

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

मजनीय श्री मनु कुमर गिरि, न्यायिक सदस्य एवं
मजनीय अमितभ शुक्ल लेखक सदस्य के समक्ष
BEFORE HON'BLE SHRI MANU KUMAR GIRI, JUDICIAL MEMBER AND
SHRI HON'BLE AMITABH SHUKLA, ACCOUNTANT MEMBER

आयकर अपील सं./ ITA No.173/Chny/2025
निर्धारण वर्ष /Assessment Year: 2017-18

Muthusamy Mudaliar Prakasam,
8/2, 35, Nangavalli Road,
Tharamangalam,
Salem – 636 502.
[PAN: AKOPP 3805G]

The Asst. Commissioner of
Income Tax,
Circle-1,
Hosur.

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/ Appellant by
प्रत्यर्थी की ओर से /Respondent by

: Shri T. Vasudevan, Advocate
: Ms. R. Anitha, Addl. CIT

सुनवाई की तारीख/Date of Hearing

: 16.06.2025

घोषणा की तारीख /Date of Pronouncement

: 08.09.2025

आदेश / ORDER

PER MANU KUMAR GIRI (Judicial Member):

The captioned appeal filed by the assessee is directed against order of the Ld. Commissioner of Income Tax (Appeals) (NFAC), Delhi [CIT(A)] dated 20.09.2024 for Assessment Year 2017-18.

2. There is a delay of 53 days in filing this appeal. The assessee has filed petition along with affidavit for condonation of delay stating therein the reasons for belated filing of the appeal. On perusal of the



:- 2 -:

aforesaid reasons in the condonation application, we are of the view that there is sufficient cause for belated filing of this appeal. Hence, we condone the delay in filing this appeal and proceed to dispose of the appeals on merits.

3. Brief facts of the case are as under:

The brief facts of the case are that the assessee is an individual and runs a jewellery shop in the name and style Mrs KSM Thangamaligai. The assessee filed his return of income for the assessment year 2017-18 on 05/02/2018 declaring a total income of Rs.11,29,440/-. The case was selected for scrutiny and during the scrutiny the assessing officer ('AO' in short) examined the cash deposit of Rs.73,66,000 in the bank accounts of the appellant with Axis Bank and City Union Bank during the demonetization. In response to the notices issued, the assessee submitted that the assessee is in the jewellery business, and he had declared income under section 44AD of the Act. In the absence of regular books of accounts maintained the assessee submitted that the cash deposited during the demonetization was out of the regular cash balance available with the assessee in relation to its business. However, the assessing officer for want of the statement of affairs of the assessee and cash flow statement, held the



:- 3 -:

sum of Rs.73,66,000/- deposited in specified bank notes (SBNs) as unexplained money u/s. 69A read with section 115 BBE of the Act.

4. Aggrieved, assessee preferred an appeal before the CIT(A). The Id. CIT(A) partly allowed the appeal of the assessee giving partial relief of Rs.25,00,000/- out of Rs.73,66,000/- deposited in Bank.

Now, assessee is in further appeal before us.

5. The Id. counsel for the assessee has filed written submissions and charts as under:

1. Cash deposits in bank:

1.1 Cash deposits in FY 2015-16

a.	Total cash deposit in bank fy 2015-16	6296600
b.	Total cash deposit in bank from 01.04.15 to 08.11.2015	3207100
c.	Total cash deposit in bank from 09.11.15 to 31.12.2015	1115000

1.2 Cash deposits in FY 2016-17

a.	Total cash deposit in bank fy 2016-17	9462000
b.	Total cash deposit in bank from 01.04.16 to 08.11.2016	757500
c.	Total cash deposit in bank from 09.11.16 to 31.12.2016	7366000

1.3. cash deposits comparison

a.	Percentage increase between 1.2(a) and 1.1(a)	50.27%
b.	Percentage increase between 1.2(b) and 1.1(b)	76-38%
c.	Percentage increase between 1.2(c) and 1.1(c)	560.63%

2. Cash sales:

2.1 Cash sales in FY 2015-16

a.	Total cash sales in FY 2015-16	3073150
b.	Total cash sales from 01.04.15 to 08.11.2015	2475274

2.2 Cash sales in FY 2016-17



:- 4 -:

a.	Total cash sales in fy 2016-17	6388784
b.	Total cash sales from 01.04.16 to 08.11.2016	5746996

2.3 Cash sales comparison

a.	Percentage increase between 2.2(a) and 2.1(a)	107.89%
b.	Percentage increase between 2.2(b) and 2.1(b)	1.2.18%

3. Analysis of month-wise cash sales and cash deposits from 01.04.15 to 08.11.2015

Month wise	Opening cash in hand	Cash sales	Cash withdrawal from bank	Other cash receipts	Cash deposited in bank	Other cash payments	Closing cash in hand
April	35691	462611	140000	20801	142000	246616	270487
May	270484	438017	60000	2273971	1004600	169093	1868782
June	1868782	499338	240000	20500	21500	556302	2050818
July	2050818	429363	350000	20750	1055000	694531	1101400
Aug	1101400	301797	35000	18750	5000	237170	1214777
Sept	1214777	558016	356500	14750	55000	1031665	1057378
Oct	1057378	501941	40000	19500	924000	387108	307711
Nov till 08.11.15	307711	432461	0	3250	0	429428	313994

4. Analysis of month-wise cash sales and cash deposits from 01.04.16 to 08.11.2016

Month wise	Opening cash in hand	Cash sales	Cash withdrawal from bank	Other cash receipts	Cash deposited in bank	Other cash payments	Closing cash in hand
April	77274	292174	840000	272801	0	109979	1372270
May	1372270	438440	300000	212750	0	242526	2080934
June	2080934	458760	150000	229000	3000	179212	2736482
July	2736482	547114	0	116250	0	285126	3114720
Aug	3114720	376885	0	218250	0	193657	3516198
Sept	3516198	363825	400000	220500	650000	2689796	3610727
Oct	3610727	2935728	500000	14250	104500	867662	6188543
Nov till 08.11.16	6188543	632690	700000	4500	0	126234	7399499



:- 5 -:

6. The assessee stated that he has not maintained regular books of accounts and his income is computed under provisions of section 44AD of Income Tax Act, 1961. The Id. Counsel further submitted that assessee is running his small business alongwith his family members. Most of the customers of the assessee are agriculturist. The assessee business is a family run business of trading in valuable jewellery and cash receipts are usually utilized towards payments of purchases and other expenses.

7. Per contra, the Id. DR relied upon the orders of the authorities below and pleaded for the dismissal of the appeal of the assessee.

8. We have heard the both parties and perused the record and given data. The Id. counsel for the assessee has filed written submissions along with supporting charts and data, which are taken on record. The same are summarised as under:

1. Cash Deposits in Bank Accounts

1.1. Cash Deposits During FY 2015-16

a. Total cash deposits during the financial year 2015-16 amounted to Rs.62,96,600.

b. Cash deposits made between 01.04.2015 to 08.11.2015 totalled Rs.32,07,100.

c. Cash deposits made between 09.11.2015 to 31.12.2015 totalled Rs.11,15,000.



:- 6 -:

1.2. Cash Deposits During FY 2016-17

- a. Total cash deposits during the financial year 2016-17 amounted to Rs.94,62,000.*
- b. Cash deposits made between 01.04.2016 to 08.11.2016 totalled Rs.7,57,500.*
- c. Cash deposits made between 09.11.2016 to 31.12.2016 amounted to Rs.73,66,000.*

1.3. Comparative Analysis of Cash Deposits

- a. Percentage increase in total annual deposits (FY 2016-17 vs. FY 2015-16): 50.27%*
- b. Percentage increase in deposits during the pre-demonetisation period (01.04 to 08.11): 76.38%*
- c. Percentage increase during the post-demonetisation window (09.11 to 31.12): 560.63%*

2. Cash Sales

2.1. Cash Sales During FY 2015-16

- a. Total cash sales for the financial year amounted to Rs.30,73,150.*
- b. Sales from 01.04.2015 to 08.11.2015 stood at Rs.24,75,274.*

2.2. Cash Sales During FY 2016-17

- a. Total cash sales during the financial year amounted to Rs.63,88,784.*
- b. Cash sales from 01.04.2016 to 08.11.2016 totalled Rs.57,46,996.*

2.3. Comparative Analysis of Cash Sales

- a. Increase in total annual sales: 107.89%*
- b. Increase during the period 01.04 to 08.11: 131.88%*

3. Month-wise Analysis of Cash Sales and Cash Deposits

3.1. For the period 01.04.2015 to 08.11.2015

The month-wise summary includes details of opening cash in hand, cash sales, cash withdrawals from bank, other cash receipts, cash deposits in bank, other cash payments, and closing cash in hand. These figures are provided to substantiate the source and flow of cash during the relevant period.



:- 7 -:

3.2. For the period 01.04.2016 to 08.11.2016

Similar details for the subsequent financial year have been furnished, reflecting higher cash sales and cash availability during the relevant assessment year.

9. The assessee has further submitted that no regular books of accounts have been maintained, and income is declared under the presumptive taxation as per Section 44AD of the Income Tax Act, 1961. It has been contended that the assessee is engaged in a small, family-run jewellery trading business, where most customers are agriculturists, and cash transactions are common. Cash receipts are regularly utilised towards purchase payments and business-related expenses.

10. Upon careful consideration of the submissions made by the Id. counsel for the assessee, along with the charts and data referred supra, and having regard to the factual matrix and the peculiar circumstances of the case, we find merit in the contentions of the assessee. It is an admitted fact that the assessee has declared income under the presumptive taxation as per the provisions of Section 44AD of the Income Tax Act, 1961. Under this presumptive taxation, the assessee is not mandatorily required to maintain regular books of accounts. The cash flow statements submitted by the assessee,



:- 8 -:

including the month-wise analysis of cash sales and deposits, demonstrate a consistent and plausible cash trail. The data indicates that the cash deposits made during the relevant periods are supported by corresponding cash sales and withdrawals, and there is no apparent mismatch or unexplained cash inflow. Further, the significant increase in cash sales and cash deposits during FY 2016–17, particularly in the months preceding and following the demonetisation announcement, is adequately explained by the assessee. The nature of the assessee's business i.e. trading in jewellery in a rural / agricultural area inherently involves high-value cash transactions. This is not uncommon in such trades, especially in the absence of a strong digital payment infrastructure in rural areas during the relevant assessment years. The comparative data furnished also reflects a steady and proportionate pattern of growth in business activity, and the increase in cash sales is not found to be abnormal or disproportionate to the past trend.

11. In view of the above, and in the absence of any specific incriminating material brought on record by the Revenue to disprove the assessee's explanation or to establish that the cash deposits represented unaccounted income, we are of the considered view that



ITA No.173/Chny/2025
Muthusamy Mudaliar Prakasam

:- 9 -:

the addition made solely on the basis of cash deposits in the bank account is unsustainable. Accordingly, the addition made by the AO is directed to be deleted.

12. In the result, the appeal of the assessee is therefore allowed.

Order pronounced on 08th day of September, 2025 at Chennai.

Sd/-
(अमिताभ शुक्ला)
(Amitabh Shukla)

लेखा सदस्य / Accountant Member

Sd/-
(मनु कुमार गिरि)
(Manu Kumar Giri)
न्यायिक सदस्य / Judicial Member

चेन्नई/Chennai, दिनांक/Dated: 08th September, 2025.

EDN/-

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT, Salem
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF