

आयकर अपीलीय अधिकरण, 'बी' न्यायपीठ, चेन्नई।
IN THE INCOME TAX APPELLATE TRIBUNAL
'B' BENCH: CHENNAI

श्री जॉर्ज जॉर्ज के, उपाध्यक्ष एवं श्री अमिताभ शुक्ला, लेखा सदस्य के समक्ष
BEFORE SHRI GEORGE GEORGE K, VICE PRESIDENT AND
SHRI AMITABH SHUKLA, ACCOUNTANT MEMBER

आयकर अपील सं./ITA No.1850/Chny/2025, Assessment Year: 2017-18

T.S.Ajoy,
Pro:T.S.Ajoy & Co.,
D.No.51/1, Salem Main Road,
Kaveripattinam,
Krishnagiri District,
Tamil Nadu-636 007.
[PAN: AFQPA6654K]

Income Tax Officer,
Ward-1,
Krishnagiri

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/ Assessee by
प्रत्यर्थी की ओर से /Revenue by

: Shri S.Sridhar, Advicate(Erode)
: Ms.Gowthami Manivasagam, JCIT

सुनवाई की तारीख/Date of Hearing

: 11.08.2025

घोषणा की तारीख /Date of Pronouncement

: 25.08.2025

आदेश / ORDER

PER AMITABH SHUKLA, A.M :

This appeal is filed by the assessee against the order bearing DIN & Order No.ITBA / NFAC / S / 250 / 2025-26 / 1077096596(1) dated 17.06.2025 of the Learned Commissioner of Income Tax [herein after "CIT(A), National Faceless Appeal Center [NFAC], Delhi, for the assessment year 2017-18. The reference to the word "Act" in this order hereinafter shall mean the Income Tax Act, 1961 as amended from time to time.

2.0 The only issue raised in the present appeal through its grounds of appeal is regarding the addition of Rs.92,42,000/- u/s 69 made by the Ld.AO on account of unexplained cash deposits and its confirmation by the Ld. CIT(A).

3.0 Brief factual matrix of the case is the appellant assessee is a dealer of wholesale and retail sale of Pesticides and agro seeds. During the year under consideration the Ld.AO noted that there were cash deposits of Rs.1,00,27,000/- of which Rs.94,92,000/- were made in SBNs. All these cash deposits were made during the demonetization period. Before the Ld.AO, assessee had submitted that it is doing business where agriculturists from remote areas come to him and that the impugned cash was sale proceeds of Pesticides and agro seeds. It was argued that the corresponding sales is included in the VAT returns of the assessee. Necessary documents were provided. The Ld.AO held that the assessee has not satisfactorily explained the cash deposits and also that the notification for demonetization dated 08.11.2016 had declared SBNs as having lost their legal tender and therefore no cognizance of genuineness of cash deposits can be taken. The Ld.CIT(A) confirmed the order of the Ld.AO concurring with these findings.

4.0 The Ld.Counsel for the assessee has argued that it has provided all the details to allude that the impugned cash had direct nexus with the sales of the assessee. It was urged that the assessee was compelled to

accept the SBNs from its customers as they were illiterate farmers coming from remote places. It has been also argued that the SBNs were not illegal tenders up to 30.12.2016 since the notification declaring them illegal tenders was brought upon statute w.e.f. 31.12.2016. In support of its claim the Ld. Counsel placed heavy reliance upon the decision of the Coordinate Bench of this tribunal in the case of TASMACH at ITA No.431/Chny/2023 dated 07.10.2024. It was argued that consequently the present controversy is covered by the decision of this tribunal supra.

5.0 Per contra the Ld. DR relied upon the order of lower authorities.

6.0 We have heard rival submissions in the light of material available on records. We have noted that the assessee has provided sufficient evidences to allude the business connection of impugned deposits with sales of assessee. The VAT records and returns cannot be loosely brushed aside. Besides the Ld.AO has accepted the book results and the books of accounts have not been rejected. In the business practice of the assessee agriculturists and small farmers who come from far off places are generally found to be carrying cash only. We have also noted that the Revenue authorities have primarily rested their decision on the premise that w.e.f. 08.11.2016 the SBNs had seized to be a legal tender. In this regard we have noted that the Coordinate Bench of this

tribunal in the case of TASMACH at ITA No.431/Chny/2023 dated 07.10.2024 held as under-

“.....8.3 In view of the above provisions, as in the present case, once the receipt of SBNs by assessee is not illegal or barred by any legal provisions the receipt of SBNs cannot be put on a different footing for the purpose of Section 68 or Section 69 of the Act from other currency as the source of SBNs are same as the source of other currency. The SBNs though are not legal tender, is of no consequence for determination of source, because the SBNs can be encashed for the face value with the bank without any question being raised. We further noted from the RBI circulars or CBDT circulars that neither the RBI circulars nor any CBDT circulars including any instructions on demonetization requires any person to disclose the source of SBNs. We noted from the facts of the case placed before us that out of total deposits of Rs.2635.35 Crores were in cash for the month of November 2016, which has been accepted as the value of liquor sold for a sum of Rs.2582.56 Crores, hence it can be easy presumed, unless disproved by Revenue, that the balance sum of Rs.52.79 Crores is out of sale of liquor. There is no basis or evidences or examination of any person for reaching a conclusion that this sum of Rs.52.79 Crores received by assessee has been substituted in demonetized currency. We noted from the evidences placed before us that the observation of the AO that branch wise details of deposits made in SBNs was not available is not correct for the reason that the complete details of deposits of SBNs account-wise, branch-wise was submitted before the AO as well as before the CIT and also before us....”

7.0 Accordingly, in respectful compliance to the decision of the Coordinate Bench of this Tribunal in the case of TASMACH as well as facts of the present case discussed hereinabove we hold that the addition of Rs.92,42,000/- made by the Ld.AO and its confirmation by the Ld.CIT(A) is not warranted. We therefore set aside the order of lower authorities and direct the Ld.AO to delete the addition of Rs.92,42,000/- under section 69. All the grounds of appeal raised by the assessee are therefore allowed.

8.0 In the result, the appeal filed by the assessee in ITA No.1850 is allowed

Order pronounced on 25th Aug-2025 at Chennai.

Sd/-

(जॉर्ज जॉर्ज के)

(GEORGE GEORGE K)

उपाध्यक्ष / vice president

चेन्नई/Chennai, दिनांक/Dated: 25th, Aug-2025.

KB/-

Sd/-

(अमिताभ शुक्ला)

(AMITABH SHUKLA)

लेखा सदस्य /Accountant Member

आदेश की प्रतिलिपि अग्रेषित/**Copy to:**

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/**CIT** - Chennai/Coimbatore/Madurai/Salem.
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF