

**IN THE INCOME TAX APPELLATE TRIBUNAL
COCHIN BENCH**

**BEFORE SHRI INTURI RAMA RAO, AM
AND SHRI SONJOY SARMA, JM**

**ITA No. 329/Coch/2025
Assessment Year: 2018-19**

Mahe Trade Links Appellant
MMC 1/588A, Jaseena Building
Main Road, Mahe 673310
[PAN: AAZFM3453G]

vs.

The Income Tax Officer, WD-1, Kannur Respondent

Appellant by: Shri C.B.M. Warriar, CA
Respondent by: Smt. Leena Lal, Sr. D.R.

Date of Hearing: 13.06.2025
Date of Pronouncement: 31.07.2025

ORDER

Per: Inturi Rama Rao, AM

This appeal filed by the assessee is directed against the order of the National Faceless Appeal Centre, Delhi [CIT(A)] dated 04.03.2025 for Assessment Year (AY) 2018-19.

2. Brief facts of the case are that the appellant is partnership firm engaged in the business of whole sale trading of telecommunication such as sale of easy vouchers, recharge coupons, etc. No regular return of income for AY 2018-19 was filed by the appellant. However, based on the information in the ITBA portal that the

appellant made cash deposits with Union Bank of India aggregating to Rs. 4,18,27,732/- The Income Tax Officer. Ward1, Kannur (hereinafter called "the AO") formed an opinion that income escaped assessment to tax. Accordingly, issued a notice u/s. 148A(b) of the Income Tax Act, 1961 (the Act) was issued on 22.03.2022. Finally, after considering the reply to the show cause notice, the AO passed assessment order u/s. 148A(d) on 03.05.2022 and issued notice u/s. 148 on 04.05.2022. In response to the notice u/s. 148 appellant filed the return of income on 02.06.2022 disclosing a loss of Rs. 8,05,725/-. Against the said return of income, the assessment was completed by the e-Assessment Centre vide order dated 18.01.2024 passed u/s. 147 r.w.s. 144B of the Act at total income of Rs. 56,95,740/-. While doing so, the AO made addition under the head 'business' by estimating the gross profit at 8% of the total turnover of Rs. 1,96,31,889/-, i.e. Rs. 15,70,559/-. The AO also made addition on unexplained cash deposit of Rs. 41,25,179/- being the cash deposit made in excess of the turnover.

3. Being aggrieved, an appeal was filed before the CIT(A), who vide the impugned order partly allowed the appeal by deleting the addition made under the head 'business'. However, confirmed the addition made on account of unexplained cash deposit of Rs. 41,25,179/-.

4. Being aggrieved, the appellant is in appeal before this Tribunal in the present appeal.

5. The learned counsel for the assessee submitted that all the deposits made in the bank account are out of business receipts of recharge coupons and the deposits are utilised only for the purpose of transferring funds to the supplier of the recharge coupons of Vodafone. Since the books of accounts are audited u/s. 44A of the Act, no addition is required to be made.

6. On the other hand, the learned Sr. DR supporting the order of the CIT(A) submitted that since no details were filed before he learned CIT(A) in support of the source of cash deposits, the addition made by the AO is justified.

7. We have heard the rival contentions and perused the material available on record. The issue that arise for our consideration is whether the CIT(A) was justified in confirming the addition of Rs. 41,25,179/- on account of unexplained cash deposits. On a mere perusal of the assessment order, it would suggest that the AO chose to make addition on account of cash deposits for the reason that cash deposits are in excess of the gross turnover of the appellant. The reasoning of the AO cannot be appreciated in view of the fact that there can be 101 reasons for excess cash collection over the declared turnover from business. There can be realisation from opening debtors and also there can be cash collection towards GST etc. This requires to be verified with reference to the books of account. Since the books of account were already audited and made available to the AO, the AO should have examined the source of cash deposits with

reference to the entries made in the books of account. Therefore, the matter is restored to the file of AO for de novo assessment in accordance with law after affording reasonable opportunity of hearing to the appellant.

8. In the result, the appeal filed by the assessee stands partly allowed for statistical purposes.

Order pronounced in the open court on 31st July, 2025.

Sd/-
(SONJOY SARMA)
JUDICIAL MEMBER

Sd/-
(INTURI RAMA RAO)
ACCOUNTANT MEMBER

Cochin, Dated: 31st July, 2025

n.p.

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