

**IN THE INCOME TAX APPELLATE TRIBUNAL
“A” BENCH, AHMEDABAD**

**BEFORE: SHRI SANJAY GARG, JUDICIAL MEMBER
AND**

SMT. ANNAPURNA GUPTA, ACCOUNTANT MEMBER

आयकर अपील सं./I.T.A. No. 1461/Ahd/2025
(निर्धारण वर्ष / Assessment Year: 2017-18)

Samir Navinchandra Shah A-202, Mahalaxmi Complex, Mahalaxmi Cross Road, Paldi, Ahmedabad, Gujarat- 380007	बनाम / Vs.	The Income Tax Officer Ward-5(3)(2), Ahmedabad
स्थायी लेखा सं./जीआइआर सं./PAN/GIR No. : ADIPS2843J		
(Appellant)	..	(Respondent)

अपीलार्थी ओर से /Appellant by :	Shri Chetan Agarwal, AR
प्रत्यर्थी की ओर से/Respondent by :	Shri Arvind Kumbhare, Sr. DR

Date of Hearing	19/01/2026
Date of Pronouncement	23/02/2026

ORDER

PER ANNAPURNA GUPTA, AM:

The present appeal has been filed by the assessee against the order of the Ld. Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (hereinafter referred to as “NFAC”), Delhi (hereinafter referred to as “CIT(A)”) dated 19.06.2025 passed under Section 250 of the Income Tax Act, 1961 (hereinafter referred to as the “Act”) and relates to Assessment Year (A.Y.) 2017-18.

2. The ground of appeal raised by the assessee reads as under:

“1. The Ld. CIT(A) has erred in law as well as in fact in upholding addition of Rs.32,90,000/- made by Ld. AO u/s 69A of the act being cash deposited in demonetization period.”

3. The solitary issue in the present appeal relates to addition made to the income of the assessee on account of cash found deposited in his bank account remaining unexplained to the tune of Rs.32,90,000/-.

4. The facts of the case are that the assessee engaged in advertising business, had filed return of income declaring total income of Rs.48,33,320/-. The case was selected for complete scrutiny as the assessee had deposited total cash amounting to Rs. 32,90,000/- during demonetization period in different bank accounts. Accordingly, notice u/s. 142(1) along with show cause notice were issued and duly served. On verification of the submissions made by the assessee, the AO observed that the balance of the bank account had gone negative many times, in view of which, the explanation of the assessee of keeping huge cash in hand was not acceptable. It was also observed that the major company to which cash sales were shown to have been made by the appellant from 16.04.2016 onwards had been incorporated on 11.05.2016. Therefore, the AO held that the transactions shown seemed to be fictitious. For the above reasons the AO held that the assessee failed to explain and establish the source of cash deposits amounting to Rs. 32,90,000/- and thus treated the same as unexplained u/s. 69A of the Act adding it to the total income of the assessee.

5. The Ld. CIT(A) confirmed the order of the AO.

6. We have heard both the parties. The contention of the Ld. Counsel for the assessee before us was that the assessee had discharged its onus of proving the source of cash deposited in the Bank from cash sales and cash withdrawals made by it from Bank. That the assessee had supported its explanation of the source of the cash deposited by submitting the entire copy of its cash book, bank book, sales ledger, ledger account of all parties to whom sales were made in cash, and submitting its audited financial statements. His contention was that no infirmity was found in any of the documents submitted by the assessee nor were the books of accounts rejected. His case was that the authorities below had rejected assessee's explanation for baseless and irrelevant reasons. The Revenue, on the other hand, has relied on the findings of the Ld. CIT(A)/AO.

7. On considering the arguments of both the sides and ongoing through the orders of the authorities below, we find merit in the contention of the Ld. Counsel for the assessee.

8. The cash deposited in the bank of the assessee amounting to Rs.32,90,000/- during demonetization period pertained to cash deposit in three bank accounts of the assessee as under:

i.	<i>Sarangpur Bank</i>	<i>Account No. 78</i>	<i>Rs.10,90,000</i>
ii.	<i>Sarangpur Bank</i>	<i>Account No. 37</i>	<i>Rs.15,000,000</i>
iii.	<i>Bank of Baroda</i>	<i>Account No. 27370200000265</i>	<i>Rs.7,00,000/-</i>
		<i>Total</i>	<i>Rs.32,90,000/-</i>

9. Undisputedly and admittedly, the assessee had explained the source of the cash deposited as being out of cash sales made

by it and cash withdrawn from its bank account and in support of his explanation had submitted;

- i. entire cash book,
- ii. Bank book,
- iii. Ledger account of parties to whom sales was made in cash along with few cash receipts &
- iv. Audited financial statement.
- v. The assessee had also submitted that its entire sales were reported to the GST Department and accepted.

10. Admittedly, no anomaly has been found in the above documents submitted by the assessee and nor have the books of accounts of the assessee been rejected.

11. The orders of the authorities below reveal that the assessee's explanation of the source of cash deposits from cash withdrawals has been rejected noting from the books of accounts of the assessee that while the assessee had made huge withdrawals of Rs.28,20,000/- during the period 01.04.2016 to 31.10.2016, he had failed to provide a cogent explanation of the business purpose for making such substantial withdrawals. It has been noted by the Revenue that the assessee's cash expenditure incurred monthly on an average was to the tune of Rs.5,51,593/- and, therefore, it was found strange that the assessee had made periodic withdrawals from the bank account amounting to Rs.28,20,000/- during the period from 01.04.2016 to 31.10.2016 maintaining it as cash in hand without spending it for business purposes.

12. We do not find any substance in this reasoning of the Ld. CIT(A) for rejecting assessee's explanation of cash deposited in the bank account during demonetization being sourced from cash withdrawals made from bank. Firstly, not a single entry in the cash book has been found to be false or incorrect and the Books of accounts have not been rejected. The AO is only questioning the business wisdom of the assessee for withdrawing allegedly huge cash. The AO cannot sit in the armchair of a businessman and question the prudence of decisions made to reject explanations offered. At the most circumstances as above noted by the Revenue authorities can create a doubt about the correctness of transactions, but, that alone cannot be the basis for rejecting the assessee's explanation of the cash withdrawals being the source of cash deposit in the bank. Moreover, we have also noted that the reasoning of the Ld. CIT(A) is highly illogical. He has noted the assessee to have withdrawn cash amounting to Rs.28.20 Lakhs in a period of 7 months from 01.04.2016 to 31.10.2016. The average cash withdrawals accordingly approximate Rs.4 Lakhs per month. Ld. CIT(A) has further noted the assessee to have incurred expenditure in cash averaging Rs.5.51 Lakhs per month and noting so, he goes on record that why the assessee withdrew such huge amount of Rs.20 Lakhs when its expenses are minimal. The Ld. CIT(A) while doing this comparison has compared the average cash expenditure with the total cash withdrawals of 7 months which is bound to give wrong results and inferences. When the average cash withdrawals are compared with the average cash expenditure we find no anomaly in the same. Therefore, the Ld. CIT(A)'s reasoning and basis for

rejecting assessee's explanation of source of cash deposited in the bank account being from cash withdrawals made from banks is found to be baseless and is, accordingly, rejected.

13. Ld. CIT(A), we have noted, has rejected the assessee's explanation attributing the cash deposit in the bank to cash sales made, finding that the assessee had not established the genuineness of the cash sales by furnishing any details of the customers to whom the sales were made and further, noting that no TDS was deducted on the bills raised to these parties.

14. The assessee before us has submitted the ledger account of all such parties to whom cash sales were made, which was submitted during the assessment proceedings and he has pointed out that they contain the complete address of the parties also. Therefore, the finding of the Ld. CIT(A) that the assessee did not furnish details of parties to whom cash sales were made, we hold, is incorrect.

15. Even otherwise, we find that once the assessee submitted all sales ledgers of cash sales and his cash book, bank book and even audited financial statement, no further questions were asked from the assessee. The assessee was never asked to confirm the cash sales made by it. Further, the fact that no TDS was deducted on this cash sales maybe an infringement of law, but, that alone does not cast any doubt on the genuineness of transaction of cash sales made by the assessee.

16. In view of the above, the basis with the Ld. CIT(A) for rejecting the assessee's explanation of the cash deposited in the bank account being from cash sales made by the assessee, is also rejected.

17. The Ld. CIT(A), we have noted, has further found discrepancy in the opening balance of cash reflected in the books of the assessee and in the income tax return filed by the assessee. The assessee has submitted to us that firstly, this aspect was never confronted to the assessee and if confronted the assessee would have submitted re-conciliation of the figures of cash balance as per the financial statement of the assessee and that reflected in its ITR. He contended that the figures reflected in the ITR was accumulation of several accounts and does not reflect the cash balance alone.

18. Finding the Ld. CIT(A) to have picked up this aspect of discrepancy in the cash balance reflected in the balance sheet of the assessee and that reflected in its ITR, at the back of the assessee and the assessee having given a plausible explanation of the same before us, we reject this basis of the Ld. CIT(A) also for rejecting the assessee's explanation of source of cash deposited in his bank account.

19. As for the basis with the AO for rejecting assessee's explanation, we find that the Ld. CIT(A) found no merit in the same having found his own basis for rejecting assessee's explanation, which have all been dealt with by us above.

20. The AO, we find, had noted the assessee's explanation to be not tenable finding that the assessee had made cash sales to a party i.e. Goodluck Hotels Pvt. Ltd. even prior to its incorporation. To this, the assessee had pointed out to the Ld. CIT(A) that this information was used by the AO without confronting it to the assessee that even otherwise the total sales made to Goodluck Hotels Pvt. Ltd. amounted to Rs.2,67,000/- which did not justify the rejection of explanation of cash deposited to Rs.32,90,000/-. That being in the business of advertising the assessee was not required to look into the date of incorporation of a client and as and when it was given an assignment it executed the same. Even copy of account of the said party reflecting bill raised on it and amount received in cash was submitted by the assessee.

21. The AO had further noted the discrepancy in the opening cash balance for the past three years i.e. 01.04.2016, 01.04.2015 & 01.04.2016 as compared to the cash balance as on the date of demonetization i.e. 08.11.2016. He found the cash balance as on the date of demonetization to be substantially higher as compared to the opening cash balance in the past. To this, the assessee had explained that the huge cash balance on the date of demonetization was on account of the fact that the assessee was required to deposit all specified bank notes in the bank on account of the demonetization exercised carried out by the Government of India.

22. The Ld. CIT(A), we find, has not passed his order, based on any of the above discrepancies noted by the AO. The Ld. CIT(A)

has accepted the assessee's explanation vis-à-vis these discrepancies.

23. In the light of the above, we hold that the assessee had discharged its onus of proving the source of cash deposit in his bank account amounting to Rs.32,90,000/- during demonetization period and the Revenue has given no cogent reason for rejecting the same and, therefore, there is no reason for treating the cash so deposited as from unexplained sources. The addition, therefore, made to the income of the assessee amounting to Rs.32,90,000/-u/s 69A of the Act is not tenable and is directed to be deleted.

24. Grounds of appeal are accordingly allowed.

25. In the result, the appeal of the assessee is allowed.

This Order pronounced on 23/02/2026

Sd/-
(SANJAY GARG)
JUDICIAL MEMBER

Ahmedabad; Dated 23/02/2026

S. K. SINHA

True Copy

आदेश की प्रतिलिपि अग्रेषित / 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.

Sd/-
(ANNAPURNA GUPTA)
ACCOUNTANT MEMBER

आदेशानुसार/ BY ORDER,

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