

**IN THE INCOME TAX APPELLATE TRIBUNAL  
AGRA BENCH 'SMC': AGRA**

**BEFORE  
SHRI SUNIL KUMAR SINGH, JUDICIAL MEMBER  
AND  
SHRI MANISH AGARWAL, ACCOUNTANT MEMBER**

ITA No.152/AGR/2025  
(ASSESSMENT YEAR: 2017-18)

Ranjna Chaturvedi 9A, T Point, Behind Back Gate SKJS, Govind Nagar, Mathura-281001 (U.P.) PAN-AFOPC4950N	Vs.	ITO-1(3)(1), Ayakar Bhawan, Radhika Vihar, Phase-II, Mathura-281004 (U.P.)
<b>(Appellant)</b>		<b>(Respondent)</b>

Assessee by	Shri M.M. Agarwal, CA
Department by	Shri Shailendra Srivastava. Sr. DR
Date of Hearing	22/05/2025
Date of Pronouncement	24/06/2025

**ORDER**

**PER MANISH AGARWAL, AM:**

This appeal is filed by the assessee against the order of the Learned Addl./Joint Commissioner of Income Tax (Appeals)-2, Chennai [‘Ld. CIT(A) in short] dated 01.03.2025, in Appeal No. CIT(Appeals)-1, Agra/10431/2019-20 for Assessment Year 2017-18 arising out of the order passed u/s 143(3) of the Income Tax Act, 1961 dt. 20.12.2019.

2. Brief facts of the case are that assessee is an individual and filed her return of income for the year under appeal on 26.10.2017

declaring income at Rs.2.98,470/-. The case of the assessee was selected for scrutiny and after considering the submissions made, the AO has completed the assessment at a total income of Rs. 6,03,770/- by making disallowance of Rs.1,15,296/- out of interest expenditure and further added a sum of Rs.1,90,000/- towards cash deposited during the demonetization period in Specified Bank Notes (SBN).

3. Against such order, the assessee preferred the appeal before the Ld. CIT(A) who dismissed the appeal of the assessee, therefore, the assessee preferred the appeal before the Tribunal by taking following grounds of appeal: -

1. *Because section 115BBE had no application for the year under consideration.*
2. *Because in the facts and circumstances of the case, learned appellate authority has erred in confirming disallowance of Rs.115,296 towards interest ignoring that appellate had sufficient interest free funds for withdrawal of Rs.10,00,000.*
3. *Because in the facts and circumstances of the case, learned appellate authority has erred in confirming addition of Rs.1,90,000 towards cash deposited in saving bank account during demonetization period under section 69A of the Act."*

4. Ground of appeal No.2 is with respect to the disallowance of Rs.1,12,596/- made out of interest expenses claimed by the assessee.

5. The AO observed that the assessee has withdrawn Rs.10,00,000/- for construction of house which was for personal purpose and had paid interest on bank borrowing of Rs.4,03,506/- which was claimed in P&L Account. The AO thus, concluded that there was diversion of fund for non-business purposes and accordingly, made the disallowance of Rs.1,15,296/- being the

proportionate interest on the withdrawal made by the assessee for non-business uses.

6. Before us, the ld. AR submitted that assessee is proprietor of M/s Shri Ashta Vinayak Communication engaged in the business of distribution of telecom companies. During the FY 2015-16, assessee withdrew a sum of Rs.10,00,000/- out of her capital funds from the proprietary firm for the purpose of construction/renovation of the house. It is submitted by ld. AR that assessee was having interest free fund received in the shape of unsecured loans amounting to Rs.13,38,225/- out of which such withdrawal was made. For this, he produced copy of the balance sheet of the firm M/s Ashta Vinayak Communication, placed in Paper book at page 15 wherein the unsecured loans of Rs.13,38,225/- is appearing on the liability side and withdrawal of Rs.10,00,000/- is appearing on the assets side under the head "proprietor Current account". Ld. AR further submitted that in the year under appeal, the amount of interest free unsecured loans were increased to Rs.18,45,225/- and since withdrawal of Rs.10,00,000/- is sufficiently covered by the interest free funds, thus, no disallowance should be made. He, therefore, prayed for the deletion of the disallowance so made.

7. On the other hand, the Ld. Sr. DR vehemently supported the orders of the lower authorities and requested for the confirmation of the disallowance made.

8. Heard both the parties. In the instant case, from the perusal of the financial statements submitted for preceding years, it is seen that

assessee had made a withdrawal of Rs.10,00,000/- in Financial year 2015-16 and paid bank interest to the tune of Rs.4,46,375/- which was not doubted by the Revenue. Further the assessee had interest free unsecured loans which fact remained uncontroverted. The assessee was able to demonstrate that interest free funds in the shape of unsecure loans were available with her which were utilized for making withdrawals for personal purposes, therefore, the action of the AO in holding that the interest bearing funds were diverted for personal use is devoid of any merits. Accordingly, the disallowance made by the AO is hereby deleted. Ground of appeal No. 2 of the assessee is allowed.

9. In Ground of appeal No.3, assessee has challenged the addition of Rs.1,90,000/- made towards cash deposited in bank account during the period of demonetization in SBN.

10. In this regard, at the outset, the Ld. AR of the assessee placed reliance on the judgment of Agra Bench of Tribunal in the case of Smt. Uma Agarwal vs. ITO reported in 127 taxamnn.com 735 (Agra-Trib.) wherein the Co-ordinate Bench has held that in terms of Instruction No.3/2017, dated 21.02.2017 issued u/s 119 of the Act, it is directed by CBDT that the cash deposit during demonetization by the house wife would not be questioned up to Rs. 2.50 lacs and, therefore, requested for deletion of the additions made. It is further submitted by Ld. AR that assessee is having sufficient cash as stridhan which was deposited during the demonetization period. Besides this, the assessee is also having rental income which was

received in cash which was also accumulated. He, therefore, submitted that when existence of rental income is not doubted and further looking to the fact that under Indian Custom, a married woman always have “stridhan” with her which is kept for financial security of the family, therefore, the petty amount of Rs.1,90,000/- in SBN should not be treated as unexplained money and he thus, requested that the addition so made deserves to be deleted.

11. On the other hand, the Ld. Sr. DR supported the orders of the lower authorities and submitted that assessee has not declared this amount of cash deposit in the return of income filed, therefore, the lower authority has rightly added the same and requested for the confirmation of the said order.

12. We have heard the rival submissions and perused the material available on record. It is true that assessee has not made the disclosure of cash deposit of Rs.1,90,000/- in SBN in her bank account during the period of demonetization in the return of income filed for the year under appeal. However, at the same time we cannot ignore that assessee is a married Hindu lady and claimed that the deposit was made out of her “Stridhan” accumulated over a period of time out of rental income and out of withdrawal made for household. Here we would like to state that the CBDT after considering the this aspects, has came up with a press release for the benefit of the public on 18.11.2016, just few days after the announcement of demonetization, where it is stated by the CBDT as under:-

Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Direct Taxes  
New Delhi,

18<sup>th</sup> November, 2016

PRESS RELEASE

*Sub: Demonetization of Old High Denomination Currency and Cash Deposits in Bank Accounts.*

**It was announced by the Government earlier that small deposits made in the banks by artisans, workers, housewives, etc. would not be questioned by the Income-tax Department in view of the fact that present exemption limit for Income-tax is Rs. 2.5 lakh.**

*Reports are being received of instances where people are using other persons' bank accounts to convert their black money into new denomination notes for which reward is also being given to the account holders who agree to allow their accounts to be used. This activity has been reported in case of Jan-Dhan Accounts also.*

*It is hereby clarified that such tax evasion activities can be made subject to Income-tax and penalty if it is established that the amount deposited in the account was not of the account holder but of somebody else. Also the person who allows his or her account to be misused for this purpose can be prosecuted for abetment under Income-tax Act.*

*However, genuine persons depositing their own household savings in cash into their bank accounts would not be questioned.*

*The people are requested not to get lured by black money converters and be a partner in this crime of converting black money into white through this method. Unless all citizens of the country help the Government in curbing black money, this mission of black money will not succeed. Also the people who are against the black money should give information of such illegal activities going on to the Income-tax department so that immediate action can be taken and such illegal transfer of cash can be stopped and seized.*

*Black money is a crime against humanity. We urge every conscientious citizen to help join the Government in eradicating it.*

*(Meenakshi J. Goswami)  
Commissioner of Income Tax  
(Media and Technical Policy)  
Official Spokesperson, CBDT.*

13. It is also seen that in the instant case, the AO has not doubted the rental income declared by the assessee at Rs.4,32,000/- for the year under appeal. Besides this, the AO has also accepted the business income declared by the assessee wherein except some

minor disallowance of interest no doubts were raised with regard to the books of accounts maintained. It is also seen that assessee has made withdrawal of Rs.2,21,000/- from the capital account of the firm. Thus, looking to the overall facts of the case and also considering the CBDT pressed release, we have no hesitation in holding the deposit of Rs.1,90,000/- made by the assessee in SBN during the demonetization as explained and, therefore, the addition made is hereby deleted. Ground of appeal No.3 of the assessee is allowed.

14. Ground of appeal No.1 taken by the assessee with regard to the application of provisions of Section 115BBE of the Act. Since, we have already deleted the addition made by the AO on account of cash deposit during demonetization on which the provisions of section 115BBE are applied, thus, there remained no grievance of the assessee and, therefore, this ground of appeal become academic and not adjudicated.

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

Order pronounced in the open court on 24.06.2025.

Sd/-  
**(SUNIL KUMAR SINGH)**  
**JUDICIAL MEMBER**

Sd/-  
**(MANISH AGARWAL)**  
**ACCOUNTANT MEMBER**

Dated:24.06.2025

PK/Sr. Ps

Copy forwarded to:

1. Appellant

2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR