

**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**"SMC" BENCH, NAGPUR**  
**BEFORE SHRI PAVAN KUMAR GADALE, JUDICIAL MEMBER**

**ITA no.491/NAg/2025**  
**(Assessment Year : 2017-18)**

Anand Krishi Kendra  
Athwadi Bazar, New Town  
Badnera, Amravati 444607,  
Maharashtra.  
PAN – AABFA8196Q

..... Appellant

v/s

Income Tax Officer  
Ward-4, Amravati-444701,  
Maharashtra.

..... Respondent

Assessee by: Shri.Mahavir Atal, A.R.  
Revenue by : Shri Surjit Kumar Saha.Sr.DR

Date of Hearing – 15/10/2025

Date of Order – 16/10/2025

**ORDER**

The assessee has filed the appeal against the order dated 27/06/2025 passed by the ADDL/JCIT(A)-1, Chennai, u/sec 143(3) and u/sec 250 of the Income Tax Act, 1961 (for short "*the Act*") for the A.Y. 2017-18. The assessee has raised the following grounds of appeal:-

*"The Ld. CIT(A) grossly neglected the fact and upheld the AO's order without considering the merits of the case.*

*2. The Ld. CIT(A) grossly neglected the fact and Double Tax the Income already considered by the appellant in his return of income.*

*3. The Ld CIT(A) erred in treating the demonetized currency notes to be unexplained investments without considering the fact that the same was accepted because of bonafied belief about exception and the business expediency.*

*4. The Ld CIT(A) erred in treating the demonetized currency notes to be unexplained money deposited even though he accepted the fact about the persons from whom it is received by the appellant. Therefore CIT(A) erred in treating the money invested as unexplained when the source of the same is accepted by him.*

*5. The appellant denies his liability to pay interest under Section 234B and 234C without prejudice to levy of interest under Section 234B and 234C are unjustified & bad in law.*

*6. The appellant craves to add, delete, insert and omit any ground or part of the grounds of appeal at the time of hearing of the appeal."*

2. The brief facts of the case are that, the assessee is a partnership firm and is engaged in the business of wholesale trading in fertilizer seeds, pesticides in the name of M/s. Anand Krishi Kendra Badnera. The assessee has filed return of income for the A.Y. 2017-18 on 23/10/2017, disclosing a total income of Rs.13,39,390/-. Subsequently, the case was selected for scrutiny under CASS to verify the cash deposited during the demonetization period and notice u/sec 143(2) and u/sec142(1) of the Act are issued along with questionnaire. In compliance, the assessee has filed the details, financial statements and evidences. The Assessing Officer on a perusal of the facts and information find that the assessee has excess cash balance of Rs.5,12,725/- in the demonetized currency deposited in the bank account maintained with the Abhinandan Urban Co-operative Bank Ltd and whereas the assessee was having a cash balance of Rs.3,49,775/- on 8-11-2016 and a show cause notice dated 16/12/2019 was issued and the assessee has filed the reply on 19/12/2019 dealt in Para 6 of the assessment order explaining the sources and the cash generated during the demonetization period on sale

of seeds and pesticides. whereas the Assessing Officer has dealt on the submissions and was not satisfied with the explanations and accepted the cash balance available on 08/11/2016 and is of the opinion that the assessee having accepted the cash sales in the demonetized notes and hence made addition of Rs.5,12,725/- u/sec69 of the Act and assessed the total income of Rs.18,52,120/- and passed order u/sec143(3) of the Act dated 30/12/2019. Aggrieved by the order, the assessee filed the appeal before the CIT(A).

3. In appellate proceedings, the CIT(A) has considered the grounds of appeal, statement of facts, findings of the Assessing Officer and submissions of the assessee but has confirmed the action of the Assessing Officer and dismissed the appeal of the assessee. Aggrieved by the order of the CIT(A), the assessee has filed appeal before the Hon'ble Tribunal.

4. At the time of hearing, the Id.AR submitted that the CIT(A) erred in sustaining the addition u/sec69 of the Act overlooking the submissions made in the assessment proceedings and in the appellate proceedings. The Ld.AR highlighted the fact that the assessee is engaged in the business of fertilizers and seeds and the turnover is substantially higher and during the demonetization period the assessee has accepted the notes from the farmers in respect of sales and the source has been disclosed with supporting cash book and sales register before the lower

authorities and the only contention of the Department that the amounts should not have been accepted in the old currency. The Ld.AR referred to the time line of events of demonization scheme particularly i.e 20/11/2016 where the farmers were allowed to purchase seeds using old currency notes of Rs.500/- only and whereas the deposits of cash in bank account out of cash sales from farmers was made on 10-11-2016. The Ld.AR substantiated the submissions with factual Paper Book and judicial decisions and prayed for allowing the appeal. Per-contra, the Ld.DR supported the order of the CIT(A).

5. Heard the rival submissions and perused the material on record. The sole matrix of the disputed issue that the CIT(A) has sustained the addition u/sec69 of the Act in respect of cash deposits made in the bank account. The Ld. AR has referred to the audited financial statements placed at Page.no.4 to 22 of the Paper Book and extracts of cash book where the assessee in the demonetization period between 9<sup>th</sup> and 10<sup>th</sup> November 2016 has made cash sales and the same was deposited with the bank. The Ld.AR also supported the submissions with the extracts of the bank statement, sales register, cash book placed in the Paper Book. The Ld.AR's contentions are that the Assessing Officer having accepted the financial statements and the assessee has deposited cash of Rs.8,82,000/- on 10-11-2016. The Assessing Officer has granted relief to the extent of opening cash balance to the extent of Rs.5,52,000/- and the balance was added. When a question was raised to the Ld.DR that

the A.O having accepted the cash book and sources and the reason for making addition could not be justified. The Ld.DR submitted that the assessee has accepted the old notes and made deposits. The Ld.AR relied on the Co-ordinate Bench decision of the Hon'ble Tribunal, Chennai Bench, in M/s. Purani Hospital Supplies Pvt. Ltd. v/s DCIT, ITA no.489/Chny./2022, for A.Y. 2017-18, vide order dated 31/05/2023, wherein similar issue with respect to demonetization period for the same assessment year has held as under:-

*"8. We have heard both the parties, perused materials available on record and gone through orders of the authorities below. The facts borne out from records indicates that the assessee is in the business of distribution of pharmaceutical goods, surgical and diagnostics goods, which is considered to be essential goods. The assessee has deposited a sum of Rs. 1,82,37,000/- during demonetization period in specified bank notes to various bank accounts. The assessee claims that source for cash deposit is out of realization of cash sales made before demonetization period. The assessee has filed necessary details including copies of sales bills made in cash before demonetization period and also list of parties from whom cash collected after demonetization period and deposited into bank account. The assessee had also filed necessary details of information furnished to department immediately after demonetization period towards cash collected from third party in response data. The Assessing Officer is not disputing all these claims of the assessee including evidence filed in support of justification for source for cash deposit. But, the Assessing Officer has made additions towards cash deposit in specified bank notes after demonetization period only for the reason that the assessee is not eligible to transact or receive any specified bank notes after demonetization as per notification/GO issued by RBI and Government of India. The Assessing Officer, had discussed the issue with reference to GO issued by RBI and Government of India and concluded that since the assessee has accepted demonetized currency in violation of circular/notification issued by the Government of India, the source explained by the assessee cannot be accepted. In other words, the Assessing Officer never disputed fact that the assessee has made sales in cash before demonetization period and also realized cash from debtors against cash sales made before demonetization period.....*

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11. .... In our considered view, to bring any amount u/s. 69 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.”

6. Therefore, considering the facts, circumstances, submissions and the ratio of judicial decision. The source of cash deposited by the assessee is duly explained with supporting cash book, sales register and bank statements and it is not disputed. Accordingly, the order of the CIT(A) is set aside and the Assessing Officer is directed to delete the addition. And the grounds of appeal are allowed in favour of the assessee.

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

Order pronounced on 16/10/2025 as per rule 34(5) of the ITAT Rules 1963

**Sd/-**  
**(PAVAN KUMAR GADALE)**  
**JUDICIAL MEMBER**