

**IN THE INCOME TAX APPELLATE TRIBUNAL  
DELHI “SMC-2” BENCH: NEW DELHI**

**(THROUGH VIDEO CONFERENCING)**

**BEFORE SHRI KUL BHARAT, JUDICIAL MEMBER**

**ITA No.7606/Del/2019**

**Assessment Year : 2016-17**

Muon Computing P.Ltd., G-28/119-120, 2 <sup>nd</sup> Floor, Sector-3, Rohini, New Delhi-110085. PAN-AAHCM6193J	vs	ITO, Ward-17(2), New Delhi.
<b>APPELLANT</b>		<b>RESPONDENT</b>
<b>Appellant by</b>		Sh.K.Sampath, Adv. & Sh. V.Raj Kumar, Adv.
<b>Respondent by</b>		Sh.Gaurav Pundir, Sr. DR
<b>Date of Hearing</b>		20.07.2021
<b>Date of Pronouncement</b>		04.08.2021

**ORDER**

**PER KUL BHARAT, JM :**

This appeal filed by the assessee for the assessment year 2016-17 is directed against the order of Ld. CIT(A)-6, Delhi dated 09.07.2018. The assessee has raised following ground of appeal:-

- 1) *“On the facts and in the circumstances of the case and in law the Ld.CIT(Appeals) erred in confirming the addition made by the Assessing Officer in a sum of Rs.26,66,380/- on allegation of high cash in hand. The action being erroneous unlawful and untenable must be quashed with further directions for appropriate relief.”*
2. The only effective ground raised by the assessee in this appeal is against the addition made by the Assessing Officer on account of allegation of high cash in hand.
3. Facts giving rise to the present appeal are that the return of income was e-filed on 15.01.2016 declaring income amounting to Rs.2,34,780/-. The case was selected for scrutiny through CASS. It is recorded by the Assessing

Officer that the case was selected for limited scrutiny. The reason for selecting case for limited scrutiny is stated in the assessment order that there was high cash on hand disclosed in the balance sheet as compared to the preceding year and return filed after 07.11.2016. During the course of hearing, the Assessing Officer called upon the assessee to explain the source of and reason for holding huge cash in hand of Rs.27,60,573/- as on 31.03.2016 as per audited balance sheet of the company. In response thereto, the assessee had stated that he withdrew cash of Rs.28,08,036/- during the year from the bank account. However, the explanation given by the assessee was not found acceptable to the Assessing Officer on the grounds that in the preceding years, cash on hand as on 31.03.2014 was Rs.1,44,019/- and it was Rs.44,367/- on 31.03.2015 however, it was Rs.27,60,573/- on 31.03.2016. Therefore, the Assessing Officer proceeded to make addition of Rs.26,66,380/- on the basis that the assessee had deliberately and with a view to deposit cash during demonetization period i.e. between 09.11.2016 to 30.12.2016 suppressed payments made in cash and did not disclose it in books of account during the Financial Year 2015-16.

4. Aggrieved against this, the assessee preferred appeal before Ld.CIT(A) who after considering the submissions, sustained the findings of the Assessing Officer.

5. Aggrieved against this, the assessee preferred appeal before this Tribunal.

6. Ld. Counsel for the assessee vehemently argued that before the authorities below, addition was made on the basis of excessive cash on hand,

he submitted that the assessee had demonstrated by filing of bank statements that there were withdrawals made by the assessee and such withdrawal of amount was not utilized for any other purposes. He contended that the assessee proved the source of cash in hand however, the both authorities without bringing any contrary material proceeded to make addition in the hands of the assessee. He submitted that finding of authorities below is purely based on the conjectures and surmises without being supported by any material evidence hence, deserves to be deleted.

7. Ld. Sr. DR opposed these submissions and supported the orders of the authorities below.

8. I have heard contentions of both the parties and perused the material available on records. I find that Ld.CIT(A) sustained the findings of the Assessing Officer by observing as under:-

*4.3. "I have considered the assessment order and the submissions of the appellant. From the assessment order it is seen that AO very categorically analyzed the position of cash in hand as on 31/03/2014, 31/03/2015 and 31/03/2016. Further, the AO is also given comparative analysis of cash deposited during the F.Y.s 2014-15, 2015-16, 2016-17 and during the demonetization period. The percentage of cash deposit vis-a-vis turnover has also been analysis from which it is seen that the percentage of cash deposit vis-a-vis the turn over as risen sharply from 0.55% in F.Y. 2014-15 to 28.05% in F.Y. 2015-16. Increased turn over has also been shown for F.Y. 2015-16 which has again dropped drastically in F.Y. 2016-17. It is noteworthy that expenses payable of Rs. 23.32 lakhs were shown as on 31/03/2016 whereas the said amount only 9.40 lakhs as on 31/03/2015. It is also noted from the balance sheet that there is increase in TDS payable also from Rs. 12,647/- as on 31/03/2015 to Rs. 1,93,151/- as on 31/03/2016.*

*4.4. From the submissions made it is seen that no explanation has been given by the appellant as regard the finding of the AO that there was a sharp increase in the expenses payable compared to the earlier year. Despite having adequate opening balance and not enough expenditure as on 01/12/2015 further cash was withdrawn. Similar pattern is also seen in subsequent months where the opening cash balance as on 01/01/2016 was Rs. 15,32,504/-, as on 01/02/2016 Rs. 23,23,354/- and as on 01/03/2016 the same was Rs. 24,71,301/- and ultimately closing balance was Rs. 27,71,301/-. Further, from the cash book it is noted that most of the expenditure in cash has been incurred on account of business promotion, conveyance expenses, telephone expenses etc. When all the facts are seen in totality, i.e., pattern of cash withdrawal as per the cash book, increased expenses payable at Rs. 23.32 lakhs as on 31/03/2016 as compared to Rs. 9.40 lakhs as on 31/03/2015, the fact that percentage of cash deposit vis-a-vis turnover was abnormally high for the year under consideration, sharp decrease in the turnover for F.Y. 2016-17 and also sharp increase in the cash deposited during the F.Y. 2016-17, the findings of the AO have to be upheld. Grounds of appeal nos. 1 & 2 are dismissed.”*

9. There is no dispute with regard to the fact that Revenue has not brought any material suggesting that the withdrawal made by the assessee were utilized for making payments. It is also not brought on record that the amounts so withdrawn from the bank account was utilized for any other undisclosed purposes. Further, it is noticed that Ld.CIT(A) observed that despite having sufficient cash in hand, the assessee withdraw the amount. It is correct that the assessee has withdrawn higher amounts than the immediate preceding years but that cannot be sole reason for making addition purely on the basis of suspicion. Further, I failed to understand the reasoning of the Assessing Officer that the amount was withdrawn to justify the cash deposits during demonetization period i.e. between 09.11.2016 to 30.12.2016. It is also

seen that the cash was withdrawn much prior to such event. So far observation regarding sharp increase in payable expenses is concerned, there is no finding by the Assessing Officer that such expenses are bogus. Therefore, in my considered view, the addition has been made purely on the basis of suspicion. Such action of authorities below cannot be affirmed. I, therefore, direct the Assessing Officer to delete the impugned addition. Thus, ground raised by the assessee in this appeal is allowed.

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

Above decision was pronounced on conclusion of Virtual Hearing in the presence of both the parties on 04<sup>th</sup> August, 2021.

**Sd/-**

**(KUL BHARAT)  
JUDICIAL MEMBER**

*\*Amit Kumar\**

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR  
ITAT, NEW DELHI