

आयकर अपीलियअधिकरण, विशाखापटणम पीठ, विशाखापटणम
IN THE INCOME TAX APPELLATE TRIBUNAL,
VISAKHAPATNAM "DIVN" BENCH, VISAKHAPATNAM
श्री विजय पाल राव, उपाध्यक्ष एवं श्री एस बालाकृष्णन, लेखा सदस्य के समक्ष

BEFORE SHRI VIJAY PAL RAO, HON'BLE VICE PRESIDENT
&
SHRI S BALAKRISHNAN, HON'BLE ACCOUNTANT MEMBER

आयकर अपील सं./ I.T.A. No. 182/Viz/2025
(निर्धारण वर्ष / Assessment Year: 2017-18)

Tangudu Ananda Rao, Srikakulam. PAN: ABIPT5195K (अपीलार्थी/ Appellant)	Vs.	Income Tax Officer, Ward-1, Srikakulam. (प्रत्यर्थी/ Respondent)
अपीलार्थी की ओर से/ Assessee by	:	Sri I. Kama Sastry, CA
प्रत्यर्थी की ओर से / Revenue by	:	Dr. Aparna Villuri, Sr. AR
सुनवाई की तारीख / Date of Hearing	:	29/04/2025
घोषणा की तारीख/Date of Pronouncement	:	20/05/2025

ORDER

PER S. BALAKRISHNAN, AM:

This appeal filed by the assessee is directed against the order of the Learned Addl / Joint Commissioner of Income Tax (Appeals)-3, Mumbai vide DIN & Order No. ITBA/APL/S/250/2024-25/1073300507(1), dated 14/02/2025 for the AY 2017-18 arising

out of the order passed U/s. 143(3) of the Income Tax Act, 1961 (“the Act”).

2. Brief facts of the case are that the assessee is an individual filed his return of income for the AY 2017-18 on 11/12/2017 admitting an income of Rs. 2,83,157/- under the head ‘income from business or profession’ and Rs. 1,12,903/- under the head ‘income from other sources’. The assessee has not maintained any books of accounts. The case was selected for limited scrutiny for the reason of “cash deposits during the demonetization period”. The Ld.AO thereafter issued notices U/s. 143(2) and U/s. 142(1) of the Act calling for information. The assessee filed his reply and furnished the relevant information from time to time. During the course of scrutiny proceedings, the Ld.AO also issued notice U/s. 133(6) of the Act to Andhra Bank, HFC Bank and State Bank of India calling for the information for deposit of SBNs by the assessee during the demonetization period. Considering the information furnished by the assessee the Ld. AO observed that the assessee has not offered any explanation to his satisfaction and therefore added an amount of Rs. 5,01,500/- U/s. 69A r.w.s 115BBE of the Act to the total

income of the assessee. On being aggrieved by the order of the Ld.AO, the assessee filed an appeal before the Ld. CIT(A).

3. Before the Ld. CIT(A), the assessee submitted the balance sheets and bank account statements. The Ld. CIT(A) observed that these are self-generated documents and further found that the assessee has withdrawn an amount of Rs. 2 lakhs on 21/09/2016 while granting part relief to that extent, thereby confirming the balance amount of Rs. 3,01,500/-. On being aggrieved by the order of the Ld. CIT(A), the assessee is in appeal before us by raising the following grounds of appeal:

- “1. The Assessment Unit, NFAC is not justified in treating an amount of Rs. 5,01,500/- as unexplained money U/s. 69A and the Ld. CIT(A), NFAC is not justified in confirming an amount of Rs. 3,01,500/- as unexplained money U/s. 69A of the Act without considering the CBDT Instruction No. 03/2017 dated 21/02/2017.
2. The appellant craves leave to add to; alter, amend; modify or delete all or any of the above grounds of appeal.”

4. Ground No.2 is general in nature and needs no adjudication.

5. Ground No.1 relates to the addition of Rs. 3,01,500/- U/s. 69A of the Act. The Ld. AR submitted that the assessee derives remuneration from the partnership firm which is considered as business income and hence no books of accounts are maintained by the assessee. Further, he

also submitted that the Central Board of Direct Taxes (“CBDT”) vide Instruction No. 03/2017, dated 21/02/2017 in para-1.4 states that if the assessee has closing cash balance on 31/03/2016, no additional information is required to be submitted by the person under verification if total cash out of earlier income or savings is not more than closing cash balance. The Ld. AR pleaded that the balance sheets have been submitted before the Ld. CIT(A) disclosing the closing cash balance as on 31/03/2016. The Ld. CIT(A) considered the financial statements as self-generated documents which was not filed along with the return of income thereby partially confirming the order of the Ld. AO. He pleaded that since the assessee is deriving remuneration from the partnership firm, there is no necessity for filing the balance sheet while filing the return of income as the remuneration and the interest derived from the partnership firm is considered as business income in the hands of the assessee. He also pleaded that the assessee is regularly filing the Income Tax Returns and has sufficient cash balance which was deposited during the demonetization period. He therefore prayed for deletion of the addition made by the Ld. CIT(A).

6. Per contra, the Ld. DR heavily relied on the orders of the Ld. Revenue Authorities.

7. We have heard both the sides and perused the material available on record. It is an admitted fact that the assessee derives remuneration and interest from partnership firm M/s. Kameswari Enterprises apart from disclosing income from other sources and interest income while filing the return of income for the relevant assessment year. Further, from the submissions of the Ld. AR, we also observed that the assessee has got a closing cash balance as on 31/03/2016 amounting to Rs. 14,40,951/-. We find that the Ld. CIT(A) without examining the financial statements has simply concluded that it is a self-generated document. Further, we also observed that para 1.4 of the CBDT Instruction 03/2017 (supra) reads as follows:

“1.4 In case of persons engaged in business or requirement to maintain books of accounts, no additional income is required to be submitted by the person under verification if total cash out of earlier balance or as savings (sum of responses for all cash transactions) is not more than the closing cash balance as on 31st March 2016 in the return for AY 2016-17. However, if the AO has reason to believe that the closing cash balance as on 31st March, 2016 has been increased by revising the return or backdating transactions in the books of account, further verification may be carried out.”

It is also noticed that the Ld. AO has not carried out any proper verification of the Balance Sheet filed before him and has not caused any enquiry regarding the same. Further, the Ld. AO has not considered the income earned during the past years as source of cash deposits claimed by the Ld. AR. In these circumstances, we find that the assessee has properly explained the sources of cash deposits which are in the nature

of past savings and the closing balance as on 31/03/2016 available in the books of accounts of the assessee. Thus, the cash deposits made during the demonetization period to the extent of Rs. 3,01,500/- are considered as explained and we are inclined to delete the addition made by the Ld. AO U/s. 69A of the Act. Thus, Ground No.1 raised by the assessee is allowed.

8. In the result, appeal of the assessee is allowed.

Pronounced in the open Court on 20th May, 2025.

Sd/-
(VIJAY PAL RAO)
उपाध्यक्ष/VICE PRESIDENT

Sd/-
(S. BALAKRISHNAN)
लेखा सदस्य/ACCOUNTANT MEMBER

Dated : 20/05/2025
OKK - SPS

आदेश की प्रतिलिपि अग्रेषित/Copy of the order forwarded to:-

1. निर्धारिती/ The Assessee - Tangudu Ananda Rao, 1-Jan, Boddavalasa Street, Narasannapeta, Andhra Pradesh-532421.
2. राजस्व/The Revenue - Income Tax Officer, Ward-1, Income Tax Office, Palakonda Road, Srikakulam, Andhra Pradesh-532103.
3. The Principal Commissioner of Income Tax,
4. आयकर आयुक्त (अपील)/ The Commissioner of Income Tax
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, विशाखापटणम/ DR, ITAT, Visakhapatnam
6. गार्ड फ़ाईल / Guard file

आदेशानुसार / BY ORDER

Sr. Private Secretary
ITAT, Visakhapatnam