



**आयकर अपीलीय अधिकरण, राजकोट न्यायपीठ, राजकोट।**  
**IN THE INCOME TAX APPELLATE TRIBUNAL,**  
**RAJKOT BENCH, RAJKOT**

**BEFORE DR. ARJUN LAL SAINI, ACCOUNTANT MEMBER**  
**AND**  
**SHRI DINESH MOHAN SINHA, JUDICIAL MEMBER**

**आयकर अपील सं./ITA No. 394/RJT/2025**  
**(Assessment Year: 2017-18)**

Mahek Trading (Change in Firm Name Effective From F.Y. 2016-17) 12 Meter Road, Patni Bazar Anjar – 370110( Gujarat)	<b>Vs.</b>	Income-tax Office, wd-1, Sector-8, Gandhidham - 370201
स्थायीलेखासं./जीआइआरसं./PAN/GIR No.: <b>AAQFM2604L</b>		
<b>(अपीलार्थी/Appellant)</b>		<b>(प्रत्यर्थी/Respondent)</b>

निर्धारिती की ओर से/Assessee by : Shri Mehul Ranpura, Ld. AR  
राजस्वकी ओर से/Revenue by : Shri Abhimanyu Singh Yadav, Ld. Sr. DR

**सुनवाई की तारीख/ Date of Hearing : 09/10/2025**  
**घोषणा की तारीख/Date of Pronouncement : 31/10/2025**

**आदेश/ORDER**

**Per, Dr. Arjun Lal Saini, AM:**

Captioned appeal filed by the assessee, pertaining to Assessment Year 2017-18, is directed against the order passed under section 250 of the Income Tax Act, 1961 (hereinafter referred to as “the Act”) by National Faceless Appeal Centre (NFAC), Delhi/Commissioner of Income-tax (Appeals), dated 06/05/2025, which in turn arises out of an



order passed by the Assessing Officer dated 21/12/2019, u/s 143(3) of the Income Tax Act, 1961.

2. Grounds of appeal raised by the assessee, are as follows:

*1. The grounds of appeal mentioned hereunder are without prejudice to one another.*

*2. The Ld. Commissioner of Income-tax (Appeals), National Faceless Appeal Centre, Delhi [hereinafter referred to as the "CIT(A)"] erred on facts as also in law in confirming addition of Rs. 41,73,960/- out of total addition made of Rs. 42,00,000/- u/s 68 of the Act on account of alleged unexplained money on the alleged ground that assessee failed to explained source of the cash deposit of Rs. 42,00,000/-, during the demonetization period. The addition confirmed is totally unjustified and uncalled for and deserves to be deleted and may kindly be deleted.*

*3. Your Honour's assessee craves leave to add, to amend, alter, or withdraw any or more grounds of appeal on or before the hearing of appeal.*

3. The facts necessary for disposal of the appeal, are stated in brief. The assessee, before as is a partnership firm and filed his return of income on 26.08.2017, declaring total income of Rs. 46,780/-. The assessee is engaged in the business of trading of gold & silver bullions. The assessee's case was taken up for scrutiny under CASS and a notice under section 143(2) of the Income tax Act, 1961 was issued on 16/08/2018 and was duly served upon the assessee through ITBA email facility. Thereafter, a notice u/s 142(1) of the Act, dated 23/08/2019, along-with detailed questionnaire was issued and served upon the assessee through ITBA email facility. Subsequent notices were issued on 24/10/2019 & 10/12/2019 to the assessee, by the assessing officer, Vide these notices, the details/evidences required for the assessment



were called for. In response to these statutory notices, the assessee has submitted the details called for, through online e-assessment facility. The details submitted by assessee were examined by the assessing officer. Having examined the submissions of the assessee, the assessing officer observed that the assessee's case has been selected to verify the issue of 'cash deposits during the demonetization period'. From the records, it was noted by the assessing officer that during the demonetization period, that is, from 9th November 2016 to 30th December 2016, the assessee has deposited total cash in SBN currency of Rs.42,00,000/- in its bank account no.915020047533234 held with Axis Bank Ltd, Anjar. To verify this issue, vide notices issued u/s.142(1) of the Act, dated 23/08/2019 & 10/09/2019, certain details and documents were called for from the assessee.

4. In response, to these notices, the assessee has furnished details and documents to explain the source of cash deposit in the bank account, before assessing officer, vide its letter dated 06/11/2019. The assessee has stated before the assessing officer that assessee-firm had received cash through cash sales and the same was deposited in the bank account, and such sale had been disclosed by the assessee in the audited books of accounts. The assessee also submitted before the assessing officer, the Cash Book, Sales Register, data regarding cash deposited in financial year 2015-16 & 2016-17, cash sales in financial year 2015-16 & 2016-17.



5. On analysis, of the documents and evidences submitted by the assessee, the assessing officer observed that the cash deposited by the assessee during the demonetization period of Rs. 42,00,000/- seems to be abnormal. Therefore, assessing officer issued second show-cause notice to the assessee to explain the source of cash deposit.

6. In response to the show- cause, vide letter dated 12/12/2019, the assessee has furnished reply and explained the reasons for abnormal increase in cash sales stating that books of accounts of the partnership - firm are audited and fully vouched and sales bill for sales and purchase bills for purchase and vouchers for expenses, were verified by the auditor. The cash book and Bank book are properly maintained and assessee`s books of accounts are fully accepted by the Department. The sales of assessee-firm were through credit, as well as in cash, however, the cash sales remain at very low level. Generally during the festivals of Diwali and marriage season in October & November every year, assessee-firm gives offers to customers and accordingly assessee`s sales remain high in these months. The assessee submitted cash sales for the year 2014-15 & 2015-16, before the assessing officer. Accordingly in October and November 2016, the assessee-firm has started sale to retail customers at very competitive rates and so customers were very much attracted with assessee`s offers and therefore, increased the cash sales in the business and for that assessee-firm submitted cash sales bills, before the assessing officer . The profit on cash sales is reflected in Trading & Profit and Loss account of the assessee, on which assessee had fully paid the tax and the department



has completed the assessment accordingly. The assessing officer did not find out, any sales bills beyond books of accounts. All the bills are properly recorded and reflected in Profit & Loss Account. The assessee-firm could not deposit the amount in bank because of some holidays in bank and further assessee-firm has not got any time due to heavy rush of clientele for enquiry of rates at every hour etc, during Deepavali festival and marriage season. The assessee also submitted that during the assessment processing, the assessing officer did not verify bill/vouchers of cash sales, properly.

7. However, the assessing officer rejected the contention of the assessee and held that the assessee -firm has failed to establish that the said cash was genuine, therefore, it was also held by the assessing officer that the cash deposited in bank account by the assessee of Rs.42,00,000/- during the demonetization period remained unexplained and hence added to the returned income of the assessee, as per the provisions of section 68 of the I.T. Act.

8. Aggrieved by the order of the assessing officer, the assessee carried the matter in appeal before the Ld.CIT(A) who has confirmed the addition made by the assessing officer. The Ld.CIT(A) noted that the Assessing Officer's observation has some merit. It is not usual that one jeweller does not make any cash sales during the period from 01/04/2016 to 05/10/2016, however, in assessee`s case there is suddenly rise in cash sales. Therefore, ld.CIT(A) agreed with the



findings of Assessing Officer that source of the cash of Rs.42,00,000/-, deposited in the bank account, was not out of the declared income of the assessee. The Id.CIT(A) also upheld that it cannot be denied that the impugned amount of Rs.42,00,000/-, is still part of the declared turnover of the assessee. Therefore, in order to avoid duplication of addition, the Id.CIT(A) directed the Assessing Officer to reduce an amount identical to the gross profit percentage of the assessee on such Rs.42,00,000/-, while giving effect to the order of Id.CIT(A).

9. Aggrieved by the order of Ld.CIT(A), the assessee is in appeal before us.

10. Learned Counsel for the assessee, vehemently argued that during the assessment proceedings, as well as during appellate proceedings, the assessee submitted entire details and documents to explain the source of cash deposit. The Id.Counsel also stated that assessee- firm had received cash through cash sales and the same was deposited in the bank account, and such sale had been disclosed by the assessee in the audited books of accounts. The assessee also submitted before the assessing officer, the Cash Book, Sales Register, data regarding cash deposited in financial year 2015-16 & 2016-17, cash sales in financial year 2015-16 & 2016-17, and stated that against the retail sale, the assessee has received cash from the customer which was deposited in the bank account, and it is the trend of every year. Besides, the assessee has shown the sales in the audited books of accounts and paid the tax



thereon, and audited books of accounts were not rejected by the assessing officer, hence there should not be double taxation in the hands of the assessee. Therefore, learned Counsel submitted that entire addition made by the assessing officer should be deleted.

11. We have heard both the parties and carefully gone through the submission put forth on behalf of the assessee along with the documents furnished and the case laws relied upon, and perused the fact of the case including the findings of the Id CIT(A) and other materials brought on record. We find merit in the submissions of learned Counsel for the assessee to the effect that the assessee has shown the sales in the audited books of accounts and paid the taxes thereon, and audited books of accounts were not rejected by the assessing officer, hence there should not be double taxation in the hands of the assessee. We note that assessee is engaged in the business of gold bullion and Silver, on semi- wholesale and retail cash sales basis. Since the assessee is engaged in the business on semi-whole sale basis therefore, entire purchases are made from the Registered Dealers. At the same time majority of sales are made to the retailer shop owners and issued tax invoices. A part sales are also made on cash basis as well and issued Retail Sale invoices, which were submitted by the assessee before the assessing officer, however, the assessing officer rejected the same, without refuted or discredited these cash vouchers/bills, and assessing officer does not mention why he is not accepting these evidences/cash voucher/bills despite the fact that books of accounts of the assessee were audited as per the provisions of the Act.



12. We find that assessee's turnover during the year is at Rs. 23,87,76,357/- and cash sales are to the tune of Rs.42,00,000/- which is only 1.75% of total turnover/sales, therefore, genuineness of the cash sales should not be doubted where the assessee has turnover to the tune of Rs. 23,87,76,357/-, and especially the books of accounts of the assessee are audited, and these audited books of accounts were not rejected by the assessing officer. Since the commodities (gold) in which the assessee deals are costly and even a difference of 100gram would run in lacs of rupees therefore day to day stock position have been maintained and the same has been reported in the audit report. In other words, the assessee has maintained complete quantitative details and in the course of assessment proceedings the same has also been furnished by the assessee. Considering the volume of turnover the books of accounts are audited u/s 44AB of the Act and the audit report is on record of the assessing officer and nothing adverse has been noticed in this regard by the assessing officer.

13. We also noticed that in the course of assessment proceedings, the assessing officer issued notice u/s 142(1) of the Act, on 23.08.2019 and 10.09.2019 calling for various details. The assessee in turn, vide letter dated 06.11.2019, had furnished para-wise details as called for. The entire details of the trading account and profit and loss account found to be in order and no further query was raised by the assessing officer. We find that generally during the festivals of Diwali and Marriage season in October and November every year and the assessee gives offers to customers and accordingly assessee's sales remain high in these



months. To verify this fact, the assessee submitted before the assessing officer audited copy of cash sales for financial year (FY) 2014-15 and 2015-16. Thus, sales in October-November are on a higher side couple with competitive rate. The profit from these sales is embodied in Trading and Profit and loss account. No sale has been found to be out of books and entire sales have properly been recorded in the Trading account. We also find that assessing officer did not find any mistake while verifying cash sale bills/voucher.

14. We also find that cash sales, has already been suffered tax, as it is part of net turnover/sales of the assessee's, audited books of accounts. Despite of these facts, which are favourable to the assessee, we also note that there may be some deficiency in the cash sales bills/ vouchers. We also note that entire cash deposited in the bank account of Rs.42,00,000/- cannot be treated net profit of the assessee and therefore we are of the view that only profit element should be taxed in the hands of the assessee. Therefore, while the case of the assessee merits some relief, however at the same time entire relief cannot be permitted to the assessee. Hence, considering the above facts and circumstances, in our view the ends of justice would be met, if a net profit rate of 10% is further adopted on cash sales component of Rs. 42,00,000/-, which comes to Rs. 4,20,000/-. We, therefore take into account all these facts and circumstances to restrict the impugned disallowance to the extent Rs.4,20,000/- in the hands of the assessee, with a rider that same shall not be treated as a precedent. Therefore, we



direct the assessing officer to tax the profit element in the hands of the assessee, to the tune of Rs. 4,20,000/-.

15. Before parting, we would like to make it clear that since the assessee had shown the above cash sales of Rs. 42,00,000/-, in the audited books of account, and the said cash sales, is part of assessee's turnover/sales and has suffered taxation, therefore it should not be taxable under the provisions of section 115BBE of the Act, hence, we direct the assessing officer to tax the profit element of Rs.4,20,000/-, by applying the normal rate of income tax.

16. In the result, the appeal filed by the assessee is partly allowed, in above terms.

**Order pronounced in the open court on 31-10-2025.**

**Sd/-**  
**(Dinesh Mohan Sinha)**  
**Judicial Member**

Rajkot

दिनांक/ Date: 31/10/2025

**Copy of the Order forwarded to**

1. The Assessee
2. The Respondent
3. The CIT(A)
4. Pr. CIT
5. DR/AR, ITAT, Rajkot
6. Guard File

//True Copy//

**Sd/-**  
**(Dr. Arjun Lal Saini)**  
**Accountant Member**

By Order

Assistant Registrar/Sr. PS/PS  
ITAT, Rajkot