang/2025
Assessment Year : 2017-18

Shri Shantilal Jain (HUF), #10, 1 st Floor, E.S Lane, Chickpet Cross, Bangalore – 560 053. PAN: AADHS6635L	Vs.	The Assistant Commissioner of Income Tax, Circle – 2(2)(1), Bangalore.
APPELLANT		RESPONDENT

Assessee by	:	Shri Ravishankar, Advocate
Revenue by	:	Shri Subramanian .S, JCIT-DR

Date of Hearing	:	10-11-2025
Date of Pronouncement	:	12-11-2025

ORDER

PER SANDEEP SINGH KARHAIL, JUDICIAL MEMBER

The assessee has filed the present appeal against the impugned order dated 23.12.2024, passed under section 250 of the Income Tax Act, 1961 ("*the Act*") by the learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi, [*learned CIT(A)*], for the assessment year 2017-18.

2. Along with the appeal, the assessee has filed an application seeking condonation of delay duly supported by the affidavit of Karta of the

assessee HUF. As per the assessee while filing its appeal before the learned CIT(A), the email address of previous Karta was provided, who had already expired prior to filing the appeal before the learned CIT(A). In the aforementioned application, it is further submitted that during the time of filing the appeal there was ongoing family disputes between the co-parceners, and therefore, the consultant did not have instructions on the new Karta and he entered the earlier email address. As per the assessee, since the earlier email address was no longer in use and no new email address was updated due to inadvertence, the same lead to non-compliance with the notices issued by the learned CIT(A) during the appellate proceedings. It is further submitted that on 16/06/2025, when notice pertaining to penalty proceedings were served on the assessee, it approached the Chartered Accountant, and thereafter, it was realised that the appeal filed before the learned CIT(A) has been dismissed. Accordingly, the Chartered Accountant advised the assessee to file the appeal before the Tribunal, and necessary steps were taken thereafter in this regard. Therefore, it has been submitted that the aforesaid circumstances resulted in delay in filing the present appeal.

3. Having considered the submissions and perused the material available on record, we find that there was sufficient cause which prevented the assessee from filing the present appeal within the prescribed limitation period. Accordingly, we condone the delay and proceed to decide the present appeal on merits.

4. In this appeal, the assessee has raised the following grounds: –

"1. The order passed by the authorities below in so far as it is against the appellant is opposed to law, equity and weight of evidence, probabilities, facts and circumstances of the case.

2. The appellant denies himself to be assessed to a total income of Rs.1,04,59,880/- as against the returned income of Rs.23,80,150/- for the impugned

assessment year 2017-18, on the facts and circumstances of the case.

3. The learned CIT(A) ought to have provided another opportunity of hearing in the interest of natural justice before dismissing the appeal, on the facts and circumstances of the case.

4. The learned Assessing Officer is not justified in law in making an addition a sum of Rs. 84,57,143/- under section 68 of the Act on the facts and circumstances of the case.

5. The learned Assessing Officer passed the assessment order in violation of principles of natural justice on the facts and circumstances of the case.

6. The learned Assessing Officer ought to have given a show cause notice to the appellant proposing to the make the additions or seeking clarifications/objections on the facts and circumstances of the case.

7. The learned Assessing Officer failed to appreciate that the money deposited has been recorded in the books and the source of such deposit duly explained and accordingly, no addition could have been made under section 68 of the Act on the facts and circumstances of the case.

8. The learned Assessing officer was not justified in law and in fact in not considering the cash sales of the appellant, which was the source of the cash deposit, on the facts and circumstances of the case.

9. The learned assessing officer failed to appreciate that the books of the appellant were audited and no estimation of income could have been made without rejecting the books of the appellant is bad in law on the facts and circumstance of the case.

10. The appellant craves leave to add, alter, modify, delete or substitute any or all of the grounds and to file a paper book at the time of hearing the appeal.

11. In the view of the above and other grounds that may be urged at the time of the hearing of the appeal,

the Appellant prays that the appeal may be allowed in the interest of justice and equity."

5. The only grievance of the assessee, in the present appeal, pertains to the addition made under section 68 of the Act.

6. The brief facts of the case are that the assessee is a HUF, and a proprietor of Mahaveer Fashions, which was in the business of wholesale and retail trading of textile. For the year under consideration, the assessee filed its return of income on 30/10/2017, declaring a total income of INR 23,80,150. The return filed by the assessee was selected for scrutiny, and statutory notices under section 143(2) and section 142(1) of the Act were issued and served on the assessee. During the assessment proceedings, it was observed that the assessee deposited cash amounting to INR 2,21,20,670 in its bank account out of which INR 99,21,500 was deposited during the demonetisation period. Accordingly, the assessee was asked to explain the same. In response, the assessee submitted that it has two types of amount collection criteria with regard to sale made, i.e. cash and bank. It was further submitted that as per the nature of business, the assessee collects cash from the customers for the sales made and after withholding cash for day-to-day expenses, the balance amount is generally deposited in the bank account. The assessee submitted that in the financial year 2015-16, the same trend of cash sales and cash deposit into Bank account was followed. Furthermore, the assessee submitted that in the relevant financial year, i.e. 2016-17, its turnover increased from INR 5,44,57,456 to INR 7,85,39,449, especially in the festival season in the month of June, October and December 2016. Accordingly, it was submitted that the cash deposited also increased during the year. In support of its claim, the assessee furnished copies of VAT returns and sample purchase and sale bills.

7. The Assessing Officer ("AO"), vide order dated 20/12/2019 passed under section 143(3) of the Act, disagreed with the submissions of the

assessee and held that in the year under consideration the turnover of the assessee increased by 41% and such increase in the turnover appears to be unrealistic. Accordingly, the AO allowed 30% increase in the turnover and held the remaining 11% to be unsubstantiated turnover. Accordingly, the AO made an addition of INR 84,57,143 as unexplained cash credit and taxed the same under section 68 of the Act.

8. The learned CIT(A), *vide ex parte* impugned order, dismissed the appeal filed by the assessee. Being aggrieved, the assessee is in appeal before us.

9. Having considered the submissions of both sides and perused the material available on record, we find that the AO, during the assessment proceedings, though asked the assessee to explain the cash deposited during the demonetization period, however, made the impugned addition under section 68 of the Act only by partly accepting the turnover of the assessee to an extent of 30% out of 41%. As is evident from the record, the AO did not dispute any of the factual evidence furnished by the assessee. On the other hand, it is evident from the record that the assessee furnished copies of VAT returns and sample purchase and sales bills, during the assessment proceedings. Further, in the present appeal also the assessee has furnished the Tax Audit Report along with its financials for the year under consideration as well as preceding and succeeding years. On the basis of the aforesaid documents, it is the plea of the assessee that even though its turnover, during the year under consideration, increased by 41%, however its gross profit only increased from 7.39% to 8.04% and the net profit reduced from 3.55% to 3.17% in the year under consideration as compared to the preceding year.

10. Such being the facts, we do not find any merit in the impugned addition made under section 68 of the Act by ad-hoc accepting the partial turnover of the assessee. Accordingly, the impugned addition made under

section 68 of the Act is deleted. As a result, the grounds raised by the assessee on merits are allowed.

11. In the result, the appeal by the assessee is allowed.

Order pronounced in the open court on 12th November, 2025.

Sd/-
(PRASHANT MAHARISHI)
Vice President

Sd/-
(SANDEEP SINGH KARHAIL)
Judicial Member

Bangalore,
Dated, the 12th November, 2025.
/MS /

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|---------------|------------------------|
| 1. Appellant | 2. Respondent |
| 3. CIT | 4. DR, ITAT, Bangalore |
| 5. Guard file | 6. CIT(A) |

By order

Assistant Registrar,
ITAT, Bangalore