



**IN THE INCOME TAX APPELLATE TRIBUNAL,  
CUTTACK BENCH, CUTTACK**

**BEFORE SHRI GEORGE MATHAN, JUDICIAL MEMBER  
AND  
MANISH AGARWAL, ACCOUNTANT MEMBER**

**ITA No.196/CTK/2023**  
Assessment Year : 2016-17

Satya Narayan Rout, C/O. Ram Prasad Rout, At/PO: Barpalipara, Dist: Bolangir	Vs.	Income Tax Officer, Ward-1, Bolangir
PAN/GIR No.		
<b>(Appellant)</b>	..	<b>( Respondent)</b>

Assessee by : Shri P.K.Mishra/Shri B.N.Behera, Advs  
Revenue by : Shri Charan Dass, Id Sr DR

**Date of Hearing : 27/05/2024**  
**Date of Pronouncement : 27/05/2024**

**ORDER**

**Per Bench**

This is an appeal filed by the assessee against the order of the Id CIT(A), NFAC, Delhi dated 31.3.2023 in Appeal No. CIT(A), Sambalpur/10097-2018-19 for the assessment year 2016-17.

2. S/Shri P.K.Mishra and B.N.Behera, Id ARs appeared for the assessee and Shri Charan Dass, Ld Sr DR appeared for the revenue.

3. It was submitted by Id AR that the assessee is engaged in the business of collection agent for WESCO, Bolangir Electrical Division on contract basis. It was the submission that the assessee had filed the return of income declaring total income of Rs.11,85,630/- by applying the provisions of section 44 AD of the Act. It was the submission that in the course of assessment, the Assessing Officer noticed that the turnover of the assessee in respect of two bank accounts had not been disclosed. Consequently, the Assessing Officer made an addition of Rs.1,50,000/- representing the cash deposits in two of the bank accounts of the assessee. The Assessing Officer noticed that all the contract receipt has been credited in the bank account of the assessee. When the total funds credited into the bank accounts compared with that of the total contract receipts, a discrepancy i.e. excess fund of Rs.17,03,383/- is noted. Therefore, the Assessing Officer made an addition of Rs.17,03,383/- being the difference between the total deposits in five bank accounts and three disclosed bank accounts. The Assessing Officer had alleged that two bank accounts were undisclosed. The Assessing Officer further made an addition of Rs.1,05,258/- representing the interest credited in the said five bank accounts and further made an addition of Rs.23,91,742/- representing the closing balance of two allegedly undisclosed bank accounts. It was the submission that all the additions have been made out of the bank accounts of the assessee. The assessee is filing his return of income on 44 AD basis.

Admittedly, the assessee's turnover was Rs.1,12,75,016/- and by mistake, the assessee had omitted the turnover in respect of two of the bank accounts being SBI Account No.30118109059 and UBI Account No.614002010007033. It was the submission that the additions representing the unexplained cash deposit could not be made insofar as the difference between the turnover has already been taxed and its deposits are representing in the bank accounts only. It was the further submission that no addition on account of unexplained income could not be made insofar as the total turnover of the assessee has been considered and the income is to be estimated in respect of total turnover of Rs.1,12,75,016/- and no separate addition on account of the difference between the turnover could be made. Ld AR submitted that the interest income of Rs.1,05,258/- was admittedly not offered to tax as income from other sources but the same was included when computing the estimated income u/s.44AD and the addition is not liable to be called for. It is the further submission that the addition representing closing balance of two bank accounts being SBI Account No.30118109059 and UBI Account No.614002010007033 was not liable to be made insofar as it was the part of the turnover representing Rs.1,12,75,016/- and if at all any addition is called for, following the provisions of section 44AD, on the disclosure made by the assessee in his return, 8% of the total turnover of Rs.1,12,75,016/- could be made. It was

the submission the addition made by the AO and confirmed by the Id CIT(A) is liable to be deleted.

4. In reply, Id Sr DR submitted that the addition in respect of unexplained cash deposit was in fact the addition on account of negative cash balance. It was the submission that each of the addition as made by the AO and as confirmed by the Id CIT(A) is liable to be upheld insofar as the Assessing Officer has pointed out specific defects in the disclosure of the income as made by the assessee. It was the submission that the order of Id CIT(A) and that of the AO is liable to be upheld.

5. We have considered the rival submissions. A perusal of the assessment order in the present case clearly shows that all the additions admittedly have been made out of the bank accounts of the assessee whether they are disclosed or undisclosed. We are live to the fact that the assessee has filed return of income by applying the provisions of section 44 AD of the Act. A perusal of the assessment order clearly shows that the assessee has applied the provisions of section 44 AD on an amount of Rs.95,71,633/- as against the actual turnover of Rs.1,12,75,016/- as has been computed by the AO on the basis of all the five bank accounts of the assessee. A perusal of the addition of Rs.1,50,000/- representing the unexplained cash deposits clearly is not on account of negative cash balance of five accounts, which are running accounts. There are withdrawals and deposits, there are cash deposits also and out of total

turnover of Rs.1,12,75,016/-of cash deposits , cash deposit is to an extent of Rs.1,50,000/- which is less than about 1%. The fact that all five accounts have been considered by the AO while determining the turnover of the assessee clearly shows that these cash deposits have also been considered. This being so, no separate addition of Rs.1,50,000/- is called for and same stands deleted.

6. Coming to the addition representing interest income, though the assessee has claimed that this has been included while computing the income u/s.44AD, same would not stand to test insofar as interest income is assessable under the head "income from other sources" only. It cannot be treated as part of the turnover of the assessee. When determining the turnover of Rs.1,12,75,016/- by the Assessing Officer, the Assessing Officer has categorically mentioned in page 3 in the chart mentioning that the amounts were credited by transfer of funds. This interest income is not part of the transfer of funds. This being so, addition of Rs.1,05,258/- is confirmed and same is directed to be assessed as income from other sources.

7. Coming to the addition of undisclosed current assets of Rs.23,91,742/-, the same is to be considered alongwith unexplained income of Rs.17,03,383/- insofar as the turnover of Rs.1,12,75,016/- includes the amounts credited by transfer of funds in respect of all the five accounts and no separate addition in respect of the closing balance on allegedly two bank

accounts which are undisclosed, can be made. If the closing balance is to be considered, then the opening balance is also to be considered. The same also in respect of unexplained income which has been determined being the difference between the turnover as computed by the AO and as adopted by the assessee i.e. Rs.1,12,75,016/- as computed by the AO in respect of five bank accounts and Rs.95,71,633/- as computed by the assessee in respect of three bank accounts. Admittedly, the Assessing officer accepts that the business of the assessee is collection of the revenue bills under WESCO Utility on contract basis. The Assessing Officer also accepts in page 3 of the assessment order that the amounts are transfer of funds only. The total turnover of Rs.1,12,75,016/- and there will be also corresponding transfer to WESCO. This being so, the Assessing Officer is directed to estimate the income of the assessee at 8% by applying the provisions of section 44 AD of the Act as applied by the assessee on the amount of Rs.17,03,383/- being the difference in turnover and determined the income of the assessee. Consequent to the same, addition of Rs.17,03,383/- and addition of Rs.23,91,742/- separately made stands deleted. The Assessing Officer is directed to re-determine the income of the assessee by making the addition applying the provisions of section 44AD @ 8% on the short turnover of Rs.17,03,383/- and made a further addition of Rs.1,05,258/- being the interest income received by the

assessee under the head "income from other sources" to the returned income.

8. In the result, appeal of the assessee stands partly allowed. .

Order dictated and pronounced in the open court on 27/05/2024.

Sd/-  
**(Manish Agarwal)**  
ACCOUNTANT MEMBER  
Cuttack; Dated 27/05/2024  
B.K.Parida, SPS (OS)

sd/-  
**(George Mathan)**  
**JUDICIAL MEMBER**

**Copy of the Order forwarded to :**

1. The Appellant : Satya Narayan Rout, C/O.  
Ram Prasad Rout, At/PO: Barpalipara, Dist:  
Bolangir
2. The Respondent: Income Tax Officer, Ward-  
1, Bolangir
3. The CIT(A)- NFAC, Delhi
4. Pr.CIT,
5. DR, ITAT,
6. Guard file.  
//True Copy//

**By order**

Sr.Pvt.secretary  
**ITAT, Cuttack**