

**IN THE INCOME TAX APPELLATE TRIBUNAL,  
'SMC' BENCH, KOLKATA**

**Before Shri Duvvuru RL Reddy, Vice-President (KZ)**

**I.T.A. No. 441/KOL/2025  
Assessment Year: 2017-2018**

***Dandapat Rice Mills Private Limited,.....Appellant  
Burapat, P.O. Burapat, Paschim Medinipur,  
Pin Code No. 721260, West Bengal  
[PAN:AADCD7581R]***

**-Vs.-**

***Assistant Commissioner of Income Tax,.....Respondent  
Circle-38, Midnapur,  
Amaravati, Keranitola, Raja N.L. Khan Road,  
Paschim Medinipur-721101, West Bengal***

**Appearances by:**

*Shri G. Banerjee, A.R., appeared on behalf of the assessee*

*Shri Somnath Das Biswas, Sr. D.R., appeared on behalf  
of the Revenue*

**Date of concluding the hearing: May 20, 2025**

**Date of pronouncing the order: July 28, 2025**

**O R D E R**

The present appeal is directed at the instance of assessee against the order of Id. Addl./Joint Commissioner of Income Tax (Appeals)-1, Coimbatore dated 28.01.2025 passed for Assessment Year 2017-2018.

2. Facts in brief are that the assessee is a Private Limited Company, which filed its return of income for the assessment year 2017-18 disclosing total income at Rs. NIL (Current Year Loss

Rs.37,75,730/-). The case was selected for scrutiny under CASS. Accordingly notice under section 143(2) of the Act was issued on 10.08.2018 and was duly served upon the assessee. Notices under section 142(1) were issued to the various dates and in response to the said statutory notices, Shri S. Nandi, A.R. appeared on behalf of the assessee and furnished various details. He also filed written submission. During the year under consideration, the assessee derives income from Cold Storage. The assessee-company has submitted cash book for the Financial Years 2015-16, 2016-17 and 2017-18. The assessee also furnished comparative statement showing trends of cash deposits. On perusal of the statement furnished by the assessee, the ld. Assessing Officer noticed that the collection from rentiers, as submitted in Column 4 therein, had increased from the average collection to a great extent because it is seen from the common practice of the cold storage business that the rentiers generally repaid the loan amount at the time of unloading their materials from the store. The farmers who kept their materials in the cold storage pay the rent, cooling charge, insurance and drying charges only at the time of releasing their materials along with loan repayment i.e. Produce Marketing Loan (PML). From the cash book of the assessee as well as from the statements submitted by the assessee, the ld. Assessing Officer noticed that the assessee received collection of PML from farmers much higher than the rent received to make fit of the huge cash deposit during the period of demonetization in to the bank accounts of the assessee. During demonetization period, the assessee deposited cash of Rs.1,02,82,000/- into the bank and to establish the source of such deposits, it had adjusted the collection

of PML from farmers in such a way that they could take the plea of having sufficient cash balance on the date of declaration of demonetization i.e. on 08.11.2016. In view of that matter, the assessee had shown Rs.54,48,489/-, Rs.43,45,484/-, Rs.31,59,457/- and Rs.76,80,788/- in the month of August, September, October and 8 days of November, 2016 respectively. Especially, the assessee made cash deposits of Rs.76,80,788/- within first 8 days in the month of November, 2016. The assessee took this advantage to adjust the dates of receipts with respect to the collection of PML from farmers as the amount so received were in cash only. But these entries in the cash book are not acceptable because the proportionate amount of rent/cooling charges etc. are not shown in the cash book. Therefore, it can be reasonably and justifiably concluded that the assessee manipulated the collection of PML from farmers to justify the cash deposit during the period of demonetization. Going by the figures as provided by the assessee, the normal average figure of eight days of November, 2016 of the collection of PML from farmers (considering the amount collected in the month of February, 2017 for Rs.2,40,72,971/- as highest collection during the FY 2016-17) is taken as acceptable cash collection from the farmers with respect to PML. Thus, the figures for collection for eight days of November, 2016 is arrived at Rs.68,77,992/- (i.e. Rs.2,40,72,971/- divided by  $28 \times 8$ ), whereas the assessee has shown an amount of Rs.76,80,788/- as collection of PML from farmers. The difference of Rs.8,02,796/- (i.e. Rs.76,80,788/- minus Rs.68,77,992/-) is considered as unreasonable and not properly explained by the assessee. In the absence of any explanation from the side of

assessee, the ld. Assessing Officer treated the amount of Rs.8,02,796/- as unexplained money under section 69A of the Act and brought to tax.

3. On being aggrieved, the assessee preferred an appeal before the ld. CIT(Appeals). The ld. Addl./JCIT(Appeals) after considering the submissions made by the assessee, dismissed the appeal filed by the assessee.

4. On being aggrieved, the assessee preferred an appeal before the ITAT and raised the following ground:-

*“For that the addition u/s 69A of Rs.8,02,796/- on alleged ground of proportionate increase of cash collection during 01.11.2016 to 08.11.2016 is an absolute act of estimation, hypothesis, conjecture, guess work, devoid of facts and is otherwise wrong, erroneous, arbitrary, misconceived, capricious, vexatious beyond jurisdiction and deserves to be deleted in full or in part”.*

5. I have heard both the sides and perused the material available on record. The only grievance of the assessee is that the ld. Assessing Officer has illegally and without any valid reason made an addition on proportionate basis towards cash deposit. It was the submission of the ld. Counsel for the assessee that the ld. Assessing Officer made an addition of Rs.8,02,796/- on estimation basis towards cash deposit to the Bank account during demonetization period as undisclosed money ignoring actual recovery of agricultural produce marketing loan from the farmers and even though the same was reflected in the books of account of the assessee and also deposited the agricultural producer marketing loan account of the Bank. The ld. Assessing Officer

ignored the authenticated source of money being agricultural produce marketing loan sanctioned by the Bank. He further submitted that there is no basis for the addition made by the ld. Assessing Officer for an amount of Rs.8,02,796/-. Therefore, the ld. Counsel for the assessee pleaded to set aside the orders passed by the ld. Assessing Officer as well as ld. Addl./JCIT(Appeals).

6. On the other hand, ld. Departmental Representative submitted that the ld. Assessing Officer has taken the normal average figure of eight days of November, 2016 of the collection of PML from farmers considering the amount collected in the money of February, 2017 for Rs.2,40,72,971/- as it was highest collection during the FY 2016-17 and the difference of Rs.8,02,796/- was added to the total income of the assessee as unexplained money under section 69A of the Act. He, therefore, pleaded to uphold the order passed by the ld. Addl./JCIT(Appeals).

7. I have heard both the sides and perused the material available on record. It is an admitted fact that the addition of Rs.8,02,796/- made by the ld. Assessing Officer is only on the basis of estimation. There is no such method permissible under the Act. Apart from this, it is an admitted fact that the assessee has explained the source for cash deposits but the only grievance of the ld. Assessing Officer is that during demonetization period, the assessee made cash deposit of Rs.76,80,788/-, whereas the highest collection during the entire financial year 2016-17, i.e. in the month of February 2017 for an amount of Rs.68,77,992/- (for eight days) and he made an addition of Rs.8,02,796/-, which is the

difference between highest collection and the collection in the month of November, 2016 (during demonetization month), but there is no material to show that these entries are bogus or fraudulent transactions. He also pleaded that the assessee took the advantage to adjust the difference of receipts with regard to collection of PML from farmers as the amount so received in cash only, but these are baseless allegations of the ld. Assessing Officer. Therefore, after considering the facts and circumstances of the case, I am of the view that the addition made by the ld. Assessing Officer is an absolute act of estimation, hypothesis, guess work, devoid of facts. It is arbitrary and erroneous and beyond the jurisdiction of ld. Assessing Officer. Therefore, the addition made by the ld. Assessing Officer is not sustainable in the eyes of law. The ground raised by the assessee is allowed.

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

Order pronounced in the open Court on 28/07/2025.

Sd/-  
**(Duvvuru RL Reddy)**  
**Vice-President (KZ)**

***Kolkata, the 28<sup>th</sup> day of July, 2025***

*Copies to :(1) Dandapat Rice Mills Private Limited,  
Burapat, P.O. Burapat, Paschim Medinipur,  
Pin Code No. 721260, West Bengal*

*(2) Assistant Commissioner of Income Tax,  
Circle-38, Midnapur,*

*Amaravati, Keranitola, Raja N.L. Khan Road,  
Paschim Medinipur-721101, West Bengal*

- (3) Addl./JCIT(A)-1, Coimbatore;*
- (4) CIT - , Kolkata;*
- (5) The Departmental Representative;*
- (6) Guard File*

*TRUE COPY*

*By order*

*Assistant Registrar,  
Income Tax Appellate Tribunal,  
Kolkata Benches, Kolkata*

***Laha/Sr. P.S.***