

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

**BEFORE SHRI INTURI RAMA RAO, AM  
AND SHRI ANIKESH BANERJEE, JM**

**ITA No. 664/Coch/2025  
Assessment Year: 2017-18**

Pottolil Agro Mills ..... Appellant  
Pottolil Buildings, Near Antopuram Church  
Edappanamaly Road, Okkal P.O.  
Perumbavoor 683550  
[PAN: AAHFP6099H]

vs.

The Income Tax Officer, Ward 2, Aluva ..... Respondent

Assessee by: Shri Mathew Joseph, CA  
Revenue by: Smt. Leena Lal, Sr. D.R.

Date of Hearing: 28.10.2025  
Date of Pronouncement: 30.10.2025

**ORDER**

**Per: Anikesh Banerjee, JM**

The instant appeal of the assessee was filed against the order of the Learned National Faceless Appeal Centre, Delhi [for brevity, 'Ld.CIT(A)'] passed under section 250 of the Income-tax Act, 1961 (in short, the Act') for Assessment Year 2017-18, date of order 28/07/2025. The impugned order is emanated from the order of the Income Tax Officer, Ward-3, Aluva (in short, 'Ld.AO') order passed under section 143(3) of the Act, date of order 19/12/2019.

2. The brief fact of the case is that the assessee is engaged in the manufacture and sale of rice, rice bran, paddy husk, paddy chaff etc. The assessee is maintaining day to day books of accounts and there is balance cash to the amount of Rs.75,83,025/- as evidenced by the cash book and as shown in the assessment order and from the cash available the assessee firm deposited a sum of Rs. 67,99,000/- on various dates in the bank account maintained with the South Indian Bank Ltd. Perumbavoor during 10/11/2016 to 19/11/2016. The assessee declared that on 08/11/2016 the cash balance as per cash book was Rs.75,83,025/-. Hence after deposit of cash in bank the balance was remained amount to Rs.7,84,025/-. So, the opening balance of cash available as on 9-11-2016 and hence the assessment u/s. 69A is without any basis. The amount deposited in the bank account are utilized by the assessee mainly for the payment to the suppliers of paddy, payment of wages and salaries to the workers, payment of expenses for the working of the mill, payment of taxes etc. The receipt of cash is supported by sales bills and customers ledger and the Ld. AO without any verification allowed the cash deposited on 10-11- 2015, Rs, 9,00,000/- and rejected the balance of Rs. 58,99,000/- and assessed the amount without any evidence. The addition was confirmed under section 69A for an amount of Rs. 58,99,000/-. Being aggrieved assessee filed an appeal before the Ld. CIT(A). The Ld. CIT(A) uphold the impugned assessment order. Being aggrieved the assessee filed an appeal before us.

3. The Ld. AR submitted that the assessee is a partnership firm engaged in the manufacturing and sale of agro-products, primarily rice. During the demonetization period, the assessee deposited cash between 10.11.2016 and 19.11.2016 out of its own cash balance, which was duly reflected in the cash book as on 08.11.2016. The Ld. AR further contended that Section 3 of the Specified Bank Notes (Cessation of Liabilities) Act, 2017 prohibits the holding, transfer, or receipt of Rs.500 and Rs. 1,000 denomination notes (Specified Bank Notes) with effect from the “appointed day,” which, as defined under Section 2(1)(a) of the Act, is 31.12.2016.

It was argued that the Ld. AO, without conducting proper verification, passed the assessment order and made an addition for the cash deposits under Section 69A read with Section 115BBE of the Act. The relevant paragraph from the impugned assessment order is reproduced below: —

*“12. Thus, the total deposits during the year Rs.27383523/- out of which Cash deposit between 10/11/2016 to 19/11/2016 is Rs.6799000/- As stated above, the transaction of SBN cash during demonetisation period i.e, from 09/11/2016 to 19/11/2016 amounting to Rs.6799000/- cannot be allowed as genuine business transaction. However, the initial SBN cash deposit in bank account after demonetisation notification amounting to Rs.900000/- is allowed as available SBN cash with the assessee on 09/11/2016. The remaining SBN, if any, accepted by the assessee thereafter the first remittance of the SBN into bank account cannot be allowed as genuine business. The assessee was not supposed accept SBN cash after the first remittance into bank account. This transaction after the first remittance of SBN into bank account is treated as not genuine business and the same is added to the income*

of the assessee u/s 69A r.w.s 115BBE. This comes to Rs.5899000/- (Rs.6799000 – 900000/-).

13. *Vide the Show cause notice issued on 08/12/2019, the assessee was requested to furnish a copy of the sanction order obtained from the RBI or the Government of India Authorities for accepting the said SBN during demonetization period and also for exchange of the same. It was also intimated that in the absence of any sanction from the concerned authorities to engage in transaction of the SBN and bring it to your books of accounts, the above SBN transactions shall be treated as invalid. It was also intimated that the above SBN amounting to Rs. 5899000/- shall be assessed to tax u/s 69A. The provisions of section 115BBE and section 271AAC of the I T Act as substituted by the Taxation Laws (Second Amendment) Act, 2016 which is applicable from 01-04-2017 will be invoked since the assessee has not properly explained the cash deposits. As per this section, where the total income includes any income referred to in section 68, 69, 69A, 69B, 69C or section 69D of the I.T Act, the income tax payable shall be charged @ 60% plus surcharge @ 25% of such tax.”*

4. The Ld. DR argued & relied on the order of the revenue authorities.

5. We have carefully considered the rival submissions and examined the material available on record. The brief facts of the case reveal that the assessee is engaged in the manufacture and sale of rice, rice bran, paddy husk, paddy chaff, etc. The assessee maintains regular books of accounts, including a day-to-day cash book. As per the records, the assessee had a cash balance of Rs.75,83,025/- as on 08.11.2016. Out of the said available cash balance, the assessee deposited a sum of Rs.67,99,000/- in its bank account maintained with South Indian Bank Ltd., Perumbavoor,

during the period from 10.11.2016 to 19.11.2016. After such deposits, the cash balance as per the books stood at Rs.7,84,025/- .The assessee contended that the cash deposits were made from its own accounted cash balance and that the said balance was duly supported by the books of accounts. The receipts were stated to be from regular business transactions duly supported by sales bills, customer ledgers, and other relevant records. The Ld. AO, however, without conducting proper verification of the books of accounts or the supporting evidences, accepted only the initial cash deposit of Rs.9,00,000/- as genuine and treated the balance of Rs.58,99,000/- as unexplained money under Section 69A read with Section 115BBE of the Act. The said addition was confirmed by the Ld. CIT(A).Having perused the assessment order and the material placed on record, we find that the addition made by the Assessing Officer suffers from a lack of proper verification and examination of the assessee's books, including the cash book and corresponding sales and receipts. The rejection of the assessee's explanation merely on presumptions, without any detailed verification or finding that the cash book was false or fabricated, renders the assessment order unsustainable in law.

Accordingly, in the interest of justice, we deem it appropriate to set aside the order of the Ld. CIT(A) and restore the matter to the file of the Ld. AO for fresh adjudication. The Ld. AO shall verify the assessee's books of accounts, cash book, sales bills, and customer

ledgers to ascertain the genuineness of the cash deposits made during the demonetization period. The assessee shall be afforded a proper opportunity of being heard and to furnish all relevant evidence in support of its claim. In view of the above discussion, the appeal of the assessee is allowed for statistical purposes, with a direction to the Ld. AO to re-examine the issue afresh after due verification in accordance with law.

6. In the result, the appeal of the assessee bearing **ITA No. 664/Coch/2025** is allowed for statistical purposes.

Order pronounced in the open court on 30<sup>th</sup> October, 2025.

Sd/-  
**(INTURI RAMA RAO)**  
**ACCOUNTANT MEMBER**

Sd/-  
**(ANIKESH BANERJEE)**  
**JUDICIAL MEMBER**

Cochin, Dated: 30<sup>th</sup> October, 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