

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

**BEFORE SHRI LAXMI PRASAD SAHU, ACCOUNTANT MEMBER  
AND SHRI SOUNDARARAJAN K, JUDICIAL MEMBER**

ITA No.344/Bang/2025
Assessment Year : 2017-18

Reddivari Subba Reddy (HUF), D.No.44, Behind Maremma Temple, Kappagal Road, Near HDFC Bank, Bellary – 583 103. <b>PAN : AAOHR 4185 D</b>	Vs.	ITO, Ward – 2, Bellary.
APPELLANT		RESPONDENT

Assessee by	:	Shri. V. Srinivasan, Advocate
Revenue by	:	Shri. Ganesh R. Ghale, Advocate, Standing Counsel for Revenue.

Date of hearing	:	17.07.2025
Date of Pronouncement	:	28.08.2025

**ORDER**

***Per Laxmi Prasad Sahu, Accountant Member :***

This is an appeal filed by the assessee against the Order passed by the CIT(A) vide DIN & Order No: ITBA/NFAC/S/250/2024-25/1072174667(1) dated 15.01.2025.

2. Briefly stated, the facts of the case are that notice under section 142(1) of the Act was issued to the assessee on 12.03.2018 and asked to file return of income for Assessment Year 2017-18 on or before 31.12.2018 but the assessee did not file return of income by 31.03.2018. Subsequently other statutory notices were issued to the assessee. As per information available with the Income Tax Department, assessee had deposited cash into his bank account No.30551031200 with SBI, Bellary of Rs. 11,00,00/-. Information was called

for from the bank by issue of notice under section 133(6) of the Act. The bank furnished information and on verification of the bank statement, it was noticed that the assessee deposited cash of Rs.11 lakhs during the demonetization period. Based on the information, a show cause notice was issued to the assessee dated 19.09.2019. In response, assessee submitted letter along with property details and bank accounts and stated that there is no income generated in the status of HUF during the year 2014 and assessee's agricultural land was compulsorily acquired by KIADB, Bellary to the extent of 4 acres and for which he has received compensation of Rs.92,00,000/-. The same was deposited in bank on 28.05.2015. Out of the said amount, he has withdrawn amount of Rs.58,30,000/- from bank between 29.05.2015 to 13.10.2015. Out of Rs.58,30,000/- assessee has utilized Rs.36,30,000/- for renovation of the house and of balance of Rs.22 lakhs he has deposited Rs.11 lakhs on 17.11.2016 during the demonetization period. The AO observed that there is no evidence submitted by the assessee regarding source of cash. Therefore, the explanation was not accepted and the entire cash deposited of Rs.11 lakhs was treated as income under section 69A of the Act and applied section 115BBE of the Act and completed assessment under section 144 of the Act.

3. Aggrieved from the above Order, assessee filed appeal before the learned CIT(A) and the assessee submitted explanation which was not accepted by the learned CIT(A) and confirmed addition made by the AO.

4. Aggrieved from the above Order, assessee filed appeal before the Tribunal.

5. The learned Counsel reiterated the submissions made before the lower authorities and submitted that the cash deposited during the demonetization period was out of savings from the previous withdrawal from the bank account

of the assessee of Rs.58,00,000/- and balance were left after renovation of the house, whatever amount was left in the hands of the assessee during demonetization period was deposited by the assessee. The assessee had no other source of income. Therefore, it cannot be said that it is unexplained money. The learned Counsel furnished Paper Book containing Pages 1 to 42 and in Page No.17 has furnished details of the cash withdrawal and deposits made on different dates. During the course of hearing, assessee also furnished the detail of the three family members in the HUF with their aadhaar Nos. which is placed on record.

6. On the other hand, learned DR relied on the Order of lower authorities and submitted that the explanation submitted by the assessee is not acceptable because no prudent person would keep huge quantity of cash in his house in spite of maintaining a bank account. As per the bank statement placed at Paper Book Page No.10, assessee deposited cash on 17.11.2016 of Rs.11 lakhs and in very short span of time in the same month in November 2016, assessee has transferred by cheque Nos.128823 for Rs. 5,00,000/- and 128824 for Rs. 5,00,000/- to 2 other persons (HUF) from bank accounts and he has also withdrawn Rs.10,000/- cash immediately after transfer of amount. Therefore, here there is doubt of ownership of cash deposits. Had the money belonged to the assessee, assessee would not have transferred immediately after deposit of cash as mentioned to the above 2 HUFs by way of cheques and got new currency from the bank. Therefore, it cannot be said that the money belongs to the assessee.

7. Considering the rival submissions and on perusal of the entire material available on records and Order of the authorities below, we are in agreement with the submissions made by the learned DR and we also noted from the bank statement placed at Paper Book Page No.10 that after deposit of cash on

17.11.2016, the same amount was transferred by way of cheque to 2 persons noted supra and he has also withdrawn Rs.10,000/- in cash. During the demonetization period, everybody was facing shortage of the new currency. Had it been the money belonging to the assessee, he could have kept in his bank account as he submitted that he was maintaining huge cash in his house before demonetization period which was left after the incurring of expenditure towards renovation of the house. In the month of September, 2016, assessee had only closing balance of Rs.65.55 in his bank account and after transfer of money of Rs.10 lakhs and withdrawal of Rs.10,000/- the closing balance is Rs.90,065.66/-. Assessee has also not furnished the reason for transfer of Rs.10 lakhs to 2 HUFs after depositing of cash on 17.11.2016. Accordingly, we conclude that the money does not belong to the assessee and it belongs to some other person to whom the amount has been transferred immediately. In our support of decision we rely on the judgment of Hon'ble Apex Court in the case of Sumati Dayal vs CIT reported in (1995)80taxmann.com 89(SC) and CIT vs Durga Prasad More reported in (1971) 82 ITR 540(SC). However this case is related to the cash deposits during the demonetization but in this case the assessee has utilized the SBNs deposited and transfer immediately to some other persons, therefore, applying the ratio laid down in the above judgements the money belongs to some other person. Accordingly, we restrict the addition made by the AO upto Rs.10 lakhs which has been transferred in other bank account as mentioned above.

8. In the result, appeal filed by the assessee is partly allowed.

*Pronounced in the open court on the date mentioned on the caption page.*

**Sd/-**

**(SOUNDARARAJAN K)**  
**Judicial Member**

**Sd/-**

**(LAXMI PRASAD SAHU)**  
**Accountant Member**

Bangalore.

Dated: 28.08.2025.

/NS/\*

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|---------------|------------------------|
| 1. Appellants | 2. Respondent          |
| 3. DRP        | 4. CIT                 |
| 5. CIT(A)     | 6. DR,ITAT, Bangalore. |
| 7. Guard file |                        |

By order

Assistant Registrar,  
ITAT, Bangalore.