

**IN THE INCOME TAX APPELLATE TRIBUNAL
"A" BENCH, AHMEDABAD
BEFORE DR. B.R.R. KUMAR, VICE-PRESIDENT
SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER**

ITA No.1571/Ahd/2025
(Assessment Year: 2017-18)

The Income Tax Officer, Ward-1, Anand.	Vs.	Chikhodara Sewa Sahakari Mandali Ltd., Nr. Patel Wadi, Opp. Swaminarayan Temple, Chikhodra, Anand-388320. [PAN :AAAAC0897 L]
(Appellant)	..	(Respondent)
Appellant by :	Shri Kamal Deep Singh, Sr. DR	
Respondent by:	Shri S.N Divatia, with Shri Samir Vora, ARs	
Date of Hearing	08.12.2025	
Date of Pronouncement	13.02.2026	

ORDER

PER DR. B.R.R. KUMAR, VICE-PRESIDENT:-

This appeal has been filed by the Revenue against the order dated 03.06.2025 passed by the Ld. Commissioner of Income-Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi ('Ld. CIT(A)' in short), under Section 250 of the Income-tax Act, 1961 ('the Act' in short), relating to the Assessment Year 2017-18.

2. The sole ground raised by the Revenue reads as under:-

"On the facts and circumstances of the case and in law, the Ld.CIT(A) erred in deleting the addition of Rs.93,75,500/- without appreciating the fact the accepting the old demonetization currency during demonetization period is wholly illegal and unlawful act of the assessee."

3. The brief facts of the case are that the assessee is a cooperative society registered under the Gujarat Cooperative Societies Act on 28.02.1959, having more than 1,937 farmer members. The society functions primarily for the benefit of farmers of village Chikhodra and surrounding areas. During the relevant assessment year, the assessee was engaged in implementation of the Kisan Credit Card (KCC) Scheme, a Government-backed agricultural credit scheme formulated by the Ministry of Agriculture and implemented through NABARD. Under this scheme, agricultural loans at concessional rates are extended to farmers, based on the size of their agricultural land holdings.

3.1 The operational mechanism of the KCC Scheme involves routing of funds from NABARD to District Cooperative Banks, which thereafter transfer the funds to Seva Sahkari Mandalis like the assessee. The assessee society acts as an intermediary for disbursement and recovery of loans from farmers. The assessee earns a marginal interest spread of 1%, as the District Cooperative Bank charges interest at 6% while farmers are charged 7%. As per the terms imposed by the District Cooperative Bank, the assessee was required to recover the KCC loans from farmers on or before 30.11.2016. During the demonetization period following the announcement made by Govt. of India, the assessee accepted repayments from farmers in the form of Specified Bank Notes (SBNs).

3.2 The Assessing Officer observed that the assessee had accepted SBNs aggregating to Rs. 93,75,500/- during the demonetization period.

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According to the Assessing Officer, acceptance of demonetized currency was illegal and the said amount represented unexplained money. The Assessing Officer, therefore, treated the amount as unexplained cash credit and made an addition of Rs. 93,75,500/- to the total income of the assessee.

4. Aggrieved by the assessment order, the assessee filed an appeal before the Ld. CIT(A) deleted the impugned addition.

5. Aggrieved by the order of the Ld. CIT(A) deleting the addition, the Revenue is now in appeal before the Tribunal.

6. Before us, the Ld. DR relied on the assessment order and contended that acceptance of demonetized currency was illegal and therefore the Ld. CIT(A) erred in deleting the addition.

7. The Ld. AR, on the other hand, supported the order of the Ld. CIT(A) and submitted that the cash received was fully explained and recorded and the assessee derived no benefit from the deposits. The Ld. AR also submitted that no defect in books of account was pointed out by the Assessing Officer and the issue in question is squarely covered by various judicial precedents.

8. We have considered the rival submissions and perused the material on record. The undisputed fact is that the assessee is a cooperative credit society functioning under a Government-backed KCC scheme and acts only as an intermediary for loan disbursement and

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recovery. The assessee has placed on record complete details of the farmers and members from whom SBNs were accepted. The identity of the depositors, purpose of deposits, and genuineness of transactions have not been doubted by the Assessing Officer. It is also pertinent to note that the Assessing Officer has not disputed the identity of the farmers/members, the genuineness of the transactions and the fact that the receipts were recorded in the regular books of account. Under section 68 of the Act, the onus cast upon the assessee to establish identity, creditworthiness, and genuineness stands duly discharged. Once the assessee has furnished complete details, the burden shifts to the Assessing Officer, which has not been discharged in the present case. Merely because the SBNs were accepted during the demonetization period, the same cannot be treated as unexplained income of the assessee, particularly when the source, purpose, and recipients are fully explained. We, therefore, find no infirmity in the well-reasoned order of the Ld. CIT(A) deleting the addition of Rs. 93,75,500/-.

10. In the result, the appeal of the revenue is dismissed.

The order is pronounced in the open Court on 13.02.2026.

Sd/-

**(SIDDHARTHA NAUTIYAL)
JUDICIAL MEMBER**

Sd/-

**(DR. B.R.R. KUMAR)
VICE-PRESIDENT**

Ahmedabad; Dated 13.02.2026

**btk

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

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, अहमदाबाद / DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

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आदेशानुसार/ BY ORDER,

सहायक पंजीकार (Dy./Asstt. Registrar)
आयकर अपीलीय अधिकरण, अहमदाबाद / **ITAT, Ahmedabad**