

**आयकर अपीलीय अधिकरण, हैदराबाद पीठ**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**Hyderabad 'SMC' Bench, Hyderabad**

**Before**  
**Shri Mahavir Singh, Hon'ble Vice-President**

आ.अपी.सं / **ITA No.672/Hyd/2024**  
(निर्धारण वर्ष / Assessment Year: 2017-18)

Sapthagiri Techno Packh (P) Ltd, Gajulamandyam PAN:AAUCS0529F	Vs.	Income Tax Officer Ward 1(1) Tirupati
(Appellant)		(Respondent)
निर्धारिती द्वारा/Assessee by: Shri E. Phalguna Kumar, CA		
राजस्व द्वारा/Revenue by: Shri Ashish Kumar Shukla,DR		
सुनवाई की तारीख/Date of hearing: 05/08/2024		
घोषणा की तारीख/Pronouncement: 05/08/2024		

**आदेश/ORDER**

This appeal filed by the assessee is arising out of the order passed by the learned CIT (A) NFAC in ITA No.CIT(A), Tirupati/10123/2019-20 order dated 20.05.2024. The assessee has raised various grounds which are argumentative, factual and exhausts, hence I deem it not necessary to reproduce these grounds. The assessee has also raised issue of violation of principles of natural justice, but at the time of hearing he conceded all the grounds. However, the assessee has raised only two issues on merits:

2. The first issue raised by the assessee is with regard to the order of the learned CIT (A) confirming the action of the Assessing Officer in making addition of Rs.11.24 lakhs being cash deposits during the demonetization period in specified bank notes (SBNs) as the assessee was unable to prove the source of cash deposits.

3. Brief facts are that the assessment was selected for scrutiny on verification of the data relating to 'cash deposits during the demonetization period' available in AIMS module of ITBA. The Assessing Officer noticed that the assessee has deposited demonetized cash of Rs.11.24 lakhs in his Punjab National Bank, Tirupati Branch. The Assessing Officer required the assessee to explain the source of cash deposits. He also noticed that the total cash deposits made during the financial year 2016-17 relevant to the A.Y 2017-18 amounting to Rs.32,43,899/-but here only the disputed amount is demonetized cash deposits in SBNs after 8.11.2016 i.e. amounting to Rs.11.24 lakhs. The assessee before the Assessing Officer filed copy of return of income for the A.Y 2017-18, copies of VAT returns, cash book etc., but could not file any bills/vouchers or supporting evidence supporting the cash book. The Assessing Officer noticed that in the cash book, the closing balance as on 8.11.2016 was at Rs.6,97,209/- but despite that the Assessing Officer has not given credit for the same and entire cash deposits deposited during the demonetization period in SBNs added to the returned income of

the assessee as unexplained u/s 69A of the I.T. Act, 1961. Aggrieved, the assessee preferred appeal before the learned CIT (A).

4. The learned CIT (A) also confirmed the action of the Assessing Officer as the assessee could not prove the source of cash deposit with documentary evidence. The assessee before the learned CIT (A) submitted the source of cash deposits of Rs.11.24 lakhs during demonetization period was out of cash realized out of cash sales and realization of trade debtors. However, the assessee could not submit any documentary evidence of any cash sale or realization from the debtors and in absence of the same, the learned CIT (A) confirmed the action of the Assessing Officer.

5. Aggrieved by the order of the learned CIT (A), the assessee is in appeal before the Tribunal.

6. Before me, the learned Counsel for the assessee Shri E. Phalguna Kumar, CA appeared. On the other hand, the Revenue was represented by Shri Ashish Kumar Shukla, Sr. DR. I have heard rival contentions and gone through the orders of the Assessing Officer and the learned CIT (A) and the Paper Book filed by the assessee. I noticed that the assessee was having closing cash balance available in his cash book as on 8.11.2016 at Rs.6,97,209/-. In my view, this cash was available with the assessee as on the date of announcement of demonetization and this should have been accepted as explained cash out of the total

cash deposits during the demonetization period of Rs.11.24 lakhs. Hence to that extent, the cash available with the assessee at Rs.6,97,209/-during the demonetization period has explained. However, for the balance cash deposits, the claim made by the assessee was that out of the cash sale or realization from debtors. But the assessee could not produce any evidence before me during the course of hearing or there is no evidence in the Paper Book which can co-relate the balance cash that it has come from the realization of debtors or from the cash sales. In the absence of any evidence, I confirm this balance cash and to that extent, addition is sustained. Accordingly, this ground is partly allowed.

7. The next issue in this appeal of the assessee is with regard to the estimation of net profit @5% on the total turnover of Rs.44,19,704/-. The assessee is engaged in the business of manufacturing of plastic bottles. The Assessing Officer during the course of assesment proceedings noticed that the assessee is unable to substantiate the copies of VAT return or cash book filed by the assessee and hence not accepted the cash book and the assessment was completed u/s 144 of the I.T. Act, 1961 by estimating the profit @ 5% on the total turnover of Rs.44,19,704/-.

8. Aggrieved, the assessee preferred an appeal before the learned CIT (A) and the learned CIT (A) repeated the same addition.

9. Aggrieved, the assessee is in appeal before the Tribunal.

10. I have heard the rival contentions and gone through the facts of the case. Now before me, the learned Counsel for the assessee filed historical data and submitted that the profit estimated by the Assessing Officer in A.Y 2015-16 in Supreme Court scrutiny assessment is @ 0.375 and in the line of business conducted by the assessee i.e. manufacturing of plastic bottles, the profit rate is almost 1 to 2%. On the other hand, the learned DR vehemently contested the addition and he supported the order of the Assessing Officer and that of the learned CIT (A) for the reason that the assessee is unable to produce or substantiate addition to prove the cash book or VAT returns. He has asked the Bench to confirm the assessment made by the Assessing Officer and confirmation made by the learned CIT (A) at 5%. I note that a reasonable profit rate should be estimated as historical data shows that the assessee's profit rate at a lower rate but as admitted by the learned Counsel for the assessee, the profit rate in the line of business is 1 to 2%. Hence I estimate the profit rate at 2%. Accordingly, this ground of appeal is also partly allowed.

11. In the result, appeal filed by the assessee is partly allowed.

Order pronounced in the Open Court at the time of hearing itself, i.e. on 5<sup>th</sup> August, 2024.

**Sd/-**

**(MAHAVIR SINGH)  
VICE-PRESIDENT**

Hyderabad, dated 5<sup>th</sup> August, 2024

**Vinodan/SPS**

Copy to:

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2	Income Tax Officer Ward 1(1) Aayakar Bhavan, Tirupati 517501
3	Pr. CIT - Tirupati
4	DR, ITAT Hyderabad Benches
5	Guard File

*By Order*