

**आयकर अपीलीय अधिकरण “ए” न्यायपीठ चेन्नई में।**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**“A” BENCH, CHENNAI**

**माननीय श्री मनोज कुमार अग्रवाल, लेखक सदस्य एवं**  
**माननीय श्री मनु कुमार गिरि, न्यायिक सदस्य के समक्ष।**  
**BEFORE HON’BLE SHRI MANOJ KUMAR AGGARWAL, AM**  
**AND HON’BLE SHRI MANU KUMAR GIRI, JM**

**आयकर अपील सं. ITA No.2078/Chny/2024**  
**(निर्धारण वर्ष / Assessment Year: 2017-18)**

DCIT Corporate Circle, Madurai.	बनाम / Vs.	M/s. Chakra Chains Jewellery Pvt. Ltd. 39/31, Balu Complex, South Avani Moola Street, Madurai-625 001.
स्थायी लेखा सं./जीआइआर सं./PAN/GIR No. <b>AAFCC-0368-R</b>		
(अपीलार्थी/ <b>Appellant</b> )	:	(प्रत्यर्थी / <b>Respondent</b> )

अपीलार्थीकी ओरसे/ <b>Appellant by</b>	:	Shri AR.V. Sreenivasan (Addl.CIT) -Ld. Sr. DR
प्रत्यर्थीकी ओरसे/ <b>Respondent by</b>	:	Shri N. Arjun Raj (Advocate)– Ld.AR

सुनवाई की तारीख / <b>Date of Hearing</b>	:	06-11-2024
घोषणा की तारीख / <b>Date of Pronouncement</b>	:	31-12-2024

**आदेश / ORDER**

**Manoj Kumar Aggarwal (Accountant Member)**

1. Aforesaid appeal by Revenue for Assessment Year (AY) 2017-18 arises out of the order of learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi [CIT(A)] dated 10-06-2024 in the matter of an assessment framed by Ld. Assessing Officer [AO] u/s.143(3) of the Act on 30-12-2019. The grounds raised by the Revenue read as under:-

(1) The order of the Ld. CIT(A) is opposed to law on the facts and in the circumstances of the case.

(2) The Ld. CIT(A) failed to appreciate the findings of the AO in the impugned assessment order dated 30.12.2019 that the factual discrepancies such as in some of the sale bills produced by the assessee, the full address of the purchaser was not present and in none of the bills, signature of the purchaser was present, which were noticed by the AO. The Ld. CIT(A) ought to have appreciated that these findings are the basis of addition made in the impugned assessment order.

(3) The Ld. CIT(A) failed to observe the fact that the assessee was engaged in the whole sale business of jewellery but had done retail business excessively in large volume during the months of October 2016 to 08<sup>th</sup> November 2016.

(4) The Ld. CIT(A) failed to consider the fact that the assessee's cash sales from April 2016 to September 2016 and from 09<sup>th</sup> November 2016 to December 2016 were a few in numbers and in small amounts. However, the bills made for the months of October 2016 to 08<sup>th</sup> November 2016 were ranging from Rs.60,000/- to Rs.1,50,000/-.

(5) The Ld. CIT(A) erred in holding that cash deposits made in assessee's bank account in SBN (Specified Bank Notes) were out of the sales made by the assessee for the very two reasons that the assessee had enough stock for sale and AO had not rejected the books of accounts when the AO demonstrated that the assessee had deposited its unaccounted money in the guise of sales receipts as the Government banned old high denomination currencies.

(6) For these and such other grounds that may be adduced at the time of hearing it is prayed that the order of the Ld. CIT(A) may be reversed and that of the Assessing Officer be restored.

As is evident, the sole grievance of the revenue is deletion of addition of Rs.224.50 Lacs as made by the Ld. AO as unaccounted cash credit u/s.68 of the Act.

2. The Ld. Sr. DR referred to the findings of Ld. AO whereas Ld. AR submitted that the source of deposits was duly established by the assessee. To support the same, Ld. AR placed on record the details furnished by the assessee during the course of assessment proceedings as well as during appellate proceedings. Having heard rival submissions and upon perusal of case records, our adjudication would be as under.

### **Assessment Proceedings**

3.1 The assessee being resident corporate assessee is stated to be engaged in manufacturing of gold ornaments. It transpired that the assessee deposited cash of Rs.224.50 Lacs during demonetization period and accordingly, it was required to establish the source of the

same. The assessee furnished ledgers copies, bills and vouchers and also furnished monthly closing cash balance.

3.2 The closing cash balance of October, 2016 was shown to be Rs.183.42 Lacs whereas cash balance as on 08-11-2016 was shown to be Rs.234.84 Lacs. The closing cash balance in earlier month was less and accordingly Ld. AO observed that there was sudden increase in cash balance up-to 08-11-2016. The assessee furnished details of cash sales made in Trichy and Madurai Branch which has been tabulated in para-4 of the assessment order. The Ld. AO observed that cash sales in the month of October, 2016 to 08-11-2016 were very high in comparison to other months. Though the assessee was engaged in wholesale business, it made retail sales in these months. The perusal of bill showed that in some of the bills, the full address of the purchaser was not present. Accordingly, the assessee was show-caused.

3.3 The assessee explained that cash sales were higher since sales were made through Trichy branch which was not done earlier. The assessee submitted that sales bill were VAT invoices which were reflected in VAT returns and sales were made out of stock as held by the assessee. Therefore, the claim was to be accepted.

3.4 However, Ld. AO held that the VAT returns were filed well after the announcement of demonetization and the assessee had ample time to manipulate the documents. In Trichy branch, sales in earlier months were very less. The same could not be accepted. The bills were made to accommodate unaccounted cash as deposited during demonetization. Finally, the cash deposit in Specified Bank Notes (SBNs) for Rs.224.50 Lacs was added as unaccounted cash credit u/s 68 of the act.

## **Appellate Proceedings**

4.1 The assessee assailed the impugned additions by way of elaborate written submissions which have been extracted in the impugned order. It was, *inter-alia*, submitted that the source of cash deposit was explained by furnishing stock summary, cash book, sales books, bank statement, VAT returns etc. The sales were duly accounted for in the books of accounts and VAT returns. The sales were made out of actual stock lying with the assessee. The additions were made merely on the basis of surmises and conjectures. Merely because the sales were high, the additions were not justified. The assessee had sufficient cash balance as on 08-11-2016 to make the deposits into the bank accounts. The assessee also furnished month-wise cash sales, sales invoice, sales register etc. The sales were duly reconciled with VAT returns. Reliance was placed on various judicial decisions to assail the impugned addition.

4.2 The Ld. CIT(A) observed that the assessee had furnished explanation as to the source of cash deposits which was not found to be false by the department. The explanation was in accordance with the cash book and cash sales which were produced before Ld. AO. The cash deposits were made out of cash-in-hand and there was no question of treating the deposits as unexplained. The cash deposit in earlier AY 2016-17 was much higher. The GP as well as NP ratio was higher in this year. The Ld. AO did not bring on record any material to draw an inference that the explanation offered by the assessee was incorrect or unreasonable or the impugned sum represented income of the assessee from undisclosed sources as against the entries recorded in the audited books of accounts. The cash deposits as found credited in the books could not be added u/s 68 without bringing on record any credible

evidence / material in support of such allegation. No defect was pointed out in the books of accounts. The assessment was based on presumption and assumption. The assessee maintained proper books of accounts in regular course of business which were duly audited. All sales, purchase and stock was recorded in the books of accounts which was not doubted by Ld. AO. The sales were accepted by VAT department. No discrepancy was pointed out in the sales register or stock register. No businessman could refuse to make sales to any customer when the stock was available. If minimum details of the customers were taken on sales bills as required under VAT, then the sales could not be doubted. The onus was on Ld. AO to bring on evidence to demonstrate that sale, purchase were made out of books or the assessee had other source of income. In the absence of any such evidence, blind allegation could not be accepted. On these observations, impugned addition was deleted against which the revenue is in further appeal before us.

### **Our findings and Adjudication**

5. From the facts, it emerges that the assessee is engaged in manufacturing of gold ornaments. The only source of income for the assessee is business income. The assessee has carried out sales activities throughout the year at its branches. The assessee has made cash deposits during demonetization period which is stated to be sourced out of cash balance as available with the assessee on 08-11-2016. In support of the same, the assessee has duly furnished sales register, purchase register, stock register, cash book, bank statements and VAT returns etc. The assessee has furnished monthly cash summary. The sales made by the assessee have been offered in the

VAT returns which have been accepted by VAT authorities. The books of accounts are duly audited in accordance with law and no defect has been pointed out by Ld. AO in the same. The books have not been rejected. When the sales have been reflected in the books of accounts and offered to tax, adding the same again would amount to double taxation which is impermissible in law. The cash sales proceeds have been credited in the books of accounts and the same form part of assessee's cash book. On these facts, it could very well be said that the assessee's claim was backed up by sufficient documentary evidences. The allegation of Ld. AO is that such abnormal sales could not be achieved by the assessee immediately upon announcement of demonetization by the Government. However, such allegations are bereft of any concrete evidence on record. It is trite law that no addition could be made merely on the basis of suspicion, conjectures and surmises. In the present case, the assessee has duly discharged the burden of establishing the source of cash deposit and the onus was on Ld. AO to disprove the same. However, except for mere allegation and few statistics, there is nothing on record to support the conclusions drawn by Ld. AO that the assessee's own unaccounted money was introduced and accommodated under bogus customers' name during the demonetization period. The case laws as cited by Ld. CIT(A) duly supports the case of the assessee. Under these circumstances, the impugned additions have rightly been deleted by Ld. CIT(A). The same could not be faulted with. Our view is duly supported by the decision of this Tribunal in **M/s DCIT vs. ANS Jewelry (ITA No.1151/Chny/2023 dated 03-04-2024)** as well as another decision in **M/s R.R. Foods vs. ITO (ITA No.1359/Chny/2023 dated 03-07-2024)** which has also

distinguished the decision in **Vidhiyasekaran Pradeep Malliraj (ITA No.698/Chny/2022 dated 07-02-2023)** as referred to by Ld. Sr. DR.

6. In the result, the appeal stand dismissed.

*Order pronounced on 31<sup>st</sup> December, 2024*

**Sd/-**  
**(MANU KUMAR GIRI)**  
न्यायिक सदस्य / **JUDICIAL MEMBER**

**Sd/-**  
**(MANOJ KUMAR AGGARWAL)**  
लेखक सदस्य / **ACCOUNTANT MEMBER**

चेन्नई Chennai; दिनांक Dated : 31-12-2024  
DS

**आदेशकीप्रतिलिपिअग्रेषित/Copy of the Order forwarded to :**

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT Madurai.
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF