

**IN THE INCOME TAX APPELLATE TRIBUNAL
AHMEDABAD “C” BENCH, AHMEDABAD**

**BEFORE SMT. ANNAPURNA GUPTA, ACCOUNTANT AMEMBER
AND
SHRI T.R. SENTHIL KUMAR, JUDICIAL MEMBER**

**ITA Nos.2179, 2187 & 2188/Ahd/2024
Assessment Years: 2015-16, 2016-17 & 2019-20**

Income Tax Officer, Ward – 1, Mehsana, 2 nd Floor, Apollo Enclave, Opp. Simandhar Jain Derasar, Highway, Mehsana – 384 002. (Gujarat).	Vs.	Shri Meu Juth Vividh Karyakari Sahakari Mandali Limited, AT & P.O. Meu, TA. Mehana, Distt. Mehana – 382 730, (Gujarat) [PAN – AAFAS 6499 H]
(Appellant)		(Respondent)
Assessee by	Shri Sunil Talati, AR	
Revenue by	Shri A.P. Singh, CIT(DR) & Shri Rignesh Das, Sr. DR	
Date of Hearing	06.03.2025	
Date of Pronouncement	29.05.2025	

ORDER

PER ANNAPURNA GUPTA, AM:

These three appeals relate to the same assessee and are filed by the Revenue against separate orders of National Faceless Appeal Centre, all dated 07.10.2024, for the Assessment Years (A.Ys.) 2015-16, 2016-17 & 2019-20.

2. It was common ground that the issue involved in all the three appeals filed by the Department was identical, pertaining to addition made to the income of the assessee society on account of cash found deposited

in its bank account, source of which remained unexplained. The addition was made by the Assessing Officer under Section 69A of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') and the quantum pertaining to each year amounted to Rs.2,18,39,700/-, Rs.2,19,73,195 & Rs.1,36,49,800/- for the A.Ys. 2015-16, 2016-17 & 2019-20 respectively.

3. The facts pertaining to the addition made in all the three years, it was stated, was identical with majority of the cash found deposited in the Bank of Baroda account of the assessee and some amount in the loan accounts of the assessee. The Assessing Officer made addition of the entire cash deposited, noting that the assessee had failed to discharge its onus of establishing the source of the same, since the assessee only furnished details of persons from whom cash was received but did not substantiate it with the ledger account maintained by the assessee in this regard.

Before the CIT(A), the assessee contended that it was a Co-operative Society, duly registered under the State Co-operative Society Act as a Seva Sahkari Mandali. That it was doing activity by way of purchase of quota items for lower/below poverty income group, such as BPL and APL Ration Card holders, like Kerosene, Wheat, Rice, Sugar and Fertilizers from the Government and sell it to members of BPL and APL Ration Card holders of the assessee Society as per norms of the Government in the village. The assessee contended that the cash deposited in its Bank account was on account of the trading in quota items and commission income. As for the amounts deposited in the loan accounts of the assessee, it was explained that the assessee society was also providing Kishan Cash Credit (KCC) Crop Loan to the members for farming purposes. That it had taken KCC loan from Mehsana District Central Co-

operative Bank Limited and the amount deposited in these loan accounts was pertaining to the recovery of loans so granted to its members which recovery was in cash and in turn was deposited in the KCC loan account. Thus, the assessee submitted the source of cash deposited in its bank account being attributable to the trading in quota items and commission income and recovery of KCC loan and interest income receipt on KCC loan given to its members. The Ld. CIT(A) noted that the assessee was duly registered as a Co-operative Society, from the copy of certificate of registration furnished by the assessee. He further noted that the assessee had obtained loan from Mehsana District Central Co-operative Bank, from the certificate furnished by the assessee in this regard obtained from the said bank certifying the amount of loan given to the Society. He further noted that the assessee's books of account were audited, from which he noted the financials of the assessee society and based on all the above he held that the assessee's explanation regarding cash deposits and source of fund was sufficiently supported. Accordingly, he deleted the addition made in the hands of the assessee for all the three years. His findings in this regard in A.Y. 2015-16 are reproduced hereunder for clarity:-

"4.1 Appeal Notices were issued to the assessee on 06.06.2024, 25.06.2024 fixing the case for 21.06.2024, 10.07.2024 respectively. The assessee has filed written submission on 10.07.2024, 12.07.2024 and 17.08.2024. The assessee has attended the video conference on 09.08.2024.

4.2 I have gone through the assessment order and record available. Brief facts of the case are that in the case of Shri Meu Juth Vividh Karyakari Sahkari Mandali Limited for AY 2015-16, the assessment was reopened under section 148 of the Income Tax Act due to significant cash deposits of Rs.1,71,44,700 in its Bank of Baroda account. The assessee did not file its return initially and was flagged under the Non-filer Monitoring System. After issuing a notice under section 148 on 31-03-2022, the assessee filed its return on 13-06-2022.

During the assessment proceedings, discrepancies were found in the explanation provided by the assessee. The society claimed that the cash deposits were loan repayments from members, totaling Rs. 1,73,91,690. However, the assessee failed to provide sufficient evidence such as ledger accounts of the members to substantiate these claims. Additionally, the assessee had deposited Rs. 44,85,000 in its loan accounts with a co-operative bank, but could not explain the source of these deposits.

Further, the assessee's cash flow statement showed an opening cash balance of Rs. 18,73,224, but it did not provide adequate records before AO (such as previous ITRs or audited accounts) to justify this. Consequently, the assessing officer concluded that the total cash deposits of Rs. 2,18,39,700 remained unexplained and invoked section 68 of the Income Tax Act, which permits the addition of unexplained cash credits to the income of the assessee.

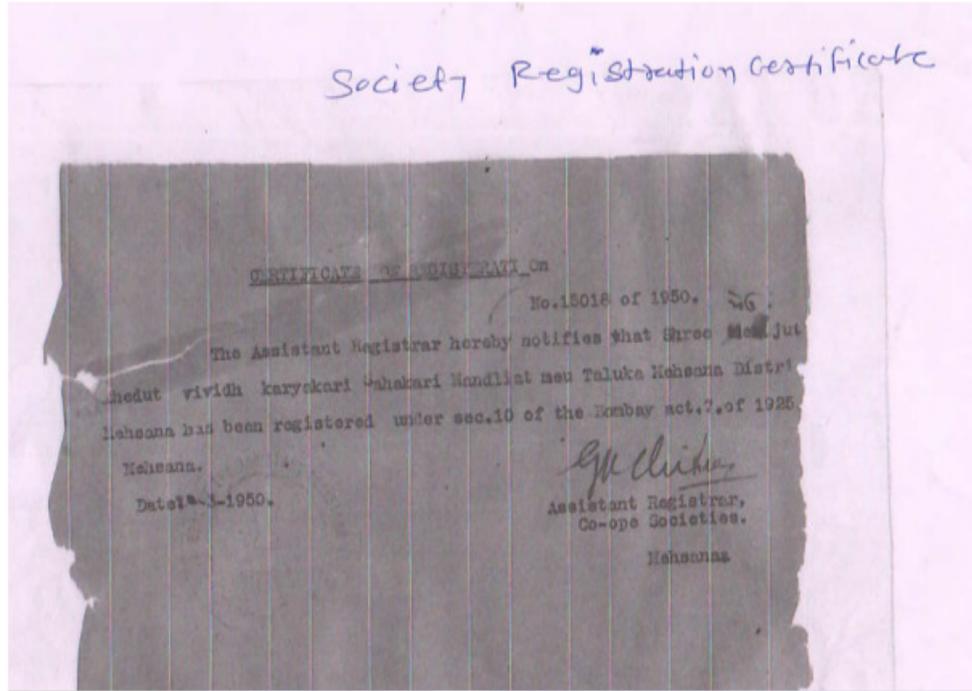
As a result, Rs. 2,18,39,700 was added to the assessee's returned income under the head "Income from other sources," and penalty proceedings under section 271(1)(c) were initiated for concealment of income.

4.3 I have gone through the assessment order and record available. In the instant case, the appellant has argued that Loans given to members under the Kishan Cash Credit (KCC) scheme and from the sales of quota items. Therefore, it is unjustified to invoke Section 68 for unexplained cash deposits when the appellant has provided all necessary documents to substantiate the sources of income. The cash deposits totaling Rs. 2,18,39,700/- were derived from legitimate activities, including loan recoveries and sales transactions, which were duly recorded in the financial statements and audited reports. Furthermore, the interest income from the KCC loans has already been offered for taxation. It is essential to emphasize that under Section 68, the burden shifts to the assessee to explain the nature and source of cash deposits. However, in this case, the explanation has been provided, backed by documentary evidence. The Assessing Officer's refusal to accept the explanation and proceed with an addition under Section 68 is unreasonable and without sufficient grounds.

In light of the documents submitted:

Bank statements, KCC loan recovery list, audited financial statements, Cashbook, and the sales made during the year. The addition of Rs.2,18,39,700/- is unjustified, as the source of these deposits is clearly established and corroborated.

4.4 During the appellate proceedings, the appellant has submitted the copy of certificate of registration as co-operative society, Mehsana which is pasted below:



4.5 Further, the source of loan distribution amount which has been given to members of the society as loan is pasted below: As per appellant, the source of funds to the society has been obtained from the Mehsana District Central Cooperative bank, Mehsana.



4.6 The appellant has also submitted audit report of the society for the financial year 2014-15 from Commissioner and Registrar (Cooperative societies), Gujarat States, Gandhinagar dated 21.09.2015 showing economic condition of the society as below:

Sr. No.	Details of account	Reference sheet enclosed	Amount in Rs. (Thousand) on date 31/03/15	Amount in Rs. (Thousand) on date 31/03/14
Share Capital and Liabilities :				
01	Self fund			
	1. Share capital	1	639	618
	2. Reserve and reserve fund	2	2351	2266
	3. Grant and relief	3	--	16
02	Deposits and loans			
	1. Member's deposits	4	271	260
	2. Central bank Mehsana loan K C C	5	19190	16875
03	Current liabilities and provisions :			
	1. Liabilities / loans	8	398	321
	2. Provisions	9	2081	1932
	Total Capital and loan		24930	22278
Goods properties and Debts				
1	Immovable properties	10		
	Total gross value		441	395
	Deduct : Total Depreciation		(-) 238	(-) 220
	Net clear properties		203	175
2	Investments	11	719	349
3	Loan to members (KCC), M.Mu			
	1. KCC loan due	12	20123	15734
	2. Other loans to members (M Mu. Loan etc.)	13		

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	Deduct : NPA provision	14		
	Clear loan to members		20123	15734
4	Current properties and Advances			
	1. Closing stock	15	712	472
	2. Misc. debtors			
	3. Other properties	16	1694	1505
	4. Cash on hand and bank balance	17	1479	4043
5	Other miscellaneous expenses incurred		--	--
	Total goods properties and debts		24930	22278

4.7 The above audit report shows that the claim of the appellant regarding cash deposit and source of funds is sufficiently explained. Appellant is in activity of giving loans to the members of the society every year and receives re-payment also as a society activity every year. Hence, addition amounting to Rs.2,18,39,700/- under section 68 of the Act made by AO is deleted.”

It was common ground that the findings and decision of the Ld. CIT(A) for all the three years was identical.

4. Aggrieved by the same the Revenue has come up in appeal before us raising identical grounds in all the three years and for the sake of convenience we are reproducing the grounds for the A.Y. 2015-16 as under :-

“(a) The Ld. CIT(A) has erred in law and on facts in deleting the addition of Rs.2,18,39,700/- made by the AO on account of unexplained cash deposited in bank account treated as unexplained cash credit u/s.68 of the I.T. Act without appreciating that :

- i) The assessee has failed to furnish ledger account of members from whom he has received loan recovery instalment in cash.*
- ii) The assessee has not filed any supporting evidences to justify the opening cash in hand of Rs.18,73,224/-.*

(b) The appellant craves leave to add, alter and/or to amend all or any the ground before the final hearing of the appeal.”

5. We have heard both the parties. The issue before us pertains to addition made to the income of the assessee Society on account of cash found deposited in its bank account, source of which remained unexplained. Quantum of addition made in three years concerned is

noted above in our order and which is reproduced again to bring out the facts clearly.

A.Y	cash deposited in banks
2015-16	Rs. 2,18,39,700/-
2016-17	Rs.2,19,73,195
2019-20	Rs.1,36,49,800/-

This cash was found deposited both in the Bank of Baroda account of the assessee Society and its loan accounts.

We have perused orders of the authorities below and we are in agreement with the Ld. CIT(A) that the assessee has discharged the initial burden cast on it of demonstrating the source of cash deposited in its bank account during the year. The assessee's claim all along has been that the source of cash deposit is attributable to its activities of trading in quota items and recovery of KCC loan given to its members. It is a fact on record that the assessee had furnished its audited financial statements, cash book, bank statements, sales and KCC Loan recovery list, certificate of Registration as cooperative society, confirmation of KCC loan taken from Mehsana Cooperative Bank. These documents, the Ld. CIT(A) we hold has rightly found, clearly demonstrate the assessee society to be indulging in trading activities and KCC loan distribution to its members and also collection of cash from the said activities and recovery of loan, as also deposit of the said cash in its bank accounts. The Ld. CIT(A), has rightly held the assessee to have explained the source of cash deposits in bank duly supported with evidence.

The contention of the Ld. DR was that in the absence of ledger account of members from whom loan was recovered and in the absence of any substantiation of opening cash in hand, the assessee's explanation could not be said to be duly substantiated. We do not find any merit in the same. With audited results furnished by the assessee, there is no need for any further justification of opening balance of cash. Also the assessee having furnished confirmation from bank of having received KCC Loan; its audited results reflecting distribution of KCC loans to its members; cash book being furnished reflecting recovery of such loans from members; bank book being furnished corroborating entries in cash book of deposits in bank from loan recoveries and trading activities of the assessee, and list of members being furnished from whom loan was recovered, the factum of cash deposits in bank account out of loan recoveries, has been sufficiently demonstrated. There was no need therefore, we hold, for any further evidence being filed by the assessee by way of ledger account of members. The arguments of the Ld. DR, we find, are devoid of any merits and hence rejected.

In view of the above we see no reason therefore to interfere in the order of the Ld. CIT(A).

The grounds raised by the Revenue are dismissed.

6. In the result, all the appeals of the Revenue are dismissed.

Order pronounced in the open Court on this 29th May, 2025.

Sd/-
(T.R. SENTHIL KUMAR)
Judicial Member

Sd/-
(ANNAPURNA GUPTA)
Accountant Member

Ahmedabad, the 29th May, 2025

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Copies to: (1) *The appellant*
(2) *The respondent*
(3) *CIT*
(4) *CIT(A)*
(5) *Departmental Representative*
(6) *Guard File*

By order

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Assistant Registrar
Income Tax Appellate Tribunal
Ahmedabad benches, Ahmedabad