

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

**Before Shri Manjunatha, G. Accountant Member**

आ.अपी.सं / **ITA No. 773/Hyd/2024**  
(निर्धारण वर्ष / Assessment Year: 2017-18)

Smt. Leela Surukanti MAHABUBAD PAN:AWNPS1700N (Appellant)	Vs.	Income Tax Officer Ward-1 Warangal (Respondent)
निर्धारिती द्वारा / Assessee by: Shri G Venkat Nagaraju, CA		
राजस्व द्वारा / Revenue by: Shri S.P.G. Mudaliar, DR		
सुनवाई की तारीख / Date of hearing: 04/09/2024		
घोषणा की तारीख / Pronouncement: 04/09/2024		

**आदेश/ORDER**

This appeal filed by the assessee is directed against the order dated 13/06/2024 of the learned CIT (A)-NFAC Delhi, relating to A.Y.2017-18.

2. The brief facts of the case are that the assessee is an individual and engaged in the business of milk trading, filed his return of income for the A.Y 2017-18 on 27/07/2017 declaring total income of Rs.3,94,500/-. The case was selected for scrutiny to verify large value of cash deposits in bank account during the year. During the course of assesment proceedings, the

Assessing Officer noticed that the assessee has made total cash deposits of Rs.2,18,94,952/- into 3 bank accounts maintained with Andhra Bank, HDFC Bank Ltd and AGPVB Banks. It was further noted that out of total cash deposits, Rs.17,34,500/- is in Specified Bank Notes (SBNs) during the demonstration period. The Assessing Officer called upon the assessee to file necessary details and issued notices u/s 143(2) and 142(1) through registered email and speed post on 8 occasions, but there is no compliance from the assessee. Therefore, the Assessing Officer taking into all relevant facts completed the assessment u/s 143(3) of the I.T. Act, 1961 on 29.12.2019 and observed that although there is cash deposits of Rs.2,18,94,952/- into bank accounts, the appellant has declared total turnover of Rs.44,02,000/- only. Thus, the difference of Rs.1,57,58,542/- excluding cash deposits in SBNs of Rs.17,34,500/- has been treated as business turnover of the assessee and estimated 8% profit u/s 44AD of the Act and made additions of Rs.12,60,676/-. The Assessing Officer had also made additions of Rs.17,34,500/- u/s 69A of the Act towards cash deposits in SBNs during the demonstration period.

3. The assessee carried the matter in appeal before the learned CIT (A) but could not succeed. The learned CIT (A) for the reasons stated in their appellate order dated 13/06/2024, rejected the explanation of the assessee and sustained the additions made by the Assessing Officer towards estimation of 8% profit on total cash deposits of Rs.1,57,58,452/- and addition of

Rs.17,34,500/- as unexplained money u/s 69A of the I.T. Act, 1961.

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

5. The learned Counsel for the assessee submitted that the learned CIT (A) having noticed the fact that the appellant is in the business of selling of milk erred in not considering the cash deposits during the demonstration period amounting to Rs.17,34,500/- as part of total turnover of the assessee, ignoring the fact that even during demonization period, many people have purchased milk by tendering old demonetization currency. The learned Counsel for the assessee further submitted that although the appellant is not in the exempted category, the fact remains that the milk being an essential commodity, the appellant has sold milk even during the demonetization period and received cash. Therefore, he submitted Rs.17,34,500/- needs to be considered as business turnover and 8% profit should be estimated.

6. The learned DR, on the other hand, supporting the orders of the authorities below submitted that the appellant does not come under exempted category persons as notified by the RBI and Govt. of India. The appellant could not explain as to why he has received SBNs during the demonetization period. The learned

CIT (A) after considering the relevant facts has rightly sustained the additions made by the Assessing Officer and their order should be upheld.

7. I have heard both the parties, perused the material available on record and gone through the orders of the authorities below. There is no dispute with regard to the fact that the appellant is engaged in business of trading in milk. Although the appellant does not cover under exempted category persons to accept SBNs during the demonetization period, but going by the nature of the product dealt by the appellant, in my considered view, there is no reason as to why the explanation of the assessee should be accepted, because milk being an essential commodity even during the demonetization period, many people have tendered old currency in small denomination for buying milk. Further, I find that as per the bank statement of the assessee, there is no abnormal deviation in cash deposits during the demonetization period when compared to earlier period and subsequent period. Therefore, when the Assessing Officer and the learned CIT (A) having accepted the fact that the entire cash deposits into bank account is out of business receipts of the assessee and estimated 8% profit on said cash deposits, is erred in making addition of Rs.17,34,500/- as unexplained money u/s 69A of the I.T. Act, 1961. Thus, I set aside the order passed by the learned CIT (A) and direct the Assessing Officer to consider sum of Rs.17,34,500/- cash deposited in SBNs during the demonetization

period is also part of business turnover of the assessee and estimate 8% profit on said cash deposits.

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

Order pronounced in the Open Court on 4<sup>th</sup> September, 2024.

Sd/-

**(MANJUNATHA, G.)  
ACCOUNTANT MEMBER**

Hyderabad, dated 4<sup>th</sup> September, 2024.

***Vinodan/sps***

Copy to:

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3	Pr. CIT - Hyderabad
4	DR, ITAT Hyderabad Benches
5	Guard File

*By Order*