

आयकर अपीलीय अधिकरण, हैदराबाद पीठ में  
**IN THE INCOME TAX APPELLATE TRIBUNAL  
HYDERABAD BENCHES "SMC", HYDERABAD**

**BEFORE SHRI K. NARASIMHA CHARY, JUDICIAL MEMBER**

आ.अपी.सं / **ITA No. 159/Hyd/2024**  
(निर्धारण वर्ष / Assessment Year: 2017-18)

Ravindhar Reddy Bandi, Vs. Income Tax Officer,  
Nalgonda Ward-1,  
[PAN No. BTDPB4627F] Suryapet

अपीलार्थी / Appellant प्रत्यर्थी / Respondent

निर्धारिती द्वारा/Assessee by: Smt. S. Sandhya, AR  
राजस्व द्वारा/Revenue by: Ms. Aditi Goyal, DR

सुनवाई की तारीख/Date of hearing: 14/05/2024  
घोषणा की तारीख/Pronouncement on: 16/05/2024

आदेश / ORDER

Aggrieved by the order dated 19/07/2022 passed by the learned Commissioner of Income Tax (Appeals)- National Faceless Appeal Centre (NFAC), Delhi ("Ld. CIT(A)"), in the case of Ravindhar Reddy Bandi ("the assessee") for the assessment year 2017-18, assessee preferred this appeal, with a delay of 520 days.

2. In this connection, the assessee filed an affidavit, explaining the reasons for the delay that due to poor knowledge in English language, he could not understand the order of the CIT(A) and also stated that someone from the Income Tax Department personally came to the shop of assessee to handover the show cause notice in respect of penalty proceedings and two other notices. It was also explained by the assessee in his affidavit that since he was out of station in connection with medical treatment of his wife at Khammam, he could not consult the advocate within the time.

Thus, the assessee prayed that the delay in filing the appeal is unintentional and due to circumstances beyond his control. Though the learned DR did not accept to condone the delay, there is no reason as to why this explanation of the assessee cannot be accepted. Thus, recording the same, I condone the delay of 520 days in filing the appeal and proceed to hear the matter on merits.

3. Brief facts of the case as emanating from the record are that the assessee is engaged in the sale of seeds and insecticides in the name and style of M/s. Sri Venkateswara Pesticides and Seeds. Learned Assessing Officer noticed that there were cash deposits to the tune of Rs. 10,42,500/- in the bank account of the assessee during demonetization period whereas, total cash deposits during the year were Rs. 25,06,500/- and total credits during the year were Rs. 64,49,353/-. Assessee filed the bank account statement, licence to sell insecticides and seeds. On verification of such documents and also the returns of income filed by the assessee for the assessment year 2018-19 and 2019-20, learned Assessing Officer was of the opinion that the deposits during demonetization are not properly explained and are liable to be added under section 69A of the Income Tax Act, 1961 ('the Act'), whereas in respect of the other deposits during the year they constitute business receipts and having regard to the business of sale of seeds and insecticides, learned Assessing Officer estimated the income of the assessee at 8% of the total credits, excluding the sum of Rs. 10,42,500/- which was added under section 69A of the Act.

4. Assessee preferred appeal before the learned CIT(A) and submitted that all the deposits constitute his business receipts and, therefore, adding about Rs. 10 lakhs separately, does not arise. He further submitted that estimate at 8% is not justified in the line of business of the assessee.

5. Learned CIT(A) as a matter of fact, found that the assessee is engaged in the sale of seeds and insecticides and there were transactions

with M/s. HPM Chemicals and Fertilizers, M/s. Dhanuka Agri. Tech Ltd., M/s. Sri Laxmi Srinivasa Fertilizers, Sri Venkateswara Pesticides, etc. Learned CIT(A), however, declined to interfere with the additions on the ground that there is no evidence in support of the contentions of the assessee. Hence, this appeal.

6. Learned AR submitted that estimate at 8% is too high and it may be scaled down. She further submitted that the sum of Rs. 10,42,500/- also part of the business receipts and, therefore, the same cannot be added separately under section 69A of the Act.

7. Per contra, learned DR submitted that in the absence of any explanation in respect of the deposits during demonetization, the Revenue authorities are justified in making the addition. So also, learned DR submitted that under section 44AD of the Act, estimate at 8% is justified in respect of the cash receipts.

8. I have gone through the record in the light of the submissions made on either side. There is no allegation as to deposit of demonetized notes in this case. When once the business of the assessee in trading in seeds and pesticides and business receipts for other period of the year are accepted, there is no reason to set apart the business receipts during the demonetization and to add them under section 69A of the Act. Demonetization did not prohibit the continuance of the business. I accept the contention of the assessee that the sum of Rs. 10,42,500/- is also part of the business receipts. I, therefore, find it difficult to sustain the addition of Rs. 10,42,500/- under section 69A of the Act and direct the learned Assessing Officer to delete the same.

9. Coming to the estimate, learned Assessing Officer estimated the income at 8% on the total deposits, excluding Rs. 10,42,500/-. However, since I find that this amount also is part of business receipts, the total

deposits of Rs. 64,49,353/- has to be considered for the estimate. Under proviso to section 44AD of the Act, a sum equal to 8% of the gross receipts of the assessee shall be deemed to be the profit, however, subject to the proviso that in respect of the amount which is received by account payee cheque or banking transactions, it shall be 6%.

10. Even according to the learned Assessing Officer, out of the total deposit of Rs. 64,49,353/-, cash deposits are only to the tune of Rs. 25,06,500/-. Learned Assessing Officer therefore, is directed to estimate the profit at 8% on Rs. 25,06,500/- and at 6% on the rest of the deposits. Grounds are answered accordingly.

11. In the result, appeal of the assessee is allowed in part.

Order pronounced in the open court on this the 16<sup>th</sup> day of May, 2024.

Sd/-  
**(K. NARASIMHA CHARY)**  
**JUDICIAL MEMBER**

Hyderabad,  
Dated: 16/05/2024

TNMM

Copy forwarded to:

1. Ravindhar Reddy Bandi, 1-123, Gajula Malkapuram, Penpamad PO, Nalgonda.
2. Income Tax Officer, Ward-1, Suryapet.
3. Pr.CIT, Hyderabad.
4. DR, ITAT, Hyderabad.
5. GUARD FILE.

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ASSISTANT REGISTRAR  
ITAT, HYDERABAD