

**IN THE INCOME TAX APPELLATE TRIBUNAL "SMC" BENCH, RANCHI**

BEFORE SHRI PARTHA SARATHI CHAUDHURY, JM

**ITA Nos. 253 & 254/RAN/2023**

(Assessment Year: 2016-17 & 2017-18)

Kamdhenu Electronics Private  
Limited,  
Makhija Tower, Main Road,  
Ranchi-834001,  
Jharkhand

Vs. ACIT, Central Circle-1,  
7th Floor, Mahavir Tower,  
Main Road, Ranchi-834001  
Jharkhand

**(Appellant)**

**(Respondent)**

**PAN No. AABCK0085B**

**Assessee by** : Shri R.R. Mittal, AR  
**Revenue by** : Shri Pranob Kumar Koley, DR

**Date of hearing:** 02.09.2024  
**Date of pronouncement :** 03.09.2024

**ORDER**

**PER PARTHA SARATHI CHAUDHURY, JM:**

01. These appeals preferred by the assessee emanates from orders of Commissioner of Income-tax (Appeals) [the learned CIT (A)], Patna-3, even dated 28<sup>th</sup> October, 2023 for A.Ys. 2016-17 and 2017-18, as per the grounds of appeal on record.
02. First, we would adjudicate the appeal in ITA No.253/RAN/2023 for A.Y. 2016-17.
03. Brief facts are that the assessee had filed return for A.Y. 2016-17 at a total income of ₹3,85,824/-. Subsequently, the return was selected for scrutiny through Computer Assisted Scrutiny Selection (CASS). Thereafter, the statutory notices u/s 143(2) and 142(1) of the Act were issued to the assessee and finally, the learned Assessing

Officer had completed the assessment u/s 143(3) of the Income-tax Act, 1961 (the Act), determining the total income at ₹5,61,720/-. That during the assessment proceedings, the learned Assessing Officer had observed increase of ₹2,74,507/- in the cash balance of the assessee in the F.Y. 2015-16, as compared to F.Y. 2016-17. The assessee had explained entries in the cash balance as decrease in sundry debtors and the inventories. The learned Assessing Officer had given findings that the total decrease in the sundry debtors and the inventories during the F.Y. 2015-16 was ₹25,69,152/-. The Assessing Officer had also recorded that the assessee failed to submit day wise cash flow statement as well as documentary evidences of nature and source of excess cash of ₹1,75,900/- lying with it. Accordingly, the difference amount of ₹1,75,900/-, was added to the income of the assessee as unexplained cash credit u/s 68 of the Act.

04. That before the learned CIT (A), the assessee made written submissions, reiterating what had been argued already before the learned Assessing Officer and further, submitting that difference of ₹1,75,900/- was not unaccounted income of the assessee since, the same was out of sale proceeds for the last few days which could not be deposited in the bank. The assessee also submitted that the cash flow statement was there before the learned Assessing Officer which he has not considered and that the addition that has been made without pointing out any defects in the books of account. The learned CIT (A) after



considering the assessment order and the submissions of the assessee held that it is not the case where excess cash was found during course of search or survey. The increase in the cash balance was observed from the comparison of the balance sheet of F.Ys. 2014-15 & 2015-16. The cash in the business could be generated either from decrease from the sundry debtors or from the sale of the inventories. If the cash was out of the sale proceeds then it would have been reflected in the form of decrease in inventories and accordingly, the explanation of the assessee was not accepted and the addition made by the learned Assessing Officer u/s 68 of the Act was upheld.

05. At the time of hearing, the learned Authorized Representative of the assessee reiterated the submissions placed before the subordinate authorities. He contended vehemently, that no defect was pointed out in the books of account and that in spite of the cash flow statement provided before the learned Assessing Officer, the same was not considered. That even the learned CIT (A) has not given any finding relating to the submission made by the assessee before him stating that the difference of ₹1.75 lacs was not unaccounted income, since, the same was from the sale proceeds of the last few days which were not deposited in the bank during the year.
06. Per contra, the learned Departmental Representative supported the findings of the subordinate authorities.

07. I have considered the submissions of the parties herein, considered the facts and circumstances in the case and have given considerable thought to the submissions placed on record in writing by the assessee as well as all the relevant documents on record. That as evident the assessee had made substantial written submission before the learned CIT (A) in which it has been stated that the increase in cash balance was due to decrease in sundry debtors and inventory and the difference of increase in cash of ₹1,75,900/- was not the unaccounted income of the assessee since the same was out of sale proceeds of the last few days which were not deposited in the bank. In this regard, the learned CIT (A) has not given any finding since he has not conducted any examination of facts whether at all there were any sale proceeds which were yet to be deposited in the bank during the year. There has been no independent application of mind by the First Appellate Authority and that in order to verify these facts whether the said difference of ₹1,75,900/- is the unaccounted income or not a report may have been called for from the learned Assessing Officer. This exercise was not complied with by the learned CIT (A). Further, the Assessing Officer has specifically mentioned in his order that detailed cash flow statement were not submitted by the assessee whereas the assessee per contra had said it had provided the cash flow statement. These inconsistencies needs detailed factual verification. That further the order passed is therefore not in terms with Section 250 cl's (4) & (6) of the Act. The spectrum of

welfare legislation within which the Income-tax Act is also part and parcel, it is mandatory for the quasi judiciary authority to come out with a speaking order and to deal with all the submissions made by the assessee on merits and providing a finding based on enquiry. In the present case, in the order of the learned CIT (A), he writes that the increase in cash generated in the business could be either from decrease of Sundry Debtors or from sale of inventories. Now, this crucial aspect has not been examined at all in the order by the learned CIT (A). In view thereof, I set aside the order of the learned CIT (A) and remand the matter back to his file for *denovo* adjudication while complying with the principles of natural justice. That as per the above terms the grounds of appeal stands allowed for statistical purposes.

08. In the result, the appeal of the assessee in ITA No.253/RAN/2024, is allowed for statistical purposes.
09. **Now, we shall adjudicate the appeal of the assessee in ITA No.254/RAN/2024 for A.Y. 2017-18**
010. The relevant facts are that the assessee filed its return for A.Y. 2017-18, disclosing total income of ₹4,33,580/-. Subsequently, the return was selected for scrutiny under Computer Assisted Scrutiny Selection (CASS). Accordingly, statutory notices u/s 143(2) and 142(1) of the Act were issued to the assessee, which were duly complied with. The assessment order was completed u/s 143(3) of the Act, determining the total income at ₹4,88,580/-. During

the assessment proceedings information was requisitioned from banks regarding the deposit of cash in the bank account of the assessee. That as per the information received from the bank, it was observed that the assessee had deposited total cash of ₹1,08,15,710/- in different bank accounts during the period from 9<sup>th</sup> November, 2016, to 31<sup>st</sup> December, 2016. Out of the said amount of ₹13,65,500/-, was demonetized currency. The assessee was asked to provide the details of the cash deposited during the demonetization period. The assessee submitted the details of cash deposited and on perusal of the same it was observed by the learned Assessing Officer that the assessee had deposited total cash of ₹16,05,000/- in demonetized currency and ₹91,44,710/- in new currency. Thus, the total cash deposited during the demonetization period was ₹1,07,49,710/-. Accordingly, the learned Assessing Officer observed the difference of ₹66,000/- between the cash deposit in the bank account and the details of cash deposited submitted by the assessee. The Assessing Officer had issued a notice asking the assessee to explain the reason for the said difference. However, the assessee did not respond to the said notice and accordingly, the learned Assessing Officer added the difference of ₹66,000/- u/s 69A of the Act in the hands of the assessee.

011. That when the matter went up before the learned CIT (A) as evident from his order, out of the disputed amount of ₹66,000/-, the learned CIT (A) had given relief with regard

to ₹30,000/- which has been found to be correct as deposited by the customer of the assessee, Munna Electronics at Gumla. Thereafter, the learned CIT (A) held that the remaining amount of ₹36,000/- remained unexplained by the assessee and accordingly, the same was added to the total income of the assessee.

012. In these facts and scenario, it is clear that it was mandatory on the part of the learned CIT (A) to examine the details of these remaining ₹36,000/- and then come out with a specific finding. The rights of taxpayer, assessee cannot be jeopardized for non enquiry conducted by any quasi judicial authority. In the given facts there emerges a doubt in favour of the assessee that if specifically enquired and examined by the learned CIT (A) this difference of ₹36,000/- would also be found to be explained. At least, there must be some evidence on record to understand that necessary efforts have been made by the first appellate authority regarding verification of facts. In view thereof, I set aside the order of the learned CIT (A) and remand it back to his file for *denovo* adjudication as per law and come out with speaking order while complying with principles of natural justice. Before parting it may be mentioned that after restricting the disallowance at ₹36,000/-, there is hardly any tax effect but the fact remains that the adjudication by this bench has to be in compliance with the principles of consistency and accordingly, it was observed as above that the order of learned CIT (A) was not in terms with Section 250 cl's 4



and 6 of the Act. Therefore, in spite of smallness of the amount involved in the matter, this appeal is remanded back to the file of the learned CIT (A) as afore stated. The grounds stands allowed for statistical purposes.

013. In the result, the appeal of the assessee in ITA No.254/RAN/2023 is allowed for statistical purposes.

014. Both the appeals of the assessee are allowed for statistical purposes.

Order pronounced in the open court on 03.09.2024.

Sd/-  
(PARTHA SARATHI CHAUDHURY)  
(JUDICIAL MEMBER)

Ranchi, Dated:03.09.2024

*Sudip Sarkar, Sr.PS*

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent
3. CIT
4. DR, ITAT, Ranchi
5. Guard file.

True Copy//

BY ORDER,

Sr. Private Secretary/ Asst. Registrar  
Income Tax Appellate Tribunal, Ranchi