

आयकर अपीलिय अधिकरण, 'सी' न्यायपीठ, चेन्नई।
**IN THE INCOME TAX APPELLATE TRIBUNAL
'C' BENCH: CHENNAI**

श्री एबी टी. वर्की, न्यायिक सदस्य एवं
श्री एस. आर. रघुनाथा, लेखा सदस्य के समक्ष

**BEFORE SHRI ABY T. VARKEY, JUDICIAL MEMBER AND
SHRI S.R.RAGHUNATHA, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No.2118/Chny/2025
निर्धारण वर्ष/Assessment Year: 2017-18

Mohan, 62/5, Thirumurugan Nagar, SS Nagar, 2 nd Street, Kongu Main Road, Tirupur-641 607. [PAN: AJLPM 0534 D]	v.	The ITO, Ward-1(3), Tirupur.
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)
अपीलार्थी की ओर से/ Appellant by	:	Mr.T.S. Lakshmi Venkataraman, FCA
प्रत्यर्थी की ओर से /Respondent by	:	Ms.R. Anitha, Addl.CIT
सुनवाईकीतारीख/Date of Hearing	:	29.01.2026
घोषणाकीतारीख /Date of Pronouncement	:	11.02.2026

आदेश / ORDER

PER ABY T. VARKEY, JM:

This is an appeal preferred by the assessee against the order of the Learned Commissioner of Income Tax (Appeals)/NFAC, (hereinafter referred to as "the Ld.CIT(A)"), Delhi, dated 13.06.2025 for the Assessment Year (hereinafter referred to as "AY") 2017-18.

2. At the outset, the Ld.AR of the assessee submitted that the AO erred in making additions on issues which were not flagged by the CASS. In this respect, the Ld.AR, drew our attention to the first paragraph of the



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assessment order dated 26.12.2019, wherein the AO had acknowledged that the return of income (RoI) filed by the assessee [ITR filed on 16.03.2018 for AY 2017-18 declaring total income at ₹8,37,250/-] was selected for "limited scrutiny under CASS" to examine the "cash deposit during the year". However, according to the Ld.AR, a perusal of the assessment order would reveal that the AO had made addition of ₹41,13,322/- [₹17,28,000/- u/s.69A of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') and business income @8% on ₹2,98,16,525/- i.e. ₹23,85,322] as under:

Income admitted	Rs. 8,37,250/-
Add:(1) Unexplained cash credit u/s.69A r.w.sec.115BBE as discussed above	Rs.17,28,000/-
(2) Business income as discussed above	Rs. 23,85,322/-
Assessment income	Rs. 49,50,572/-

3. According to the Ld.AR, the AO couldn't have travelled beyond the issue [cash deposits] as per the binding Circular on the subject. Therefore, according to the Ld.AR, the AO erred in passing the assessment order dated 26.12.2019 and prayed for de-novo assessment by the AO since the assessee didn't get proper opportunity before the AO by citing the decision of the Hon'ble Supreme Court in the case of TIN Box Co. v. CIT reported in [2001] 249 ITR 216 (SC).

4. Per contra, the Ld.DR supported the action of the Ld.CIT(A) confirming the action of the AO and didn't want us to interfere. However, she agreed that the AO couldn't have gone beyond the issue which has



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been flagged by the CASS i.e. 'cash deposits during the relevant assessment year'.

5. Having heard both the parties and after perusal of the records, it is noted that the assessee is engaged in the business of purchase & sale of garments and filed his ITR/RoI for AY 2017-18 on 16.03.2018 admitting total income at ₹8,37,250/-, which ITR was selected for limited scrutiny under CASS to examine the cash deposits during the year. The AO is noted to have asked for the details of the cash deposits in the following banks and noted the relevant facts as under:

SI.No	Name of the Bank	Account No.	Cash deposit made during demonetization period(Rs.)	Total credits during year(Rs.)
1	ICICI BANK	615405046938	-	Rs.2,29,58,635
2	INDIAN OVERSEAS BANK	12802000000516	Rs.13,78,000	Rs.1,73,88,052
3	ICICI BANK	615405050829	Rs.3,50,000	Rs.38,40,509
TOTAL			Rs.17,28,000	Rs.4,41,87,196

6. The AO is noted to have asked the assessee to give details of the deposits made [nature and source of it] and has made the following observations as under:

It is seen from the details uploaded that the assessee has credited a sum of Rs. 4,41,87,196 in the above bank accounts out of which the cash deposited in SBN notes Rs. 17,28,000/- during the demonetization period. In this regard the assessee have not uploaded any evidence to substantiate the source of cash deposit made during the demonetization period of Rs. 17,28,000/-.

The govt. was not allowed to accept the SBN notes and the government announced decision on 08/11/2016 to withdraw the legal tender status to the existing series of the bank notes of the value of Rs.500/- and Rs. 1000/- with effect from 09/11/2016.



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Section 69A of the Income-tax Act, 1961: Unexplained money, etc.

"Where in any financial year the assessee is found to be the owner of any money, bullion, jewellery or other valuable article and such money, bullion, jewellery or valuable article is not recorded in the books of account, if any, maintained by him for any source of income, and the assessee offers no explanation about the nature and source of acquisition of the money, bullion, jewellery or other valuable article, or the explanation offered by him is not, in the opinion of the assessing Officer, satisfactory, the money and the value of the bullion, jewellery or other valuable article may be deemed to be the income of the assessee for such financial year".

In view of the above, a cash deposit of Rs.17,28,000/- was made during the demonetization period is added to the total income returned u/s.69A of the Act, 1961 read with sec. 115BBE of the Act.

Further the balance credit of Rs. 4,41,87,196/- is taken as the assessee's turnover of the business during the year relevant to the assessment year. It is seen from the return of income filed the business income admitted Rs. 10,11,000/- on 8% of the gross receipts of Rs. 1,26,42,671/-. Hence the balance credit of Rs. 2,98,16,525/- in the bank account is also taken as the assessee undisclosed sales and the same profit ratio is applied i.e. 8% on Rs. 2,98,16,252/- and the profit is arrived at Rs. 23,85,322/- and the same is added to the total income returned. Accordingly the assessment is completed.

Income admitted	Rs. 8,37,250/-
Add:(1) Unexplained cash credit u/s.69A r.w.sec.115BBE as discussed above	Rs.17,28,000/-
(2) Business income as discussed above	Rs. 23,85,322/-
Assessment income	Rs. 49,50,572/-

The Income-tax computation sheet along with demand notice and challan is enclosed. The demand should be paid as per notice of demand enclosed.

7. According to the Ld.AR, the AO has only considered the cash deposits during demonetization period [08.11.2016 to 31.12.2016] and thereafter has made addition of ₹17,28,000/- u/s.69A r.w.s.115BBE of the Act levying 60% tax on it which is against the order of the Hon'ble jurisdictional High Court in the case of Smile Microfinance Ltd. v. ACIT in WP (MD) No.2078 of 2020 & 1742 dated 19.11.2024 (Madras-HC), wherein the Hon'ble High Court has held that levy of 60% u/s.115BBE of the Act will be applicable only from AY 2018-19. In other words only 30% tax is leviable in the relevant AY. According to the Ld.AR, even the AO



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didn't consider the assertion made by the assessee that the nature of cash deposits/SBNs, inter-alia, were trade receipts. According to the Ld.AR, it is not understood 'as to how' the AO has made an addition of ₹23,85,322/- in respect of the credits made in the bank account of the assessee which includes bank to bank transactions. According to the Ld.AR, the AO erred in travelling beyond the scope on issues which were not flagged by the CASS. In other words, according to assessee, the AO ought to have only enquired about the *nature and source* of the cash deposits during the year under consideration. For such a proposition, he cited the decision of the CBDT Instruction No.20/2015 dated 29.12.2015 & CBDT Instruction F.No.225/402/2018/ITA.II dated 28.11.2018.

8. A perusal of the first para of the assessment order reveals that the ITR of the assessee was selected for limited scrutiny in respect of the cash deposits. The AO is noted to have made certain enquiry regarding the cash deposits in the three (3) bank accounts of the assessee. But the assessment order doesn't spell out clearly about the cash deposits made in the accounts of the assessee. In other words, no bifurcation of the cash deposits in the three (3) bank accounts of the assessee is discernable from a reading of the assessment order. In such a scenario, the action of the AO in making addition of ₹23,85,322/- can't be properly appreciated or examined. Since there is no clarity about the cash deposits made in the year under consideration other than the SBNs



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deposited makes the order vague for non-application of mind. In this regard, the assessee asserted that the AO didn't give proper opportunity to the assessee during the course of assessment proceedings. Therefore, without making any observation on the merits of the additions made, we are inclined to give one more opportunity to assessee before the AO, so, we set aside the impugned order of the Ld.CIT(A) and restore the assessment back to the file of the AO for de-novo assessment by relying on the Hon'ble Supreme Court in the case of TIN Box Co. (supra). The Ld.AR has undertaken to file the details of nature and source of cash deposits in the assessee's bank account. The AO is directed to examine the same in accordance to law after hearing the assessee and to pass fresh assessment order in accordance to law on the issue flagged by the CASS. We clarify that AO to frame assessment on merits, untrammelled by any observation made by us in this case supra in accordance to law.

9. In the result, appeal filed by the assessee is allowed for statistical purposes.

Order pronounced on the 11th day of February, 2026, in Chennai.

Sd/-
(एस. आर. रघुनाथा)
(S.R.RAGHUNATHA)

लेखा सदस्य/**ACCOUNTANT MEMBER**

Sd/-
(एबी टी. वर्की)
(ABY T. VARKEY)

न्यायिक सदस्य/**JUDICIAL MEMBER**

चेन्नई/Chennai,

दिनांक/Dated: 11th February, 2026.



ITA No.2118/Chny/2025 (AY 2017-18)
Mohan

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TLN

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT, Chennai / Madurai / Salem / Coimbatore.
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF