

आयकर अपीलिय अधिकरण, 'ए' न्यायपीठ, चेन्नई।  
**IN THE INCOME TAX APPELLATE TRIBUNAL  
'A' BENCH: CHENNAI**

श्री एबी टी. वर्की, न्यायिक सदस्य एवं  
श्री अमिताभ शुक्ला, लेखा सदस्य के समक्ष

**BEFORE SHRI ABY T. VARKEY, JUDICIAL MEMBER AND  
SHRI AMITABH SHUKLA, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No.2998/Chny/2024  
निर्धारण वर्ष/Assessment Year: 2017-18

M/s. Jayam Chemicals, No.11/6, PSR Road, Sivakasi, Virudhunagar-626 123.	v.	The ITO, Ward-2, Virudhunagar-626 001.
[PAN: AAHFJ 8248 A]		
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)
अपीलार्थी की ओर से/ Appellant by	:	Mr.D. Anand, Advocate
प्रत्यर्थी की ओर से /Respondent by	:	Dr.I. Roopa, Addl.CIT
सुनवाईकीतारीख/Date of Hearing	:	28.02.2025
घोषणाकीतारीख /Date of Pronouncement	:	23.04.2025

**आदेश / ORDER**

**PER ABY T. VARKEY, JM:**

This is an appeal preferred by the assessee against the order of the Learned Commissioner of Income Tax (Appeals)/NFAC, (hereinafter referred to as "the Ld.CIT(A)"), Delhi, dated 06.11.2024 for the Assessment Year (hereinafter referred to as "AY") 2017-18.



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**2.** The brief facts are that when the assessment order was framed on 24.12.2019, the assessee-Firm stood dissolved, since out of the two partners, one partner Shri N.P.Mani had expired on 24.12.2018; and since, the Accountant, Shri Karuppasamy also expired due to heart-attack, couldn't file relevant papers before the AO which led him to pass the assessment order u/s.144 of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') on 24.12.2019 by considering Rs.4,44,368/- as the income of the dissolved firm i.e. net profit @8% of the total turnover of Rs.57,74,262/- [the correct figure ought to have been Rs.4,61,940/-] and also made separate addition of Rs.23,65,000/- u/s.68 of the Act since it was noticed that SBNs worth Rs.23,65,000/- was deposited during demonetization period between 09.11.2016 to 31.12.2016. On appeal, the Ld.CIT(A) is noted to have confirmed the order of the AO. Being aggrieved by the order of the Ld.CIT(A), the assessee has preferred this appeal before us.

**3.** We have heard both the parties and perused the material available on record. We note that the assessee-firm had two partners Shri N.P.Mani & Shri N.P.Ramar. The firm didn't file any return of income (RoI) for AY 2017-18, because, it claimed to have suffered loss of Rs.3,819/-. However, the AO had information that the assessee had deposited Rs.23,65,000/- during the demonetization period and therefore, in order to examine the *nature & source* of the same, he issued statutory notices



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to the assessee's firm, *inter alia*, directed to file the RoI, and pursuant to it, the assessee is noted to have filed an unsigned RoI [*since one of the two partners of assessee-firm, Shri N.P.Mani had expired on 24.12.2018, it was brought to the AO's notice that the firm stood dissolved and therefore, it was unsigned*]. Be that as it may, the AO was of the view that in the relevant assessment year, assessee was running the business for the period from 01.04.2016 to 30.03.2017 and noted that the assessee had deposited total amount of Rs.79,19,601/- in its bank account, out of which, Rs.23,65,000/- was SBNs deposited during demonetization period which was separately added by the AO u/s.68 of the Act; and computed the business income of the assessee @8% on the balance amount of Rs.55,54,601/- i.e. Rs.4,44,368/- [Rs.79,19,601/- **minus** Rs.23,65,000/- = Rs.55,54,601/-]. On appeal, the Ld.CIT(A) has confirmed the action of the AO. Before us, the main prayer of the assessee *inter-alia* is that the assessee had cash balance in its cash book of an amount of Rs.23,65,000/- as on 08.11.2016 which was receivables of earlier year, which was deposited in the firm's bank account on different dates because of the rush and restrictions in the bank and the bank officials insisted the assessee to deposit in several tranches the SBN's. Further, according to the assessee, since the AO has accepted the cash deposits during the year under consideration to the tune of Rs.55,54,601/- as trade receipts (*from trade of Chemicals*) and computed



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the business income @8% on it at Rs.4,44,368/-, separate addition made in respect of cash deposits of Rs.23,65,000/- is arbitrary and untenable. It was further brought to our notice that main partner, Shri N.P.Mani, had expired on 24.12.2018, was sick & bed ridden and was not able to look after the business of the firm which resulted in ultimately closing down the firm w.e.f. 01.04.2017. It was also brought to our notice that the assessee had suffered loss of Rs.3,819/- in the year under consideration. Moreover, according to the assessee, since the Accountant, Shri Karuppasamy also expired, the assessee couldn't explain properly to the questions asked by the AO during the course of assessment proceedings, which led him to draw adverse inference against the assessee on the SBNs deposited during demonetization. Be that as it may, having gone through the records placed before us, we find that the firm was into the business of sale/trade of chemicals and during the year under consideration had deposited total amount of Rs.79,19,601/- in its bank account, out of which, SBNs deposited was to the tune of Rs. Rs.23,65,000/-. The AO after going through the financials of the assessee's firm has accepted the nature and source of Rs.55,54,601/- [Rs.79,19,601/- **minus** Rs.23,65,000/-] and accepted it as business receipts and estimated @8% as the net profit i.e. Rs.4,44,368/- whereas he didn't accept the nature and source of SBNs of Rs.23,65,000/- and made separate addition u/s.68 of the Act, which action, we don't agree



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for various reasons, one of which is that there is no other source of income for the assessee-firm other than the trading in chemicals, which business income has been estimated by AO. The assessee is noted to have filed various relevant documents including its financials & bank statements before the AO and, the AO couldn't bring any evidence on record to show that the firm had any other business other than the business of trading in chemicals. The AO didn't find any infirmity in the documents filed by the assessee; and has not disproved its assertion that SBNs deposited was trade-receivables of earlier years. In such a scenario and considering the overall surrounding facts of the case as noted supra, we find that the assessee had explained the natures & source of Rs.23,65,000/- as trade receipts and hence, it shouldn't be separately taxed u/s.68 of the Act and therefore, we countenance the explanation of the assessee and delete the addition made by the AO u/s.68 of the Act. Having said so, we need to estimate the reasonable profit from its trading receipt. In this regard, the Ld AR brought to our notice that the assessee has suffered loss, and further submitted that the amount computed/estimated by the AO as business income was itself unreasonable and therefore, prayed for reasonable estimate. However, we are not inclined to accept such a plea of the assessee and considering the overall facts of the case and considering the nature of business of the assessee, we uphold the estimate of NP @ 8% as determined by the AO



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M/s. Jayam Chemicals

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and compute the net profit of business of the assessee at Rs.6,33,568/- [i.e. 8% of Rs 79,19,601/- viz total deposit in bank-account] and accordingly, set aside the impugned order of the Ld.CIT(A) and the AO is directed to restrict the addition at Rs.6,33,568/-.

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

Order pronounced on the 23<sup>rd</sup> day of April, 2025, in Chennai.

**Sd/-**  
(अमिताभ शुक्ला)  
(AMITABH SHUKLA)

लेखा सदस्य/ACCOUNTANT MEMBER

**Sd/-**  
(एबी टी. वर्की)  
(ABY T. VARKEY)

न्यायिक सदस्य/JUDICIAL MEMBER

चेन्नई/Chennai,

दिनांक/Dated: 23<sup>rd</sup> April, 2025.

**TLN**

आदेश की प्रतिलिपि अग्रेषित/Copy to:

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