

**IN THE INCOME TAX APPELLATE TRIBUNAL
“B” BENCH, AHMEDABAD**

**BEFORE DR. BRR KUMAR, VICE PRESIDENT &
SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER**

I.T.A. No.570/Ahd/2024
(Assessment Year: 2017-18)

Chaitanya Prakashchandra Dangi, 11, Sabhnandan Apartments, Nr. Sindhim High School, Naranpura, Ahmedabad-380013	Vs.	Income Tax Officer, Ward-2(2)(1), Ahmedabad
[PAN No.ABMPD0096L]		
(Appellant)	..	(Respondent)

I.T.A. No.771/Ahd/2024
(Assessment Year: 2017-18)

Income Tax Officer, Ward-2(1)(2), Ahmedabad	Vs.	Chaitanya Prakashbhai Dangi, 11, Abhinandan Apartment, Nr. Sindhi School, Naranpura, Ahmedabad-380013
[PAN No.ABMPD0096L]		
(Appellant)	..	(Respondent)

Appellant by :	Shri P. F. Jain, AR
Respondent by:	Shri Abhijit, Sr. DR

Date of Hearing	14.08.2025
Date of Pronouncement	02.09.2025

ORDER

PER SIDDHARTHA NAUTIYAL - JUDICIAL MEMBER:

These appeals have been filed by the Assessee and the Revenue 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 orders dated 26.02.2024 passed for A.Y. 2017-18.

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

“(1) The learned CIT(A) has erred in law and on facts in confirming addition of Rs.71,16,047 out of addition of Rs.1,44,88,062 made by the A.O. for stock difference without properly appreciating the facts and explanation of the assessee.

(2) The learned CIT(A) has erred in law and on facts in upholding addition of Rs. 23,11,000 made by the A.O. u/s. 68 of the Act in respect of amount of capital introduced in cash.

(3) He has erred in law and on facts in applying provision of section 115BBE to the facts of the assessee.

(4) On the facts of the assessee no interest u/s 234A of Rs. 2,21,940 and u/s. 234B of Rs. 36,62,010 ought to have been levied.

(5) On the facts of assessee returned income ought to have been accepted without any additions.

(6) The Appellant craves leave to add, to alter and or to modify any ground of appeal.”

3. The Revenue has raised the following grounds of appeal:

“1. Whether on facts and circumstances and in law, the Ld. CIT(A) has erred in deleting the addition of Rs. 64,289/- made on account of difference in net profit, without appreciating the facts of the case?”

2. Whether on facts and circumstances and in law, the Ld. CIT(A) has erred in deleting the addition of Rs. 73,72,015/- out of total addition of Rs. 1.44,88,062/- made on account of difference in opening stock, without appreciating the facts of the case?”

3. Whether on facts and circumstances and in law, the Ld. CIT(A) has erred in deleting the addition made u/s 69A of Rs. 55,00,000/- on account of cash deposited during demonetization period, without appreciating the facts of the case?”

4. The appellant craves leave to amend or alter any ground or add a new ground, which may be necessary”.

5. It is, therefore, prayed that the order of Ld. CIT(A) may be set aside and that of the Assessing Officer be restored”.

4. The brief facts of the case are that the assessee filed the return of income for the Assessment Year (A.Y.) 2017-18 on 26/09/2017 declaring total income of ₹2,77,590/-. During the scrutiny assessment proceedings,

the Assessing Officer observed that the assessee was engaged in the business of contract and development work. On examining the details submitted by the assessee, several discrepancies and unexplained transactions were found by the Assessing Officer. Firstly, the Assessing Officer noticed that there was a difference of ₹65,829/- between the profit shown in the profit and loss account (₹3,55,276/-) and the figure taken in the computation of total income (₹2,89,447/-), for which no satisfactory explanation or documentary evidence was furnished by the assessee. This amount was added to the total income. Secondly, the Assessing Officer found that there was a significant discrepancy in the opening stock declared for A.Y. 2017–18 (₹3,21,33,900/-) as compared to the closing stock of A.Y. 2016–17 (₹1,76,45,838/-), showing a difference of ₹1,44,88,062/-. The assessee failed to substantiate this increase and simply provided some calculations with no supporting documents, and accordingly the Assessing Officer added this amount to the income of the assessee. Thirdly, the Assessing Officer noted that the assessee had introduced a sum of ₹23,11,000/- in cash into the capital account during the year. The assessee claimed this was from earlier cash withdrawals made for a land purchase that could not be finalized. However, as per the Assessing Officer, the assessee did not provide any concrete documentary evidence, and the Assessing Officer found the explanation given by the assessee to be vague and non-verifiable. Accordingly, the Assessing Officer added the entire amount by treating the same as unexplained cash credit under section 68 of the Act as taxable income of the assessee under section 115BBE of the Act. Further, during the demonetisation period

(09/11/2016 to 30/12/2016), the Assessing Officer noted that that the assessee had deposited a sum of ₹55,00,000/- in cash in his bank accounts. The assessee submitted that these deposits were sourced out of cash on hand and earlier withdrawals from the bank account made by the assessee. However, the Assessing Officer observed that on further verification, there were several inconsistencies in the explanation given by the assessee. The Assessing Officer was of the view that since the assessee failed to substantiate the source of such large deposits, the entire sum of ₹55,00,000/- was liable to be treated as unexplained money under section 69A of the Act and accordingly, added the same to income. Accordingly, the total income of the assessee was computed at ₹2,26,42,480/- and penalty proceedings were separately against the assessee.

5. In appeal, CIT(Appeals) partly allowed the appeal of the assessee. The CIT(A) deleted the addition made by the AO on account of the difference between net profit and business income, holding that the appellant had properly explained the adjustments, and allowed Ground 1. In respect of the inflated opening stock, while part of the explanation was accepted, excess claim of Rs. 71,16,062/- was confirmed as unexplained expenditure. Accordingly, Ground 2 was partly allowed. The addition of Rs. 23,11,000/- introduced as capital was upheld by CIT(Appeals) under section 68 of the Act due to lack of credible explanation by the assessee and Ground 3 of the assessee's appeal was dismissed. For the cash deposit of Rs. 55,00,000/- during demonetization, CIT(Appeals) held that the same had been duly explained by the assessee and duly recorded in the books

maintained by the assessee, and accordingly CIT(Appeals) deleted the addition under section 69A of the Act.

6. Both the Department and the assessee are in appeal before us against the order passed by CIT(Appeals).

7. We have heard the rival submissions and perused the material available on record. The learned counsel for the assessee submitted that the CIT(A) did not fully appreciate the issue concerning the discrepancy between the closing stock and the opening stock, and that the matter required fresh verification by the Assessing Officer. On the other hand, the learned Departmental Representative submitted that the CIT(A) had admitted certain additional evidence and accepted the explanations given by the assessee without affording an opportunity to the Assessing Officer to examine the same or furnish a remand report. In light of the submissions made by both parties, and considering the nature of issues involved—particularly with respect to the reconciliation of stock, the source of cash introduction into capital, and the explanation of cash deposits during demonetization, we are of the view that the matter requires re-examination by the Assessing Officer. Accordingly, we set aside the order of the CIT(A) and restore the entire matter to the file of the Assessing Officer for de-novo consideration. The Assessing Officer shall examine the issues afresh, after affording due opportunity to the assessee to file all necessary explanations and supporting documents, including any reconciliation statements or evidence already filed before the CIT(A). The Assessing

Officer shall also be at liberty to conduct any further inquiry as deemed necessary and pass a reasoned and speaking order in accordance with law.

8. In the result, the appeals of both the assessee and the Revenue are allowed for statistical purposes.

This Order pronounced in Open Court on

02/09/2025

Sd/-
(DR. BRR KUMAR)
VICE PRESIDENT

Ahmedabad; Dated 02/09/2025

TANMAY, Sr. PS

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आदेश की प्रतिलिपि अग्रेषित/Copy of the Order forwarded to :

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, अहमदाबाद / DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

उप/सहायक पंजीकार (Dy./Asstt.Registrar)
आयकर अपीलीय अधिकरण, अहमदाबाद / ITAT, Ahmedabad