

**IN THE INCOME TAX APPELLATE TRIBUNAL
COCHIN “SMC” BENCH :: COCHIN**

BEFORE SHRI INTURI RAMA RAO, AM

**ITA No. 436/Coch/2025
Assessment Year: 2017-18**

Varghese Varghese Appellant
Purackal House, Pangapara P.O.,
Kariyavattom, Thiruvananthapuram.
[PAN: ABVPV 8976 E]

vs.

Assistant Commissioner of Income-tax, Respondent
Circle-1(2), Trivandrum.

Appellant by: None
Respondent by: Smt. Leena Lal, Sr. DR

Date of Hearing: 21.08.2025
Date of Pronouncement: 25.08.2025

ORDER

This is an appeal filed by the assessee directed against the order passed by the Commissioner of Income Tax/NFAC, Delhi [for short, 'Ld. CIT(A)] dated 11.03.2025 u/s. 250 of the Income Tax Act, 1961 (for short, 'the Act') for Assessment Year (AY) 2017-18.

2. Brief facts of the case are that appellant is an individual. The return of income for the A.Y. 2017-18 was filed on 28/03/2018 declaring total income of Rs.11,07,590/-. Against the said return of income, the assessment was completed by the ACIT, Circle-1(2), Trivandrum (for short, 'AO') vide order dated 19/12/2019 passed

under section 143(3) of the Act at a total income of Rs. 33,22,590/-. While doing so, the AO made the addition of Rs. 22,15,000/- on account of cash deposits made in the specified bank notes (SBNs) during the demonetization period in his bank accounts, as unexplained money of the appellant for failure of the Assessee to furnish the requisite information as called for by the AO.

3. Being aggrieved by the above assessment order, an appeal was filed by the appellant before the Ld. CIT(A), who vide impugned order dismissed the appeal rejecting the explanation of the appellant that these cash deposits were made out of withdrawal from the gold loan amount of Rs. 9,40,000/- on 01/04/2016 and an amount of Rs. 10,06,856/- on 13/04/2016. The Ld. CIT(A) also observed that partnership firm M/s. A.V. Marble Palace also made huge cash payments to the appellant during the demonetization period i.e. Rs. 1,45,000/- on 02/11/2016 and Rs. 18,00,000/- on 11/11/2016, however, Ld. CIT(A) had refused to grant relief for the failure of the Assessee to provide comparative monthly cash flow statement and reconciliation of withdrawals and deposits. Thus, Ld. CIT(A) dismissed the appeal. Aggrieved by the order of Ld. CIT(A), the Assessee is in appeal before this Tribunal.

4. When appeal was called on for hearing, none appeared on behalf of the appellant despite due service of notice of hearing. After hearing ld. Sr. DR, I proceed to dispose of the appeal on merits.

5. I heard ld. DR and perused the material on record. The issue involved in the present appeal relates to the validity of the addition made on account of unexplained cash deposits made during the demonetization period. There is no dispute about the fact that cash deposits were made in SBNs during demonetization period. Before the AO, the appellant had not provided any information regarding the source of cash deposits, however, during course of appellate proceedings before the NFAC, the appellant filed an explanation stating that the said cash deposits were made out of gold loan received in cash of Rs. 9,40,000/- on 01/04/2016 and Rs. 10,06,856/- on 13/04/2016. It was further submitted that cash payments were made to the appellant by the partnership firm M/s.A.V. Marble Palace of Rs. 1,45,000/- on 02/11/2016 and Rs. 18,00,000/- on 11/11/2016, however, the said explanation was rejected by the Ld. CIT(A) only on the ground that the appellant had failed to file the comparative cash flow statement as well as reconciliation statement of cash withdrawal and deposits made. It is settled position of law that in absence of any evidence on record to say that cash withdrawn earlier was utilized for some other purpose, the same should be treated as available for subsequent deposits. In view of the settled position of law, the Ld. CIT(A) ought to have accepted the explanation and granted the relief to the appellant. Therefore, I direct the AO to delete the addition made in the assessment order dated 19/12/2016. Thus, the grounds of appeal raised by the appellant stands allowed.

6. In the result, appeal filed by the assessee stands allowed.

Order pronounced in open Court on 25th August, 2025.

Sd/-
(INTURI RAMA RAO)
ACCOUNTANT MEMBER

Cochin, Dated: 25th August, 2025

vr/-

Copy to:

1. The Appellant
2. The Respondent
3. The Pr. CIT concerned
4. The Sr. DR, ITAT, Cochin
5. Guard File

By Order

Assistant Registrar
ITAT, Cochin