

**IN THE INCOME TAX APPELLATE TRIBUNAL SURAT BENCH, SURAT  
(HYBRID HEARING)**

**BEFORE SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER &  
SHRI BIJAYANANDA PRUSETH, ACCOUNTANT MEMBER**

I.T.A. No. 846/SRT/2024  
(Assessment Year: 2017-18)

Ashok Manoharlal Jain, 2, Mansarovar Shopping Centre, A.K. Road, Surat-395008	Vs.	Income Tax Officer, Ward-3(2)(1), Surat
<b>[PAN No.AGSPJ6005A]</b>		
<b>(Appellant)</b>	..	<b>(Respondent)</b>

<b>Appellant by :</b>	Shri Sapensh Sheth, AR
<b>Respondent by:</b>	Shri Ajay Uke, Sr. DR

<b>Date of Hearing</b>	08.07.2025
<b>Date of Pronouncement</b>	01.08.2025

ORDER

**PER SIDDHARTHA NAUTIYAL - JUDICIAL MEMBER:**

This appeal has been filed by the Assessee against the order passed by the Ld. Commissioner of Income Tax (Appeals), (in short “Ld. CIT(A)”), National Faceless Appeal Centre (in short “NFAC”), Delhi vide order dated 18.06.2024 passed for A.Y. 2017-18.

2. The assessee has raised the following grounds of appeal:

“1. On the facts and circumstances of the case as well as law on the subject, the learned CIT(A), NFAC has erred in confirming the action of assessing officer in making addition of Rs. 57,85,000/- as unexplained cash credit u/s 68 of the I.T. Act, 1961.

2. On the facts and circumstances of the case as well as law on the subject, the learned CIT(A), NFAC has erred in confirming the action of assessing officer in invoking provisions of section 115BBE of the Act and in thereby taxing entire unexplained cash credits at 60 percentage and levying surcharge at 25 percentage which is not applicable on above amount.

3. It is therefore prayed that above addition confirmed by CIT(A), NFAC may please be deleted.

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4. *Appellant craves leave to add, alter or delete any ground(s) either before or in the course of hearing of the appeal.”*

3. The brief facts of the case are that the Assessing Officer (AO) observed that that during the demonetization period, the assessee deposited old currency notes (SBNs) amounting to Rs. 21,28,000/- in two bank accounts but incorrectly mentioned only one account in the online response filed with Department and gave incorrect deposit figures. The Assessing Officer noted that the bank records confirmed the correct amounts, but the assessee failed to report them properly in the return and also in the online reply. The assessee also did not submit the vital documents like the copy of the online response and VAT returns. The Assessing Officer observed that the records showed that the assessee had a large cash balance before demonetization and he had deposited Rs. 57,85,000/- in cash during that period. However, a significant part of the SBNs was deposited even after November, raising doubts about whether the money was genuinely held before the prohibition or came from unaccounted sources. Instead of clearly explaining the source of the cash deposits, the assessee tried to justify them using sales turnover and debtor receipts, which as per the Assessing Officer was not found to be acceptable and was unverified. The Assessing Officer also noted that there was a significant increase in sales just before demonetization, and since the assessee failed to give proper evidence about from where the cash came from, the entire deposit amount was treated as unexplained income under Section 68 of the Act. The Assessing Officer added a sum of Rs. 57,85,000/- as unexplained income to the total income of the assessee and taxed the same at 60% under Section 115BBE of the Act.

4. In appeal, CIT(Appeals) noted that the assessee had deposited Rs. 57.85 lakhs in cash during the demonetization period. To check if these deposits were genuine, the AO had asked for supporting documents. The assessee submitted

that the cash came from his regular business sales and even mentioned a new business deal with Paragon Polymers which led to more cash sales. The assessee submitted month-wise sales, purchase details, and confirmations from a few customers. The CIT(Appeals) observed that this was not enough to verify the actual sales or source of the cash. Also, the books submitted were not audited, and the sudden increase in cash sales in 2016-17 compared to 2015-16 raised serious doubts. Accordingly, CIT(Appeals) held that since the assessee could not provide proper documentary evidence to support his explanation, and the basic proof like stock details and customer confirmations were missing, he held that the assessee failed to prove that the cash deposits were genuine. Therefore, the addition of Rs. 57.85 lakhs under Section 69 of the Act was upheld.

5. The assessee is in appeal before us against the order passed by CIT(Appeals). On hearing arguments of the Id. counsel for the assessee and Id. DR, we note that the assessee, who is engaged in wholesale footwear business, had deposited Rs. 57.85 lakhs in cash (including Specified Bank Notes) in his bank account during the demonetization period. During assessment proceedings the assessee submitted that the source of such deposits was cash sales and collection from debtors. In support, the assessee submitted audited financial statements, cash book, month-wise sales and purchase details, confirmation from 35 customers, and also explained that the increase in sales was on account of a new agency obtained from M/s. Paragon Polymers and the Diwali festive season. The Assessing Officer, however, doubted the explanation on the grounds that full confirmations were not filed, there was a sudden increase in sales in October 2016, and certain documents such as stock registers and GST returns were not furnished. The CIT(A) concurred with the AO, holding that the assessee failed to establish the genuineness of the deposits. Having considered

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the material on record and the submissions of the assessee, it is evident that the cash deposits during the relevant period were duly accounted for in the books of account by the assessee and arose out of sales (which had been duly recorded) and receipts from debtors. The assessee has filed audited financials, offered the entire turnover to tax, and no discrepancies have been pointed out in the financial results declared by the assessee or in the stock position. It is further observed that the Assessing Officer has accepted the book results without invoking section 145 of the Act. The assessee's explanation regarding the increase in turnover due to the new agency and festive season is also reasonable and is supported by corresponding increases in purchases as well. The confirmation of 35 debtors and the list of all customers were also submitted and remained uncontroverted by the AO. It is well-settled that once the source of cash is explained to be business receipts already accounted for and taxed, addition under section 68 of the Act is unwarranted, as held in various decisions on the subject. In view of the above, and considering the totality of facts and circumstances, we are of the view that the addition made under section 68 of the Act is not sustainable.

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

**Order pronounced under proviso to Rule 34 of ITAT Rules, 1963 on 01/08/2025**

**Sd/-**  
**(BIJAYANANDA PRUSETH)**  
**ACCOUNTANT MEMBER**

Ahmedabad; Dated 01/08/2025  
TANMAY, Sr. PS

**Sd/-**  
**(SIDDHARTHA NAUTIYAL)**  
**JUDICIAL MEMBER**

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1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, सूरत / DR, ITAT, Surat
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

उप/सहायक पंजीकार (Dy./Asstt.Registrar)  
आयकर अपीलीय अधिकरण, सूरत/ ITAT, Surat