

**IN THE INCOME TAX APPELLATE TRIBUNAL  
“A” BENCH : BANGALORE**

BEFORE SHRI GEORGE GEORGE K., VICE PRESIDENT  
AND  
SHRI LAXMI PRASAD SAHU, ACCOUNTANT MEMBER

ITA No.1642/Bang/2024
Assessment year : 2017-18

Sree Ayappa Seva Samithi, 01, Sree Ayyappa Seva Samithi, Fort Road, Shivamogga – 577 202. <b>PAN: AADTS 3408F</b>	Vs.	The Income Tax Officer (Exemptions), Ward 1, Hubli.
APPELLANT		RESPONDENT

Appellant by	:	Smt. Pratibha R. Advocate
Respondent by	:	Shri Ganesh R. Ghale, Standing Counsel.

Date of hearing	:	08.10.2024
Date of Pronouncement	:	18.10.2024

**ORDER**

*Per Laxmi Prasad Sahu, Accountant Member*

This appeal is filed by the assessee challenging the order dated 29.06.2024 of the Addl./Jt.CIT(Appeals)-5, Delhi, for the AY 2017-18 confirming the addition made by the AO u/s. 68 r.w.s. 115BBE of the Act of Rs.2,71,000 towards cash deposits during the demonetisation period.

2. Briefly stated the facts of the case are that the assessee is running a school for education of children from LKG classes to 10<sup>th</sup>

Standard and it is exclusively involved in education only. The assessee filed return of income u/s. 139(4A) on 04.12.2017. The gross receipts is Rs.65,33,179 and claimed exemption u/s. 10(23C)(iiiad) of the Act. The case was selected for scrutiny under CASS and statutory notices issued to the assessee.

3. During the course of assessment proceedings, it was submitted by the assessee that it received fee from students through cash of Rs.2,71,000 in the demonetized currency/SBNs as under:-

	SBNs (Rs.)	Nos.	Total receipts
1.	1,000	86	86,000
2.	500	370	1,85,000
	Total		2,71,000

4. In this regard show cause notice was issued to the assessee and the assessee replied on 15.11.2019 that it is an educational institution and received cash during the demonetization period from the students towards instalment of fee payable during the year 2016-17. The SBNs were received in the interest of students and as regular course of receipt and same is deposited to bank. The assessee was unaware of the notifications and circulars issued at various dates for non-receipt of the SBNs. The students are from villages and poor students and considering their hardship faced, cash was received at the time of demonetisation. The AO noted that RBI had withdrawn legal tender character of old bank notes of Rs.500 & Rs.1,000 w.e.f. 08.11.2016 and allowed used of demonetised currency for certain services pertaining to public activity during the period with certain conditions.

The trusts/ educational institutions were not authorised to collect the demonetised money. The AO noted that the source of deposits of the assessee cannot be accepted as a valid source and invoked section 68 r.w.s. 115BBE of the Act and made addition. Aggrieved from the above order, the assessee filed appeal before the First Appellate Authority (FAA).

5. The Id. FAA after considering the submissions of the assessee dismissed the appeal of the assessee. Aggrieved, the assessee is in appeal before the ITAT.

6. The Id. AR reiterated the submissions made before the lower authorities and submitted that the assessee submitted details of day book with the name of student and their class and the amounts received which is placed at page 2 to 29 of PB. The financial statements for FY ending 31.03.2017 & 31.03.2018 were also submitted and books of accounts has not been doubted. The AO himself has accepted that assessee has maintained books of account, however he has wrongly noted that the nature and source of such credit is not satisfactory. She also submitted that the exemption claimed u/s. 10(23C)(iiiad) has been allowed by the AO and cash received of Rs.2,71,000 as part of gross receipts. Once the entire receipts has been accepted and exemption allowed by the AO, addition u/s. 68 cannot be made.

7. On the other hand, the Id. DR strongly relied on the order of the lower authorities and submitted that the assessee was not authorized to collect the money during the demonetisation period which is evident

from the various gazette notification issued by Govt. of India/RBI. However, knowing the facts the assessee has collected the money from the students. Therefore both the authorities were justified.

8. Considering the rival submissions, we note that the assessee has deposited cash of Rs.2,71,000 in SBNs during the demonetisation and assessee explained that it was received from students towards fees and details were submitted before the AO and Id. FAA which is placed at page 2 to 29 of PB. The AO has noted that assessee has maintained the books of account and entries in the books of account were not doubted. The assessee has claimed exemption u/s. 10(23C)(iiiad) of Rs.65,33,179. We note that the amount of Rs.2,71,000 is part and parcel of gross receipts. We find force in the submissions of the Id. AR that the fees received from the students received during the demonetisation period and deposited in bank account as part of gross receipts and the AO has allowed exemption u/s. 10(23C)(iiiad) as evident from the computation of income. On the one side, the AO has accepted the gross receipts and allowed the exemption of the same amount which are part of the SBNs and on the other hand, on the same amount AO has invoked section 68 of the Act which is incorrect. We also note from the day book of the assessee that source of deposit has been recorded in the day book which is placed at pages 2 to 29 of the PB. We therefore delete the addition of Rs.2,71,000 made by the AO.

9. In the result, the appeal by the assessee is allowed.

Pronounced in the open court on this 18<sup>th</sup> day of October, 2024.

Sd/-

Sd/-

( GEORGE GEORGE K. )  
VICE PRESIDENT

(LAXMI PRASAD SAHU )  
ACCOUNTANT MEMBER

Bangalore,

Dated, the 18<sup>th</sup> October, 2024.

*/Desai S Murthy/*

Copy to:

1. Appellant
2. Respondent
3. Pr. CIT
4. CIT(A)
5. DR, ITAT, Bangalore.

By order

Assistant Registrar  
ITAT, Bangalore.