आयकर अपीलीय अधिकरण, 'ए' न्यायपीठ, चेन्नई
IN THE INCOME-TAX APPELLATE TRIBUNAL 'A' BENCH, CHENNAI
श्री एस.एस. विश्वनेत्र रवि, न्यायिक सदस्य एवं श्री रत्नेश नंदन सहाय, लेखा सदस्य के समक्ष
Before Shri S.S. Viswanethra Ravi, Judicial Member &
Shri Ratnesh Nandan Sahay, Accountant Member

आयकर अपील सं./**I.T.A. No.1955/Chny/2025**
निर्धारण वर्ष/Assessment Year: 2017-18

Mohamed Meera Wahitha, 13-3/12-H, Bungalow Oorani Street, Puduvayal, Karaikudi Taluk, Sivagangai 630 108.	Vs.	The Assistant Commissioner of Income Tax, Circle 1, Karaikudi.

[PAN:AAJPW6483G]

(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)
अपीलार्थी की ओर से / Appellant by	:	Shri M.K. Rangasamy, C.A.
प्रत्यर्थी की ओर से/Respondent by	:	Ms. E. Pavuna Sundari, Addl. CIT
सुनवाई की तारीख/ Date of hearing	:	18.09.2025
घोषणा की तारीख /Date of Pronouncement	:	22.10.2025

आदेश /O R D E R

PER S.S. VISWANETHRA RAVI, JUDICIAL MEMBER:

This appeal filed by the assessee is directed against the order dated 26.02.2025 passed by the ld. Commissioner of Income Tax (Appeals), National Faceless Appeal Centre [NFAC], Delhi for the assessment year 2017-18.

2. The assessee raised 10 grounds of appeal amongst which, the only issue emanates for our consideration as to whether the ld. CIT(A) is justified in confirming the addition made by the Assessing Officer

under section 69A of the Income Tax Act, 1961 [“Act” in short] in the facts and circumstances of the case.

3. Brief facts relating to the case are that the assessee is an individual, conducts rice mill under the name & style of M/s. Ambal Modern Rice Mill, Puduvayal, filed the return of income for the AY 2017-18 on 29.10.2017admitting total income of ₹.18,21,510/-. The Assessing Officer noticed that the assessee made cash deposits to the tune of ₹.3,24,37,580/- during the period of demonetization. A survey under section 133A of the Act was conducted on 02.03.2017 in assessee’s business premises in order to verify the source for cash deposits. During the course of survey, statement recorded, the assessee’s explanations are extracted at page 2 of the assessment order. After considering the submissions of the assessee and in the absence of corroborative evidence for the sources for deposits of old denomination notes during the period of demonetization, the cash deposited during 10.11.2016 to 30.12.2016 to an extent of ₹.3,14,15,030/- is treated as unexplained money and added to the total income of the assessee. The ld. CIT(A) confirmed the addition made by the Assessing Officer.

4. The ld. AR Shri M.K. Rangasamy, C.A. submits that in the rice mill business, the trade practice followed for procurement of paddy, the assessee used to engage agents by giving advances to them to procure paddy from the farmers directly. This business practice is prevailing in assessee's area and has been followed by the assessee for years. He further submits that the amounts given to the agents were turned back by them during demonetization period and the assessee received back ₹.1,30,00,000/- from 31 persons and deposited the same in the bank account. He further submits that 31 agents were requested to appear before the Assessing Officer, out of which 10 agents were present, only one agent was summoned under section 131 of the Act, examined and statement recorded from him on 06.03.2017 drew our attention to the copy of sworn statement placed at page Nos.64 to 66 of the paper book. By referring to the above sworn statement, the ld. AR argued that in reply to question No. 2, the said agent has clearly stated that he has received advance amount from the assessee and on demonetization, he returned the amount back to the assessee. Further, the ld. AR argued that that the Assessing Officer did not summon any other agents for enquiry during the post survey/ assessment proceedings.

5. The ld. AR vehemently argued that the cash receipts are duly recorded in the books of accounts, which were subject to audit under section 44AB of the Act, while concluding the assessment, the Assessing Officer has not rejected the books of account. He argued that the deposits were out of the business and explained during the course of the assessment proceedings with necessary proof. He drew our attention to the orders of this Tribunal in the case of Tamilnadu State Marketing Corporation Ltd. v. ACIT in ITA No. 431/Chny/2023 and in the case of Thenraj v. ITO in ITA No. 3123/Chny/2024, the ld. AR argued that the cash receipts are recorded in the books of account and the Assessing Officer has not rejected the books of account, the Assessing Officer erroneously invoked section 69 of the Act. Thus, the ld. AR prayed to delete the addition.

6. The ld. DR Ms. E. Pavuna Sundari, CIT supported the order passed by the ld. CIT(A). She submits that the assessee failed to give cogent documentary evidence regarding the genuineness of the unaccounted cash deposits concerning the cash deposits from 08.11.2016 to 22.12.2016 and the Assessing Officer correctly added such amount to the total income of the assessee as there was no explanation to the cash balance as on 08.11.2016 to the cash deposits

during the above said period. She further submits that the assessee also failed to give explanation whether such big cash would available in rice mill to question No. 4 during the course of survey on 02.03.2017. Further, she argued that the contention of the assessee that the amount offered to the agents for procurement of paddy were returned back in cash due to demonetization and were deposited into the bank is not acceptable since the assessee did not furnish any documentary evidence. She vehemently argued that by no stretch of imagination it is believable that without any record or receipt or any other means of evidence, the assessee can offer advances to agents ranging from ₹.10 lakhs to 15 lakhs and in totality, whatsoever explanation offered by the assessee is not backed by material evidence for the above huge cash transaction. Since the onus cast upon the assessee has not been proved with cogent documentary evidence, the ld. CIT(A) has rightly confirmed the view of the Assessing Officer and prayed to sustain the same.

7. Heard both the parties and perused the material available on record along with paper book filed consisting of 83 pages. Admittedly, the Assessing Officer, in order to verify the source for cash deposits during demonetization period, conducted survey under section 133A of

the Act on the assessee, wherein, we note that the assessee clearly stated the source for such cash deposits was on account of advance money returned by the agents (31 persons) vide answer to question No. 10. Therefore, it is a case of the assessee that a trade practice followed for procurement of paddy in rice mill business engaged agents by giving advances to procure paddy from farmers directly and there is no dispute with regard to such practice, which has been followed and prevailing in the area for years together. On perusal of the statement recorded during survey from the assessee on 02.03.2017, placed at pages 55 to 63 of the paper book, we note that the assessee has furnished list of 31 persons, but, however, the Assessing Officer summoned only one person and his sworn statement is placed at pages 64 to 66 of the paper book, which is in vernacular language and true English transcription is placed at page 75 of the paper book, wherein, he has clearly reiterated the practice followed in the said area of mill owners giving advances to agents for procurement of paddy from farmers during harvest. He also reiterated that the assessee has given him ₹.3,50,000/- in advance for procurement of paddy, but, during demonetization period, having no option, returned the money to the assessee, in our opinion, which clearly supports the statement of

the assessee during the course of survey in stating the practice followed for procurement of paddy and also return of advance money by the agents. We note that out of 31 agents, 10 agents (persons) were present before the Assessing Officer, but, however, the Assessing Officer examined only one agent on oath. Admittedly, no other agents were examined by the Assessing Officer. Further, the Assessing Officer did not bring on record any adverse reference contradicting the practice and return of money by the agents.

8. We find that the assessee also claimed that the cash deposits were from sales and old balance deposits in the bank in every month and supporting the same, cash book was furnished before the Assessing Officer, wherein, the cash balance was shown at ₹.2,11,75,341/- as on 08.11.2016. The assessee offered the above stated explanation to the query raised by the Assessing Officer, however, the Assessing Officer did not accept the explanation offered by the assessee nor any adverse remark given on the cash book, which is evident from the assessment order. The assessee placed on record ITR acknowledgement for AY 2016-17 from pages 1 to 14 along with balance sheet, Trading & Profit & Loss account and Profit & loss account. We find the audit report in Form No. 3CB at page 2 of the

paper book. Admittedly, the said audit report was available before the Assessing Officer and no reference or discussion, whatsoever was made with regard to the authenticity of audit report. Further, we find the e-proceeding response acknowledgement dated 10.03.2021 before first appeal proceedings placed at page 70 of the paper book, wherein, it clearly shows that the assessee filed reply letter, cash book folio, Bank of Baroda statement, ledger folio & cash deposit summary. On perusal of the impugned order, wherein, the ld. CIT(A) discussed the issue vide para 4 at page 2 of the impugned order and relevant paras are reproduced herein below:

> *4.1 Ground No.1, 2 and 3: The appellant has contended the fact that the A.O should have accepted the genuineness of the cash deposits of Rs. 2,11,75,341/- and the appellant has challenged the addition of Rs. 1,12,62,239/- u/s 69A. In the instant case the assessee deposited cash of Rs. 3,24,37,580/- in bank account from 08.11.2016 to 22.12.2016 in his bank account. The assessee failed to give cogent documentary evidences regarding the genuineness of the unaccounted cash deposit. Hence, the A.O. completed the assessment and passed order u/s. 143(3) of the Income tax Act, 1961. During the assessment proceedings the assessee claimed that that the sales and old balance amount received were used to be deposited into the bank account every month and like that the collected amounts during the period of demonetization were deposited into the bank Further, as per cash book, there was balance shown at Rs.2,11,75,341/- as cash balance as on 08.11.2016. Hence, the assessee was asked to explain whether such big cash would available in rice mill vide question no.4. this was asked since during the course of survey on 02.03.2017 the cash found was on Rs. 16,000/-. In reply, the assessee stated for the purpose of procuring the paddy they used to give advances to agents in various surrounding villages ranging from Rs.10 lakhs to Rs. 15 lakhs on the basis of trust. They will get commission from formers and will bring the paddy to us. At that point of time, the advance amount will be reduced and balance amount shall be given to farmers and bills will be made. As per this, the cash in the book is inclusive of amounts given to the agents as advance.*

Further the assessee also stated that the agents gave back the amounts to the assessee which were deposited into the bank. However, the assessee did not furnish any documentary evidences for the same and the addition was made only for the cash deposit of Rs. 3,14,15,030/- that is cash deposited from 10.11.2016 to 30.12.2016 and not of Rs. 3,24,37,580/- ie cash deposited from 08.11.2016 to 30.12.2016 in the bank account during demonetization period.

During the appellate Proceedings the assessee filed written submission through ITBA module, after perusal of the same it is concluded that the, the assessee failed to provide cogent documentary evidences for the amounts claimed to have been received. The appellant has not furnished corroborative evidences regarding the unaccounted cash deposited in the bank account, the assessee also had no explanation regarding the source of cash deposit in his bank account. The onus lies on the appellant to support any claim by bringing in cogent documentary evidence. In absence of any evidence in support of its grounds of appeal, I have no basis to take a contrary view in the appellate proceedings, I have no reason to interfere with the assessment order. As such, I do not find any infirmity in the order of Assessing Officer. Therefore, addition of Rs. 3,14,15,030/- is hereby sustained on merits.

9. On examination of the above observations of the ld. CIT(A), we find that no discussion whatsoever made by the ld. CIT(A) with reference to documentary evidence in respect of cash book folio, ledger folio and cash deposit summary in the impugned order. We note that the ld. CIT(A) simply concluded that the assessee failed to provide cogent documentary evidence for the amounts claimed to have been received without referring to the documentary evidences furnished at page 70 of the paper book. Further, we note that the Assessing Officer and the ld. CIT(A) completely ignored the cash balance as per the books of the assessee as on 08.11.2016 with reference to answer to question No. 4 of the sworn statement recorded from Mohammed

Meera, husband of the assessee. We find it is relevant to reproduce statement of Shri Mohammed Meera recorded under section 131 of the Act, who manages business of the assessee, which is at page No. 74 of the paper book for better understanding:

> *4.1. As already stated, the appellant's husband Sri Mohamed Meera manages the business of the appellant. Sri Mohamed Mecra was summoned u/s. 131 and a statement was recorded by the A.O. on 24-12-2019, in which he deposed thus:*
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> *On, No. 3: During the demonetization period, i.e. from 08-11-2016 to 30-12-2016, you have deposited in cash Rs. 3,14,15,030/- into the Bank of Baroda Account No. 26630500000029-all SBNs. What is your explanation regarding the source(s) for the cash deposits?*
>
> *Ans: We usually deposit every month cash sales (retail sales) and sums received from our trade debtors. The cash deposited during the above period is in tune with our regular practice.*
>
> *On. No. 4: On a perusal of your cash book, it is seen that the cash balance as on 08-11-2016 is Rs. 2,11,75,341/-, Please explain the reasons for such huge cash balance.*
>
> *Ans: As per the trade practice which we have been following for a number of years, for purchase of paddy, which is our important raw material for our trade, we have agents who are based in different villages to whom we pay advances ranging from Rs. 10 lakhs to Rs. 15 lakhs. The agents in turn pay advance amounts to the agriculturists. The amounts paid to the agents is based on mutual trust and this is the regular practice in vogue in this line of business. Upon harvesting, the agents deliver the paddy in our rice mill. At that time, we deduct the advance amounts paid to cach agriculturist, pay the balance amount and for the gross amount we prepare purchase bills (bought notes) which will be duly accounted for in our books. I wish to clarify that the total amount of cash advances paid to the agents is included in the cash balance shown as per books of account. This is regularly followed by all the traders in this line of business, also by us,*

On. No. 5: You have explained that funds of your business only were deposited in the form of SBNs into the bank account. Do you say that such money was amounts received back from the agents to whom advances were paid by you earlier ?

Ans: Yes. On account of demonetization of Rs. 500 and Rs. 1000 currency notes, all the agents paid back the advances received by them. As we could not transact or make use of those SBNs, we deposited all such monies into the bank account.

Qn. No. 6: What is evidence for your claim? Do you possess records for the payment of advance and return of such advances?

Ans: In this line of business, payment of advances to known agents is purely on mutual trust and adjust such advances at the time of purchase of paddy. Such a practice is in vogue for years and decades. This is applicable to all rice mills. It is customary to pay advances to agriculturists even at the time of planting of rice sapling. I am unable to instantly give you evidence for the same. I wish to remind that even at the time of survey on 02-03-2017, 1 had furnished the full list of village-wise agents.

Qn. No. 7: At the time of recording of statement on 02-03-2017, you gave the very same explanation. Further, you promised to furnish details of advances returned by agents and amounts collected from your trade debtors the next day. But, you have not furnished the details. Even now, you are unable to furnish details. What is your explanation?

Ans: Immediately after the survey was conducted, as already informed by me, I requested 10 agents to come to the Income tax Office, Karaikudi, to depose the facts before you and the agents assembled on 06 MAR 2017. Out of the agents, the statement of one of the agents, Sri RM. Manoharan was taken. We were informed that other agents will be summoned at a later date. But, there was no communication to any of the agents from your office. Further, time is required to furnish the details called for. If you look into the account books of our business, you will notice that there are cash deposits every month on a regular basis even prior to demonetization. I request that this may be duly considered."

(True translation from Tamil to English).

10. On perusal of the above, we note that the Assessing Officer vide question No. 4 asked the assessee to explain the reasons for such huge cash balance as on 08.11.2016 of ₹. 2,11,75,341/-, we find the assessee replied that as per the trade practice followed for a number of years, for purchase of paddy, assessee's important raw material for trade, assessee has agents who are based in different villages to whom they pay advances ranging from Rs. 10 lakhs to Rs. 15 lakhs. The agents in turn pay advance amounts to the agriculturists. The amounts paid to the agents are based on mutual trust and this is the regular practice in vogue in this line of business. Upon harvesting, the agents deliver the paddy in assessee's rice mill. At that time, assessee deduct the advance amounts paid to such agriculturist, pay the balance amount and for the gross amount assessee prepare purchase bills (bought notes) which will be duly accounted for in the books. Further he clarified that the total amount of cash advances paid to the agents is included in the cash balance shown as per books of account and it is regularly followed by all the traders in this line of business, also by assessee. We find that the Assessing Officer and the ld. CIT(A) are totally unjustified in not taking into account of the

cash balance as on 08.11.2016 for which the assessee explained in detail. Further, we find no discussion with reference to what exactly cash deposit made during demonetization period. According to the assessee, the cash deposit is only ₹.2,33,52,000/- in 3 accounts with Bank of Baroda, such details were furnished before the Assessing Officer placed at page 81 of the paper book, but, no consideration was given in examining the same. However, the Assessing Officer and the ld. CIT(A) proceeded to add entire cash deposits made from 08.11.2016 to 22.12.2016 ignoring non-SBN currency. Therefore, the Assessing Officer and the ld. CIT(A) did not consider the evidence on record in proper perspective.

11. Further, we find the statement of assessee recorded under section 133A(iii) of the Act at page No. 73, which is reproduced herein below for better understanding:

> *4. Addition of Rs. 3,14,15,030/-:- Even at the time of survey conducted on 02-03-2017, the appellant clearly explained the reasons for the high cash balance kept by her for business purposes. It was explained that there are agents at village level to whom advances are paid and that immediately after announcement of the demonetization on 08-11-2016, all the agents returned the deposits paid to them. In her reply to Qn. No. 10 of the statement recorded under sec. 133A(3)(iii), the appellant explained/replied thus-*
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> *On. No. 10: It is noticed that you have between Nov. 08, 2016 and Dec. 22, 2016 deposited in cash on various dates a total amount of*

Rs. 3,24,15,030- into your Bank of Baroda Account No. 26630500000029. Please explain the sources for the above cash deposits into the Bank A/c?

Ans: For my rice mill trade in order to directly purchase of paddy from the agriculturists, we have appointed a number of agents at village level. This is necessitated because we do not directly know the agriculturists. It is the customary practice in this line of business to pay advances ranging from Rs. 10 lakhs to Rs. 15 lakhs to cach agent. As soon as the demonetization of Rs. 500 and Rs. 1000 currency notes was announced by the Govt. of India on 08 NOV 2016, all the agents returned all such specified bank notes (SBNs) to me. I am furnishing below the names of 31 such agents who returned the advance | names of 31 agents listed). The total amount of such advances returned amounting to Rs. 1,30,00,000/- was remitted into my bank account. I am not in a position to immediately recollect and tell you the amount of advances returned by cach agent. I will tomorrow furnish the names at your office. Further, we have also recovered amounts due from my trade debtors to whom credit sale of rice was made carlier. The amounts so received from the trade debtors was also remitted into the bank account. I shall tomorrow furnish the names of such trade debtors and the amounts received from them at your office tomorrow. Again, the cash received on retail sale of rice was also deposited into the bank account.

12. On perusal of the above, we note that the AO asked the assessee to explain the sources for the above cash deposits into the Bank A/c between 08.11.2016 and 22.12.2016 deposited in cash on various dates for a total amount of ₹.3,24,15,030- into Bank of Baroda Account No. 26630500000029 vide question No-10, we find the assessee's reply, that for rice mill trade in order to directly purchase of paddy from the agriculturists, assessee appoints number of agents at village level and it is necessitated because the assessee does not

know directly the agriculturists. She reiterated the customary practice in line of business to pay advances ranging from ₹.10 lakhs to ₹. 15 lakhs to each agent, when the demonetization of ₹.500 and ₹.1000 currency notes announced by the Govt. of India on 08 -11-2016, all the agents returned all such specified bank notes (SBNs) to the assessee. The assessee furnished the names of 31 such agents who returned the advance and said that the total amount of such advances returned amounting to ₹.1,30,00,000/- was remitted into her bank account. Further, assessee also recovered amounts due from trade debtors to whom credit sale of rice was made earlier. The amounts so received from the trade debtors was also remitted into the bank account, further, she said the cash received on retail sale of rice was also deposited into the bank account. We find the AO did not dispute the trade practice and also cash deposits from agents, debtors and retail sales. Having same on record, the ld. CIT(A) did not appreciate the veracity of statement and simply proceeded to confirm the order of Assessing Officer having the impression that the cash deposits made during the demonetization attracting provisions under section 69A of the Act, in our opinion, is not justified.

13. Further, we find the statement of one of the agents, Sri RM. Manoharan who was examined u/s. 131 at page No.75 of the paper book which is reproduced herein below:

> *4.2. Pursuant to the survey u/s. 133A conducted on 02-03-2017, the appellant's husband paraded some 10 agents before the A.O. for the purpose of examination on 06-03-2017. One of the agents, Sri RM. Manoharan alone was examined u/s. 131. The appellant's husband was informed that the rest of the agents will be summoned as and when needed, but, there was no communication from the A.O. In the statement recorded on 06-03-2017, Sri RM. Manoharan deposed thus:*
>
> *Qn. No. 1: Please introduce yourself and tell me the nature of your profession.*
>
> *Ans: I am RM. Manoharan, aged 64 years and residing at the above mentioned address. 1 am eking out my livelihood as a paddy commission agent. I used to pay advances to agriculturists in nearby villages around Thiruvadanai, Vellaiapuram, Thondi, Kalaiyarkovil, Sivagangai etc. I used to get advance amounts from the rice mill owners at Puduvayal and pay the agriculturists. Accordingly, I have taken advance amounts from the owner of Sri Ambal Rice Mill, Puduvayal. I have not directly taken the advance from Ms. Wahitha, owner of Sri Ambal Rice Mill; but from her husband Sri Mohamed Meera or the Accountant Sri Syed. At the time of purchase of paddy from the agriculturists, I used to get roughly Rs. 10/- per bag of paddy as commission. I may get about 2000 to 3000 bags of paddy per month to the rice mill owners at Puduvayal.*
>
> *On. No. 2: During the currem FY 2016-17, when did you receive advance amounts from Ms. Wahitha, owner of Sri Ambal Modern Rice Mill? What are the dates on which such advances was received? How much bags of paddy bags were purchased?*
>
> *Ans: During the FY 2016-17, as per the instructions of Sri Mohamed Meera, Wo Wahitha, 1 received advance of Rs. 3,50,000/- in cash from Sri Syed, Accountant. The amount was in denomination of Rs. 500 and Rs. 1000. This was paid by me as advance to Sri Malairaju,*

Narikudi village (Rs. 1,00,000/-); to Sri Shanmugam, Aruppukottai (Rs. 2,00,000/-) and Nagarajan, Muppaiyur (Rs. 50,000/-). As soon as the announcement of demonetization, all the three agriculturists returned the entire amount of advance amounts within a week. Immediately, thereafter, I returned the advance amount to Sri Syed, Accountant in the second week of December, 2016. I did not receive or charge any commission out of the said advance.

On, No. 3: For the advance paid to me, there was no signature taken from me. The amount of advance was paid to me on mutual trust. But, Sri Syed, Accountant, used to make note of the advance in a note book. Similarly, at the time of making advances to agriculturists, there is no record with signature or the like

Q.No. 4: What is the reason for the agriculturists to return the advances to you ?

Ans The advance amounts were in the denomination of Rs. 500 and Rs. 1000. The agriculturists were not in position to make use of those currency notes after demonetization. Hence, the advance amounts were returned.

Q.No. 5: You claim that Sri Malairaju, Narikudi, Sri Shanmugam, Aruppukottai and Sri Nagarajan, Muppaiyur returned the advance amounts. Do you know their addresses or their mobile Nos. ?

Ans: I do not know their addresses, nor their mobile Nos.

(True translation from Tamil to English).

14. We find his statement supporting the statements of assessee and assessee's husband which are discussed in the aforementioned paras. He stated that the assessee's husband was informed that the rest of the agents will be summoned as and when needed, but, there was no communication from the Assessing Officer. He states that he derives his livelihood as a paddy commission agent. He used to pay

advances to agriculturists in nearby villages around Thiruvadanai, Vellaiapuram, Thondi, Kalaiyarkovil, Sivagangai etc. He used to get advance amounts from the rice mill owners at Puduvayal and pay the agriculturists. He clearly states that he has taken advance amounts from the owner of Sri Ambal Rice Mill, Puduvayal, but not directly taken the advance from Ms. Wahitha, the assessee owner of Sri Ambal Rice Mill, but, from her husband Sri Mohamed Meera or the Accountant Sri Syed. He used to get roughly Rs. 10/- per bag of paddy as commission at the time of purchase of paddy from the agriculturists and he may get about 2000 to 3000 bags of paddy per month to the rice mill owners at Puduvayal.

15. Further, in response to question No-2, he clearly admits that he received amounts from Sri Mohamed Meera and the assessee as advance of ₹.3,50,000/- in cash from Sri Syed, Accountant. The said amount was in denomination of ₹.500 and ₹.1000, same was paid as advance to Sri Malairaju, Narikudi village (₹.1,00,000/-); to Sri Shanmugam, Aruppukottai (₹.2,00,000/-) and Nagarajan, Muppaiyur (₹.50,000/-). All the three agriculturists returned the entire amount of advance amounts within a week when the demonetization announced. Immediately, thereafter, he returned the advance amount to Sri Syed,

Accountant in the second week of December, 2016, he did not receive or charge any commission out of the said advance. The said amount of advance was paid to him on mutual trust and Sri Syed, Accountant, used to make note of the advance in a note book. The AO vide Q. No. 4: asked the reason for the agriculturists to return the advances to him, he replied, the advance amounts were in the denomination of ₹.500 and ₹.1000 and the agriculturists were not in position to make use of those currency notes after demonetization. From the above three statements, it establishes that the explanations offered by the assessee, Shri Mohammed Meera and the agent Shri RM Manoharan support the trade practice prevailed in the line of business and deposits were out of returned money from the agents and retail sale proceeds. Thus, we find force in the arguments of the ld. AR that the cash deposits are only out of return money from the agents, recovery from trade debtors and out of sales and we safely conclude that the explanation offered by the above said three persons are valid and no addition under section 69A of the Act is warranted. The Assessing Officer did not bring on record any evidence contrary to the above said three statements. In similar situation, the Chennai Benches of

ITAT in the case of Tamil Nadu State Marketing Corporation Ltd. V. ACIT (supra) has observed and held as under:

8.1 Now the question arises whether the demonetized currency received by assessee on account of sale of IMFS and beer to the customers and accepted demonetized currency in return is to be assessed u/s.69 of the Act or not as unexplained investment. The ld. Senior DR has raised a question on this that when there was an express bar by Government on transacting business from 09.11.2016 in SBNs in view of Question No.2 of FAQ issued by RBI on 08.11.2016 vide Circular No.DCM(Plg) No.1226/10.27.00/2016-17. The ld. Senior DR has argued that vide this very circular, the Government of India has declared the SBNs as not a legal currency w.e.f. 09.11.2016 except only from few notified business transactions were permitted to transact in SBNs and that too for a limited period upto 24.11.2016 as far as demonetized currency of Rs.1000/- and Rs.500/- and then it was extended upto 15.12.2016. The ld. Senior DR has also argued that the assessee's nature of business is not covered under the notification of the Government of India exempting certain categories. We noted that the ld. counsel for the assessee in reply to the same referred to Ordinance issued by the Ministry of Law & Justice, Government of India in the Gazette of India, wherein the SBNs were declared or ceased to be liability of RBI or Central Government and penal provisions were incorporated in the same for holding the demonetized currency as well as transacting in the same. The relevant Ordinance No.10 of 2016, The Specified Bank Notes (Cessation of Liabilities) Ordinance, 2016 was brought in on 30.12.2016. We noted that vide this Ordinance dated 30.12.2016 i.e., Specified Bank Notes (Cessation of liabilities) Ordinance, 2016, No.10 of 2016 dated 30.12.2016, has clearly held the demonetized currency to have ceased to be legal tender as pointed out by ld. counsel, the provision of Section 5 very categorically states that no person shall knowingly or voluntarily hold or transfer any Specified Bank notes on or from the appointed day of 31.12.2016. The relevant provisions of section 5, 6, 7 & 8 reads as under:-

> *5. On and from the appointed day, no person shall, knowingly or voluntarily, hold, transfer or receive any specified bank note:*
>
> *Provided that nothing contained in this section shall prohibit the holding of specified bank notes.*
> *(a) by any person-*
> *(i) up to the expiry of the grace period; or*
> *(ii) after the expiry of the grace period,*
> *(A) not more than ten notes in total, irrespective of the denomination; or*
> *(B) not more than twenty-five notes for the purposes of study, research or numismatics;*

(b) by the Reserve Bank or its agencies, or any other person authorised by the Reserve Bank;
(c) by any person on the direction of a court in relation to any case pending in that court.

6. Whoever knowingly and wilfully makes any declaration or statement specified under sub-section (1) of section 4, which is false in material particulars, or omits to make a material statement, or makes a statement which he does not believe to be true, shall be punishable with fine which may extend to fifty thousand rupees or five times the amount of the face value of the specified bank notes tendered, whichever is higher. Penalty for contravention of section 5

7. Whoever contravenes the provisions of section 5, shall be punishable with fine which may extend to ten thousand rupees or five times the amount of the face value of the specified bank notes involved in the contravention, whichever is higher. Offences by companies

8. (1) Where a person committing a contravention or default referred to in section 6 or section 7 is a company, every person who, at the time the contravention or default was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention or default and shall be liable to be proceeded against and punished accordingly: Provided that nothing contained in this sub-section shall render any such person liable to punishment if he proves that the contravention or default was committed without his knowledge or that he had exercised all due diligence to prevent the contravention or default.

(2) Notwithstanding anything contained in sub-section (l), where an offence under this Ordinance has been committed by a company and it is proved that the same was committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary, or other officer or employee of the company, such director, manager, secretary, other officer or employee shall also be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Explanation.-For the purpose of this section,-

(a) "a company" means anybody corporate and includes a firm, trust, a co-operative society and other association of individuals;

(b) "director", in relation to a firm or trust, means a partner in the firm or a beneficiary in the trust.

This was further explained by the Central Government i.e., RBI vide Circular dated 26.05.2017 and the relevant reads as under:-

> *Why was the Scheme of Withdrawal of Legal Tender Character of the old Bank Notes in the denominations of ₹ 500 and ₹ 1000 introduced?*
>
> *The incidence of fake Indian currency notes in higher denomination has increased. For ordinary persons, the fake notes look similar to genuine notes, even though no security feature has been copied. The fake notes are used for antinational and illegal activities. High denomination notes have been misused by terrorists and for hoarding black money. India remains a cash based economy hence the circulation of Fake Indian Currency Notes continues to be a menace. In order to contain the rising incidence of fake notes and black money, the scheme to withdraw legal tender character of the old Bank Notes in the denominations of ₹ 500 and ₹ 1000 was introduced.*
>
> *2. What is this scheme?*
>
> *The legal tender character of the bank notes in denominations of ₹ 500 and ₹ 1000 issued by the Reserve Bank of India till November 8, 2016 (hereinafter referred to as Specified Bank Notes) stands withdrawn. In consequence thereof these Bank Notes cannot be used for transacting business and/or store of value for future usage. The Specified Bank Notes (SBNs) were allowed to be exchanged for value at RBI Offices till December 30, 2016 and till November 25, 2016 at bank branches/Post Offices and deposited at any of the bank branches of commercial banks/Regional Rural Banks/Co-operative banks (only Urban Co-operative Banks and State Co-operative Banks) or at any Head Post Office or Sub-Post Office during the period from November 10, 2016 to December 30, 2016.*
>
> *3. What is the Specified Bank Notes (Cessation of Liabilities) Act 2017?*
>
> *On February 27, 2017 Government of India notified the Specified Banknotes (Cessation of liabilities) Act 2017. The Act repealed the Specified Banknotes (Cessation of liabilities) Ordinance 2016 providing for cessation of liabilities for the Specified Banknotes (SBNs) and for matters connected therewith and incidental thereto, with effect from December 31, 2016. The SBNs cease to be the liabilities of the Reserve Bank under Section 34 of the RBI Act and cease to have the guarantee of the Central Government.*

8.2 The ld. counsel explained that till 31.12.2016, these notes i.e., SBNs in demonetized currency was not held to be illegal tender and there is no

provision that holding these notes or transacting the same will amount to violation of any law. Before us, the ld. counsel compared the earlier demonetization scheme of 1978, i.e., The High Denomination Bank Notes (Demonetization) Act, 1978 with the present Demonetization Scheme, whereby the scheme was announced on 16.01.1978 wherein the high demonetization notes of value Rs.500/-, Rs.1000/- or Rs.10000/- was withdrawn from circulation and there was a clear bar in the Act for transfer or receipt of high denomination notes and that demonetized bank notes was ceased to be legal tender vide section 3 & 4 from 16.01.1978 only, which reads as under:-

> *"3. High denomination bank notes to cease to be legal tender.—On the expiry of the 16th day of January, 1978, all high denomination bank notes shall, notwithstanding anything contained in section 26of the Reserve Bank of India Act, 1934 (2 of 1934), cease to be legal tender in payment or on account at any place.*
>
> *4. Prohibition of transfer and receipt of high denomination bank notes.—Save as provided by or under this Act, no person shall, after the 16th day of January, 1978, transfer to the possession of another person or receive into his possession from another person any high denomination banknote."*

The ld. counsel for the assessee also relied on one decision of Hon'ble Bombay High Court in the case of Narendra G. Goradia (HUF) vs. CIT reported in (1998) 234 ITR 571 and stated that the Hon'ble Bombay High Court has categorically held that where the assessee is required to prove source of money, in such case and once, he is successful in proving that source, he could not be asked to produce proof of acquisition of such amount in currency notes of particular denominations. The ld. counsel for the assessee relied on para 9 of the decision, which reads as under:-

> *"10. We have also perused the decision of A. Govindarajulu Mudaliar v. CIT, on which reliance is placed by learned counsel for the Revenue. We, however, fail to understand how the above decision helps the Revenue in the instant case. In that case, certain amounts appeared in the account books of a firm of which the assessee was a partner as credits for him. The assessee was asked for an explanation as to how he came to possess this amount. His explanation in regard to the source of this amount in part was not accepted. It was in that context that the Supreme Court observed that where an assessee fails to prove satisfactorily the source and nature of certain amounts of cash received during the accounting year, the Income-tax Officer is entitled to draw the inference that the receipts are of an assessable nature. That is not the position in the case before us. In this case, the assessee could prove satisfactorily the source and nature of the*

amounts. Addition was made not for that reason. The assessee was further required to prove the receipt of the amount of Rs. 2 lakhs therefrom in high denomination notes. In other words, the assessee was asked to prove as to when and from whom he received the amount in high denomination notes. The assessee gave reasonable explanation for his inability to give detailed account of receipts and disbursements of amounts from time to time in currencies of various denominations including high denomination notes. He could, however, satisfy the authorities about the fact that he was often in possession of Rs. 1,000 denomination notes and the probability of high denomination notes of the value of Rs. two lakhs being included therein. In fact, the Revenue itself was satisfied about the inclusion of 96 notes of Rs. 1,000 each therein. The amount of Rs. 1,04,000 was added as income from undisclosed sources only because, according to the Revenue, the assessee failed to discharge the onus cast on him to prove the acquisition of each and every high denomination note encashed by him. This approach, as earlier indicated, is not correct. The assessee having proved the source and shown satisfactorily the possibility of the inclusion of Rs. 1,000 high denomination notes of the value of Rs. 2 lakhs therein, the addition of Rs. 1,04,000 to his income for his failure to furnish detailed particulars of the receipt of such notes each of the 200 notes of Rs. 1,000 denomination tendered by him for encashment, is not in accordance with law."

This judgment was referred by the ld. counsel for meeting the argument made by ld. Senior DR that the demonetized currency received by assessee in the present case is not out of sale proceeds of liquor. We have gone through the scheme and noted that the Specified Bank Notes (cessation of liabilities) Ordinance 2016 (subsequently this was passed as an Act), was towards cessation of liability of RBI in respect of SBNs with effect from 31.12.2016. The Government of India vide Gazette of India Notification dated 8.11.2016 notified that the SBNs of Rs.500 and Rs.1,000 notes is not a legal tender w.e.f. 9.11.2016. We noted that even the Revenue admitted that the Government has not declared the SBNs as an illegal tender and even possessing of SBNs was not an offence till 31.12.2016. Between the period from 9.11.2016 to 31.12.2016,all the public, who were holding such SBNs were permitted to exchange such holdings against valid currency notes but the scheme itself does not render the SBN as illegal or declaration does not bar in receiving or paying through the SBNs in the course of business like other documents i.e., through cheques, promissory notes, Government securities, which are not legal tender can be freely exchanged so can the SBNs. The Ordinance of December 2016 clearly specifies that on or from 31.12.2016, it is illegal for any person to hold, transfer or receive SBNs. This would mean that prior to 31.12.2016 there is no bar on any person holding, transferring or receiving SBNSs prior to 31.12.2016 was not illegal. If a currency is not a legal tender, only the recipient may refuse or cannot force

to receive currency which is not legal tender. When both parties to the transaction agrees, there is no prohibition for one party to transfer and the other party to receive SBNs in the course of a legal transactions prior to 31.12.2016. We noted that with the notification of ''The Specified Bank Notes (Cessation of Liabilities) Act, 2017", even this liability to honour such exchange, transact, transfer or hold SBNs ceased to be operative from 31.12.2016, the appointed date.

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.

8.4 We have gone through the notifications issued by the RBI and Government of India, to deal with specified bank notes. The only premise of the Revenue is mainly on the issue of notification issued by the RBI to deal with the specified bank notes and argument is that the assessee is not one of the eligible person to accept or to deal with specified bank notes and thus, even if assessee furnish necessary evidence, the assessee cannot accept specified bank notes after demonetization and the explanation offered by the assessee cannot be accepted. No doubt specified bank notes of Rs. 500 & Rs. 1000 have been withdrawn from circulation from 09.11.2016 onwards. The Government of India and RBI has issued various notifications and SOP to deal with specified bank notes. Further, the RBI allowed certain category of persons to accept and to deal with specified bank notes up to 31.12.2016. Further, the specified bank notes (cessation of liability) Act, 2017, also stated that from the appointed date no person can receive or accept and transact specified bank notes, and appointed date has been stated as 31.12.2016.

Therefore, there is no clarity on how to deal with demonetized currency from the date of demonetization and up to 31.12.2016. Therefore, under those circumstances, some persons continued to accept and transact the specified bank notes and deposited into bank accounts. Therefore, merely for the reason that there is a violation of certain notifications/GO issued by the Government in transacting with specified bank notes, the genuine explanation offered by the assessee towards source for cash deposit cannot be rejected, unless the AO makes out a case that the assessee has deposited unaccounted cash into bank account in specified bank notes.

8.5 We further noted that the Central Board of Direct Taxes had issued a circular for the guidance of the Revenue Officer to verify cash deposits during demonetization period in various categories of explanation offered by the assessee and as per the circular of the CBDT, examination of business cases, very important points needs to be considered is analysis of bank accounts, analysis of cash receipts and analysis of stock registers. From the circular issued by the CBDT, it is very clear that, in a case where cash deposit found in business cases, the AO needs to verify the explanation offered by the assessee with regard to realization of debtors where said debtors were outstanding in the previous year or credited during the year etc. Therefore, from the circular issued by the CBDT, it is very clear that, while making additions towards cash deposits in demonetized currency, the AO needs to analyze the business model of the assessee, its books of account and analysis of sales etc. In this case, if we go by analysis furnished by the assessee in respect of total sales, cash sales including the cash received in demonetized currency and cash deposits, there is negligible amount in demonetized currency. Therefore, we are of the considered view that when there is no significant change in cash deposits during demonetization period, then merely for the reason that the assessee has accepted specified bank notes in violation of circular/notification issued by Government of India and RBI, the source explained for cash deposits cannot be rejected. Simpliciter violation of certain notification issued by RBI or demonetization scheme announced by Government of India on 08.11.2016 will not entitle the Revenue to make addition u/s.69 or 69A of the Act. Because, the mandate of the provisions of Section 69 & 69A of the Act, i.e., unexplained investments and unexplained money etc., may be deemed to be the income of the assessee for the financial year relevant to assessment year concerned, in which the assessee is found to be the owner of such money, bullion, jewellery or valuable article or unexplained expenditure, if, the such expenditure or such money etc., are not recorded in the books of accounts, if any, maintained by assessee for any source of income and the assessee offers no explanation about the nature and source of such expenditure or acquisition of such money, etc., or the explanation offered by him, in the opinion of AO is not satisfactory. For violation of any RBI notification, etc., can have any civil or criminal liability and can be dealt with under any other provision of law by the concerned authority but for the purpose of bringing the amount under

Income-tax, the provisions are very clear i.e., 69 & 69A of the Act. In our considered view, to bring any amount u/s. 69 or 69A of the Act, the nature and source of investment, needs to be examined. In case the assessee explains the nature and source of investment, then the question of making addition towards unexplained investment u/s. 69 of the Act does not arise. In this case, the source of deposits has not been disputed and has been created out of ordinary business sales which has been credited into books of accounts and profits has also been duly included in the return of income filed in relevant assessment year. Therefore, we are of the considered view that, additions cannot be made u/s. 69 of the Act and taxed u/s. 115BBE of the Act towards cash deposits made to bank account of demonetized cash in SBNs.

9. In the result, the appeal filed by the assessee stands allowed.

16. On perusal of the above, we note that this Tribunal observed that Government of India and RBI issued various notification and SOP to deal with specified bank notes. Further, the RBI allowed certain category of persons to accept and to deal with specified bank notes upto 31.12.2016. Moreover, the Specified Bank Notes (cessation of liability) Act, 2017, also stated that from the appointed date no person can receive or accept and transact specified bank notes, and appointed date has been stated as 31.12.2016. However, the Tribunal observed that there is no clarity on how to deal with demonetized currency from the date of demonetization and up to 31.12.2016. Therefore, under those circumstances, some persons continued to accept and transact the specified bank notes and deposited into bank accounts. In the present case, the assessee made cash deposits from 08.11.2016 to 22.12.2016. Therefore, we find the order of this Tribunal in the case of Tamil Nadu

State Marketing Corporation Ltd. v. ACIT (supra) is applicable to the facts on hand of the present appeal, following the above order of this Tribunal, we hold that the source explained for cash deposits made by the assessee during the period from 08.11.2016 to 22.12.2016 cannot be rejected and brought to tax under section 69A of the Act just because the assessee accepted SBNs in violation of notification issued by the Government of India & RBI, when the Assessing Officer has not disputed that the assessee made any unaccounted cash into bank account in SBNs.

17. Further, during the course of hearing before us, we asked the ld. AR to furnish comparative summary of cash deposits of earlier years. The said details were filed at page 83 of the paper book and on examination of the same, we find the total cash deposit for FY 2014-15 (AY 2015-16), FY 2015-16 (AY 2016-17) and FY 2016-17 (AY 2017-18) were at ₹.9,37,86,989/-, ₹.8,91,30,581/- and ₹.10,41,26,321.97 respectively. Further, we note that the total cash deposits all along 3 years including the year under consideration on monthly basis are more or less one and the same, but, however, in the month of November, 2016, the cash deposit were at ₹.3,52,43,430/-, which is abnormal, over the cash deposits made in other months but for the

reasons discussed herein above paras. Therefore, we find force in the arguments of the ld. AR that the assessee used to offer advance money to the agents in order to procure paddy from the farmers and there is no doubt that the agents returned the said advance money to the assessee and by making relevant entries in the books of accounts, which were audited, the assessee deposited the cash with her accounts with Bank of Baroda which are out of business. Therefore, in view of the order of this Tribunal in the case of Tamilnadu State Marketing Corporation Ltd. V. ACIT (supra) and the discussions made herein above, the order of the ld. CIT(A) in confirming the view of the Assessing Officer in making addition under section 69A of the Act is not justified and consequently, the addition as confirmed by the ld. CIT(A) is deleted. Thus, the grounds raised by the assessee are allowed.

18. In the result, the appeal filed by the assessee is allowed

Order pronounced on 22nd October, 2025 at Chennai.

Sd/-	Sd/-
(RATNESH NANDAN SAHAY)	(S.S. VISWANETHRA RAVI)
ACCOUNTANT MEMBER	JUDICIAL MEMBER

Chennai, Dated, 22.10.2025

Vm/-

आदेश की प्रतिलिपि अग्रेषित/Copy to:

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