

**IN THE INCOME TAX APPELLATE TRIBUNAL  
"C" BENCH: BANGALORE**

**BEFORE SHRI CHANDRA POOJARI, ACCOUNTANT MEMBER  
AND  
SHRI KESHAV DUBEY, JUDICIAL MEMBER**

ITA No.867/Bang/2024
Assessment Year: 2017-18

M/s. The Davangere Steel Fabricators and Furniture Makers Multi Purpose Co-operative society Ltd. 424, Maganahalli road Davangere 577 001 Karnataka  <b>PAN NO : AADAT9184A</b>	<b>Vs.</b>	ITO Ward-5 Davangere
<b>APPELLANT</b>		<b>RESPONDENT</b>

<b>Appellant by</b>	:	Ms. Sunaina Bhatia, A.R.
<b>Respondent by</b>	:	Sri Ganesh R. Gale, Standing Counsel for Department

<b>Date of Hearing</b>	:	06.06.2024
<b>Date of Pronouncement</b>	:	06.06.2024

**O R D E R**

**PER CHANDRA POOJARI, ACCOUNTANT MEMBER:**

This appeal by assessee is directed against order of NFAC for the assessment year 2017-18 dated 25.8.2024.

2. Facts of the case are that assessee has deposited a sum of Rs.17 lakhs during demonetization period in Rs.500 & Rs.1000 specified SBN notes. The assessee has not given any explanation for the sources of Rs.16,81,626/- deposited in to his bank account. Hence, the addition has been made. Against this assessee went in appeal before Id. CIT(A). The Id. CIT(A) has confirmed the same. In this regard, the Id. A.R. relied on the decisions of this Tribunal in the case of Smt. Malapur Mounika in ITA Nos.599/Bang/2023 dated

30.10.2023 and in the case of Sri Bhageeratha Pattina Sahakara Sangha Niyamitha in ITA No.646/Bang/2021 dated 18.2.2022.

**3.** We have heard the rival submissions and perused the materials available on record. In our opinion, dealing of SBN Notes prior to appointed date i.e. 31.12.2016 which cannot be prohibited and the source of deposit needs to be explained by the assessee and same to be examined by the Id. CIT(A). This view of ours is fortified by the decision of Visakhapatnam Bench of Tribunal in the case of ITO Vs. Tatiparti Satyanarayana in ITA No.76/Vizag/2021 dated 16.3.2.22 wherein held as under:

*“9. We have heard both the parties and perused all the documents on record. We find that there was sufficient cash balance with the assessee as detailed in page No.30 of the paper book. The Specified Bank Notes (Cessation of Liabilities) Act, 2017, defines “appointed day” vide Section 2(1)(a). As per Section 2(1)(a), “appointed day” means the 31<sup>st</sup> Day of December 2016. Section 5 of the Specified Bank Notes (Cessation of Liabilities) Act, 2017 also deals with prohibition on holding, transferring or receiving specified bank notes. Section 5 states that “On and from the appointed day, no person shall knowingly or voluntarily, hold, transfer or receive any specified bank note”. We therefore, find that the specified bank notes can be measured in monetary terms since the guarantee of the Central Government and the liability of Reserve Bank of India does not cease to exist till 31.12.2016. In view of the above, the contention of the Ld.DR, treating the receipt of SBNs from cash sales as illegal and thereby invoking the provisions of section 69A is not valid in law. Therefore, we dismiss this ground of the Revenue.”*

**3.1** In view of the above decision of the coordinate bench of this Tribunal, we remit this issue to the file of Id. AO for fresh consideration after giving an opportunity of hearing to the assessee.

4. In the result, appeal of the assessee is partly allowed for statistical purposes.

Order pronounced in the open court on 6<sup>th</sup> June, 2024

**Sd/-**  
**(Keshav Dubey)**  
**Judicial Member**

**Sd/-**  
**(Chandra Poojari)**  
**Accountant Member**

Bangalore,  
Dated 6<sup>th</sup> June, 2024.  
VG/SPS

Copy to:

1. The Applicant
2. The Respondent
3. The CIT
4. The DR, ITAT, Bangalore.
5. Guard file

By order

**Asst. Registrar,**  
**ITAT, Bangalore.**