

**THE INCOME TAX APPELLATE TRIBUNAL,
'SMC' BENCH, KOLKATA**

**Before Shri Rajpal Yadav, Vice-President (KZ)
&
Shri Girish Agrawal, Accountant Member**

**I.T.A. No. 187/KOL/2024
Assessment Year: 2017-2018**

***Svarna Textiles Limited,.....Appellant
7, Old Ballygunge, 2nd Lane,
Ballygunge, Kolkata-700019
[PAN:AARCS6490A]***

-Vs.-

***Income Tax Officer,.....Respondent
Ward-12(1), Kolkata,
Aayakar Bhawan,
P-7, Chowringhee Square,
Kolkata-700069***

Appearances by:

*Shri S.K. Pransukha, FCA, appeared on behalf of the
assessee*

*Shri Supriya Pal, Addl. CIT, D.R., appeared on behalf
of the Revenue*

Date of concluding the hearing : April 10, 2024

Date of pronouncing the order : May 6, 2024

O R D E R

Per Rajpal Yadav, Vice-President (KZ):-

The assessee is in appeal before the Tribunal against the order of Id. Commissioner of Income Tax (Appeals), National

Faceless Appeal Centre (NFAC), Delhi dated 29.12.2023 passed for A.Y. 2017-18.

2. The solitary grievance of the assessee is that ld. CIT(Appeals) has erred in confirming the addition made by the ld. Assessing Officer amounting to Rs.10,05,000/-.

3. Brief facts of the case are that during demonetization period, the assessee has made deposit of Rs.10,05,000/-. It did not file income-tax return under section 139(1). The ld. Assessing Officer has issued a notice under section 148 of the Income Tax Act inviting the return of income within thirty days, which was filed by the assessee declaring total income of Rs.6,33,940/-. Subsequently notices under section 143(2) and 142(1) were issued and served upon the assessee. Though the assessee did not file its return of income under section 139(1) within due date but it has filed its Form 3CA (Audit Report along with P & L Account and Balance-sheet) on 06.11.2017. In other words, the return ought to have been filed by 31st March, 2018, which was not filed, but the audit report was filed before the due date. The ld. Assessing Officer thereafter observed that in the HDFC Bank, the assessee has made deposits of Rs.10,05,000/-. The ld. Assessing Officer has recorded the statement of the Director of the assessee-Company- Shri Ashish Tibrewalla on oath under section 131 of the Income Tax Act on 17.06.2019. The ld. Assessing Officer has reproduced questions and answers of the statement from pages no. 2 to 3 of the assessment order. The ld. Assessing Officer thereafter rejected the contentions of the

assessee vide which it has explained the source of Rs.10,05,000/-.

4. Appeal to the Id. CIT(Appeals) did not bring any relief to the assessee.

5. With the assistance of Id. Representatives, we have gone through the record carefully. The explanation of the assessee was that it is engaged in the business of manufacturing and trading of clothes and garments. It is also in the export of garments. In reply to Question No. 17 that the payment was made to send yarns and fabrics for dyeing purpose to contracted dyeing factory Wonder Crafts Bhagalpur. He also disclosed as to how the trading activity for sale of garment is being undertaken. According to the assessee, it has 15 to 20 employees. The source of the cash deposit was attributed to cash sales in the past. The assessee has referred to cash balance available in the audited accounts. The Id. Counsel for the assessee drew our attention towards page no. 5 of the paper book, where summary of cash in hand from 1st April to 31st December, 2016 has been placed on record, which reads as under:-

Summary of cash in hand from 01.04.2016 to 31.12.2016

	Cash in hand as on 01.04.2016	Rs. 7,42,794.14
Add.	Cash withdrawal from Bank during the period	Rs.25,66,626.00
Add.	Cash sales during the period	Rs.10,26,910.00
		Rs.43,36,330.10

Less	Cash deposited with Bank specified to demonetization period	Rs.10,05,000.00
Less	Other cash deposited	Rs.17,10,000.00
Less	Cash expenses	Rs.3,30,743.80
		Rs.30,45,743.80
	Cash in hand as on 31.12.2016	Rs.12,90,586.34

6. Let us evaluate the reasons assigned by the ld. Assessing Officer for disbelieving the source disclosed by the assessee. The first reason assigned by the ld. Assessing Officer is that the assessee failed to produce the names and address of the parties with whom the impugned cash sales were made. To our mind, it is very difficult to provide the names and details of the parties to whom cash sale was made, unless it was made in the bulk. In a trading activity, such details are not to be maintained by any trader on day-to-day sales. In the next reasons, he observed that no trading activity was carried out during financial year 2016-17 and also noticed that no cash sale during the earlier previous year i.e. 2015-16. This finding is contrary to the audited accounts submitted by the assessee. The revenue from operations as on 31st March, 2017 is of Rs.1,14,78,106/-. The purchases shown by the assessee are at Rs.44,14,493/-, Manufacturing Expenses Rs.5,39,036/-, Employee Benefit Expenses, other expenses Rs.32,54,064/-. Similarly, revenue from operations has been shown at Rs.20,87,970/- as on 31.03.2016. The assessee has shown fixed assets. It has shown trading receivables, cash and cash equivalents. The ld. Assessing

Officer has not cross verified these aspects. The next reason given by the ld. Assessing Officer is that the assessee could not offer the reason of holding huge cash in hand when Bank system is available. The ld. Assessing Officer failed to appreciate that how much cash would be justifiable for any business items is a decision to be taken by the management depending upon the nature of the business. If it does not match with the opinion of the ld. Assessing Officer, then, that cannot be used as a reason for making the addition. The next reason assigned by the ld. Assessing Officer is a general observation. Therefore, we are of the view that the ld. Assessing Officer has not assigned any specific reason for disbelieving the cash in hand available with the assessee, out of which a sum of Rs.10,05,000/- was deposited in the account during demonetization. Accordingly, we allow this ground of appeal and delete the addition.

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

Order pronounced in the open Court on 6/05/2024.

Sd/-

(Girish Agrawal)
Accountant Member

Kolkata, the 6th day of May, 2024

Sd/-

(Rajpal Yadav)
Vice-President (KZ)

*Copies to :(1) Svarna Textiles Limited,
7, Old Ballygunge, 2nd Lane,
Ballygunge, Kolkata-700019*

(2) *Income Tax Officer,
Ward-12(1), Kolkata,
Aayakar Bhawan,
P-7, Chowringhee Square, Kolkata-700069;*

(3) *Commissioner of Income Tax (Appeals),
National Faceless Appeal Centre (NFAC), Delhi;*

(4) *CIT- , Kolkata*

(5) *The Departmental Representative;*

(6) *Guard File
TRUE COPY*

By order

*Assistant Registrar,
Income Tax Appellate Tribunal,
Kolkata Benches, Kolkata*

Laha/Sr. P.S.