

आयकर अपीलिय अधिकरण, विशाखापटणम SMC पीठ, विशाखापटणम  
IN THE INCOME TAX APPELLATE TRIBUNAL,  
VISAKHAPATNAM **SMC** BENCH, VISAKHAPATNAM

श्री दुव्वूरु आर एल रेड्डी, न्यायिक सदस्य के समक्ष

BEFORE SHRI DUVVURU RL REDDY, HON'BLE JUDICIAL MEMBER

आयकर अपील सं./ I.T.A. No.187/Viz/2024

निर्धारण वर्ष/ Assessment Year : 2017-18

Gunisetty Sudha Rani,  
D.No. 5-156, Main Road,  
Gopalapatnam, Visakhapatnam,  
Andhra Pradesh – 530027.

PAN: ANTPG7996D

(अपीलार्थी/ Appellant)

अपीलार्थी की ओर से/ Appellant by

प्रत्यार्थी की ओर से / Respondent by

Vs. Income Tax Officer,  
Ward-4(2),  
Visakhapatnam.

(प्रत्यार्थी/ Respondent)

Sri GVN Hari, AR

Dr. Aparna Villuri, Sr. AR

सुनवाई की तारीख / Date of Hearing

घोषणा की तारीख/Date of  
Pronouncement

: 11/06/2024

: 14/08/2024

ORDER

PER DUVVURU RL REDDY, Judicial Member :

This appeal filed by the assessee is against the order of the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi [“Ld.CIT(A)-NFAC”] in DIN & Order No. ITBA/NFAC/S/250/2024-25/1063879266(1), dated 03/04/2024 arising out of the order passed U/s. 143(3) of the Income Tax Act, 1961 [“the Act”] for the AY 2017-18.

2. Briefly stated the relevant facts of the case are that the assessee is engaged in the business of retail trade in kirana and provisions under the name and style of M/s. Gunisetty China Gunnaraju Enterprises. The assessee filed her return of income for the AY 2017-18 on 27/10/2017 declaring a net taxable income of Rs. 11,40,030/-. Initially, the return was processed U/s. 143(1) of the Act by the CPC, Bengaluru. Subsequently, the case was selected for scrutiny through CASS. Accordingly, notice U/s. 143(2) of the Act dated 18/09/2018 was issued and duly e-served on the assessee. Further, notice U/s. 142(1) of the Act was also issued from time to time and called for certain information with respect to the return of income. On perusal of the assessee's explanation as well as the information available in AIMS portal the Ld. AO observed that the assessee has deposited an amount of Rs. 1,13,52,000/- during the demonetization period. Further, on perusal of the material available before him and also after going through the assessee's submissions with respect to the various queries raised by the Ld. AO during the assessment proceedings, the Ld. AO completed the assessment and determined the total income as under:

Income from House property		4,65,826
Income from business (Admitted)	7,86,381	
<b>Add</b> Disallowance of freight expenses	3,23,512	
Discrepancy in cash book	3,18,897	14,28,790
Income from other sources		37,818
Unexplained investment		20,00,000
<b>Assessed income</b>		<b>39,32,436</b>

Thus, the Ld. AO determined the total income of the assessee at Rs. 39,32,436/- and made additions / disallowances as above. Aggrieved by the order of the Ld. AO, the assessee preferred an appeal before the Ld. CIT(A)-NFAC.

3. On appeal, the Ld. CIT(A)-NFAC, after considering the submissions of the assessee and the material available on record, the Ld. CIT(A)-NFAC dismissed the appeal of the assessee. Aggrieved by the order of the Ld. CIT(A)-NFAC, the assessee is in appeal before the Tribunal by raising the following grounds of appeal:

- “1. *The order of the Ld. CIT(A) is contrary to the facts and also the law applicable to the facts of the case.*
2. *The Ld. CIT(A) is not justified in sustaining the addition of Rs. 20 lakhs made by the AO U/s. 69 of the Act towards alleged unexplained cash deposits in the bank account of the appellant during demonetization period.*
3. *The Ld. CIT(A) is not justified in sustaining the addition of Rs. 3,23,512/- made by the AO towards ad-hoc disallowance of 50% of the freight charges.*
4. *The Ld. CIT(A) is not justified in sustaining the addition of Rs. 3,17,897/- made by the AO towards alleged undisclosed cash computed on the basis of difference*

*between cash balance as on 08/11/2016 as per two different cash books submitted at the two different points of time.*

5. *Any other ground that may be urged at the time of appeal hearing.”*

4. At the outset, it was the submission of the Ld. Authorized Representative that the assessee has withdrawn the money from his account on 03<sup>rd</sup>, 06<sup>th</sup> and 10<sup>th</sup> October, 2016 the amount of Rs. 9 lakhs, Rs. 11 lakhs and Rs. 8 lakhs respectively for the purpose of her construction activity. The Ld. AR further submitted that while the construction work was going on, the Government of Income has announced demonetization on 08<sup>th</sup> November, 2016 and thereafter in view of the demonetization the assessee made deposits of Rs. 9 lakhs, Rs. 6 lakhs and Rs. 5 lakhs on 15<sup>th</sup>, 17<sup>th</sup> and 18<sup>th</sup> November, 2016 respectively. The Ld.AR therefore submitted that the sources for the cash deposits were properly explained before the Ld. Revenue Authorities. However, the Ld. AO and the Ld. CIT(A)-NFAC did not consider the submissions made by the assessee. The Ld. AR further submitted that in the month of October, that being the rainy season, there were heavy rains and therefore the assessee's construction work moved very slowly and because of that reason the assessee could not spend the money for the intended purpose and thereafter due to demonetization, the amounts were

deposited in the bank account. Therefore, the Ld. AR pleaded to set aside the orders of the Ld. Revenue Authorities and to direct the Ld. AO to delete the addition made U/s. 69 of the Act.

5. On the other hand, the Ld. Departmental Representative ["Ld. DR"] submitted that the assessee has failed to explain the sources for the cash deposits made during the demonetization period before the Ld. Revenue Authorities and also the assessee has failed to establish that the withdrawn money was deposited in the assessee's bank account. Therefore, the Ld. DR pleaded that the orders passed by the Ld. Revenue Authorities may be sustained.

6. I have heard both the parties and perused the orders of the Ld. Revenue Authorities as well as the material available on record. It is an undisputed fact that the assessee has withdrawn the amounts of Rs. 9 lakhs, Rs. 11 lakhs and Rs. 8 lakhs on 03<sup>rd</sup>, 06<sup>th</sup> and 10<sup>th</sup> October, 2016 respectively and in the month of November, 2016 the assessee has deposited Rs. 9 lakhs, Rs. 6 lakhs and Rs. 5 lakhs on 15<sup>th</sup>, 17<sup>th</sup> and 18<sup>th</sup> November, 2016 respectively after demonetization. It is also an undisputed fact that the assessee has availed Over Draft facility from the bank. Further, the assessee has also made withdrawals from his home

loan account availed by the assessee. The main contention of the assessee for re-depositing the amounts which are withdrawn by the assessee is that due to heavy rains in the month of October, the construction work moved very slowly and therefore the assessee could not spent the money for the intended purposes. Meanwhile, the Government of India announced the demonetization. Thus, the withdrawn amount was re-deposited in the bank account of the assessee. Therefore, considering all the above facts and circumstances of the case and also on careful perusal of the assessee's submission, I am of the view that the assessee has properly explained that the source for the cash deposits were only made out of the withdrawals from the bank account of the assessee. Since all these facts are demonstrated by the assessee by way of bank account statements and written submissions placed before me, I have no hesitation to come to a conclusion that the Ld. Revenue Authorities did not properly appreciated the facts of the case as well as the submissions / explanation given by the assessee. Accordingly, I am inclined to set-aside the orders of the Ld. Revenue Authorities.

7. In the result, appeal filed by the assessee is allowed.

Pronounced in the open Court on 14<sup>th</sup> August, 2024.

Sd/-  
(दुव्वूरु आर.एल रेड्डी)  
(DUVVURU RL REDDY)  
न्यायिकसदस्य/JUDICIAL MEMBER

Dated :14/08/2024  
OKK - SPS

आदेश की प्रतिलिपि अग्रेषित / Copy of the order forwarded to:-

1. निर्धारिती/ The Assessee–Gunisetty Sudha Rani, D. No. 5-156, Main Road, Gopalapatnam, Visakhapatnam, Andhra Pradesh – 530027.
2. राजस्व/The Revenue –Income Tax Officer, Ward-4(2), Visakhapatnam.
3. The Principal Commissioner of Income Tax,
4. आयकरआयुक्त (अपील)/ The Commissioner of Income Tax (Appeals),
5. विभागीयप्रतिनिधि, आयकरअपीलीयअधिकरण, विशाखापटणम/ DR,ITAT, Visakhapatnam
6. गार्डफ़ाईल / Guard file

आदेशानुसार / BY ORDER

Sr. Private Secretary  
ITAT, Visakhapatnam