

**आयकरअपीलीयअधिकरण, विशाखापटणमपीठ, विशाखापटणम**  
IN THE INCOME TAX APPELLATE TRIBUNAL,  
VISAKHAPATNAM BENCH, VISAKHAPATNAM

**श्रीदुव्वूरुआरएलरेड्डी, न्यायिकसदस्यएवंश्रीएसबालाकृष्णन, लेखासदस्यकेसमक्ष**

BEFORE SHRI DUVVURU RL REDDY, HON'BLE JUDICIAL MEMBER &  
SHRI S BALAKRISHNAN, HON'BLE ACCOUNTANT MEMBER

आयकरअपीलसं./ I.T.A. No.46/Viz/2024

(निर्धारणवर्ष/ Assessment Year : 2018-19)

Chandolu Vijay Kumar,  
Guntur.  
PAN: ABXPC 6537 A

Vs. The Asst. Commissioner of  
Income Tax,  
Circle-1(1),  
Guntur.

(अपीलार्थी/ Appellant)

(प्रत्यर्थी/ Respondent)

अपीलार्थीकीओरसे/ Assessee by

: Sri GVN Hari, AR

प्रत्यर्थीकीओरसे/ Revenue by

: Dr. Aparna Villuri, Sr. AR

सुनवाईकीतारीख/ Date of Hearing

: 19/03/2024

घोषणाकीतारीख/Date of

: 21/03/2024

Pronouncement

**ORDER**

**PER S. BALAKRISHNAN, Accountant Member :**

This appeal filed by the assessee against the order of the Ld. Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi [Ld. CIT(A)-NFAC] in DIN & Order No. ITBA/NFAC/S/250/2023-24/1059293639(1), dated 2/1/2024

arising out of the order passed U/s. 143(3) of the Income Tax Act, 1961 [the Act] for the AY 2018-19.

2. Briefly stated the facts of the case are that the assessee, proprietor of M/s. Raghvendra Associates, is engaged in the business of trading in products of ITC Limited including tobacco, food products and cosmetic products, etc. The assessee filed his return of income admitting a total income of Rs. 38,77,900/- on 29/9/2018 for the AY 2018-19. The return was summarily processed U/s. 143(1) of the Act. Subsequently, the case was selected for Limited Scrutiny under CASS to verify the cash deposits. Thereafter, statutory notices U/s. 143(2) and 142(1) of the Act along with questionnaire were issued and served on the assessee. In response to the notices, the assessee furnished the information from time to time. Considering the submissions made by the assessee, the Ld. AO made addition of Rs. 1,35,08,689/- U/s. 68 of the Act, being cash deposited in to the bank account by the assessee. The Ld. AO did not accept the contention of the assessee that the cash is received from credit sales made to various parties and it is realization from the sundry debtors. The Ld. AO further observed that the assessee has not furnished the details of parties such as complete

address, PAN, GST NO. and confirmation of accounts from the parties. Further, the Ld. AO also made an addition of Rs. 96,300/- U/s. 68 of the Act wherein it was observed that the assessee has deposited cash on different dates in the Indian Bank account of the assessee, which was originally not disclosed by the assessee. Aggrieved, by the order of the Ld. AO, the assessee filed an appeal before the Ld. CIT(A)-NFAC. The Ld. CIT(A)-NFAC considering the submissions made by the assessee's Representative, dismissed the appeal of the assessee thereby upholding the order of the Ld. AO. Aggrieved by the order of the Ld. CIT(A)-NFAC, the assessee is appeal before the Tribunal by raising the following grounds of appeal:

- “1. *The order of the Ld. CIT(A) is contrary to the facts and also the law applicable to the facts of the case.*
2. *The Ld. CIT(A) is not justified in sustaining the addition of Rs. 1,35,08,689/- made by the AO U/s. 68 of the Act towards alleged unexplained cash deposits in the bank accounts of the appellant.*
3. *The Ld. CIT(A) is not justified in sustaining the addition of Rs. 96,300/- made by the AO U/s. 68 of the Act towards unexplained cash deposits in Indian Bank account of the appellant.*
4. *Any other grounds may be urged at the time of hearing.”*

3. **Grounds No.1 and 4 are general** in nature and therefore they need no separate adjudication.

4. With respect to **Ground No.2**, the Ld. Authorized Representative [Ld. AR] argued that the assessee has made a total turnover of Rs. 161,11,15,940/- (inclusive of VAT, GST and Cess) comprising of cash sales amounting to Rs. 123,60,76,454/- and credit sales amounting to Rs. 37,50,74,487/-. The Ld. AR submitted that the Ld. AO has accepted the cash deposits arising out of the cash sales to the extent of Rs. 123,60,76,454/-. However, the Ld. AO disallowed a sum of Rs. 1,35,08,689/- which was realization of cash from debtors arising out of the credit sales. The Ld. AR further submitted that however the Ld. AO has not disputed the cash payments made by the assessee amounting to Rs. 62,87,543/- as detailed in Page No. 312 of the Paper Book. The Ld. AR further submitted that the assessee has realized Rs. 2,29,44,790/- in the form of cash as collection from debtors arising out of the credit sales and out of which the above cash payments amounting to Rs. 62,87,543/- were incurred by the assessee and the balance amount of Rs. 1,35,08,689/- deposited into the bank account. The Ld. AR therefore pleaded that since the Ld. AO has accepted the cash arising out of the collection from debtors, which was utilized for incurring various expenses, it is not valid that the balance amount of Rs. 1,35,08,689/-

deposited into the bank account shall be disallowed U/s. 68 of the Act. The Ld. AR therefore pleaded that the addition may be deleted.

Per contra, the Ld. DR heavily relied on the orders of the Ld. Revenue Authorities and submitted that the assessee has not filed the details of sundry debtors including PAN, Addresses, GST / VAT Nos of various parties. Therefore, the Ld. DR pleaded that the assessee has not proved the genuineness of the collection from the debtors and hence the orders of the Ld. Revenue Authorities be upheld. Countering the argument of the Ld. DR, the Ld. AR submitted that the bank account statement and the GST returns have been filed before the Ld. Revenue Authorities disclosing the cash and credit sales. The Ld. AR therefore submitted that the Revenue has not disputed the total turnover of the assessee. The Ld. AR also further submitted that the cash collection from the debtors comprises of more than 2000 parties who were all Kirana Traders or small / petty shop owners, who are not covered by GST/VAT provisions. He therefore once again pleaded that the addition may be deleted.

5. We have heard both the sides and perused material available on record as well as the orders of the Ld. Revenue

Authorities. In this case we find that the Revenue has not disputed the total turnover of the assessee ie., Rs. 161,11,15,940/-. Further, the Revenue has also not doubted the genuineness of the cash expenditure amounting to Rs. 62,87,543/-. In this context, the argument of the Ld. AR deserves consideration wherein these cash expenses were incurred out of the cash collection from debtors and the balance of Rs. 1,35,08,689/- was deposited into the bank account. There is also merit in the argument of the Ld. AR that the parties are small traders who have paid cash amounting to less than Rs. 10,000/- per party. We also agree with the view of the Ld. AR that these small traders are not covered under the GST Act. Further, the Ld. AR has also demonstrated before us the cash book abstract detailing the cash sales, cash receipts from debtors and cash payment for expenditure and the balance cash available in the financial statements as detailed in page 312 of the paper book. We are therefore inclined to accept the view of the Ld. AR that these cash deposits arise out of the realization from various parties to whom the credit sales have been made by the assessee and hence the addition made by the Ld. Revenue Authorities deserves to be deleted. Thus, **Ground No.2 raised by the assessee is allowed.**

6. With respect to **Ground No.3**, regarding the addition of Rs. 96,300/-, we find that the assessee has not explained the source of the above cash deposits into the Indian Bank Account before the Ld. Revenue Authorities. We also find from the Ld. CIT (A)-NFAC order that the assessee has not filed any details even before the Ld. CIT(A)-NFAC. Neither is it filed before us. We are therefore inclined to uphold the order of the Ld. Revenue Authorities on this ground as we find no infirmity in the order of the Ld. CIT(A)-NFAC. Accordingly, this ground raised by the assessee is **dismissed**.

7. In the result, **appeal of the assessee is partly allowed**.

Pronounced in the open Court on 21<sup>st</sup> March, 2024.

Sd/-

(दुव्वूरुआर.एलरेड्डी)

(DUVVURU RL REDDY)

न्यायिकसदस्य/JUDICIAL MEMBER

Sd/-

(एसबालाकृष्णन)

(S.BALAKRISHNAN)

लेखासदस्य/ACCOUNTANT MEMBER

Dated : 21.03.2024

OKK - SPS

आदेशकीप्रतिलिपिअग्रेषित/Copy of the order forwarded to:-

1. निर्धारिती/ The Assessee–Chandolu Vijay Kumar, D.No. 5-84-2, 2<sup>nd</sup> Lane, Pandaripuram, Guntur, Andhra Pradesh – 522007.
2. राजस्व/The Revenue –The Asst. Commissioner of Income Tax, Circle-1(1), O/o. Income Tax Office, CR Building, Kannavari Thota, Guntur, Andhra Pradesh – 522001.
3. The Principal Commissioner of Income Tax,
4. आयकरआयुक्त (अपील)/ The Commissioner of Income Tax
5. विभागीयप्रतिनिधि, आयकरअपीलीयअधिकरण, विशाखापटणम/ DR,ITAT, Visakhapatnam
6. गार्डफ़ाईल / Guard file

आदेशानुसार / BY ORDER

Sr. Private Secretary  
ITAT, Visakhapatnam