

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCHES 'A': NEW DELHI.**

**BEFORE SHRIS.RIFAUR RAHMAN, ACCOUNTANT MEMBER
and
SHRI ANUBHAV SHARMA, JUDICIAL MEMBER**

**ITA No.1406/Del/2023
(Assessment Year: 2017-18)**

Arun Rajput,
B – 487-488, Khyala Colony,
Delhi – 110 018.

vs.

ITO, Ward 45 (3),
Delhi.

(PAN :ADVPR1679L)

(APPELLANT)

(RESPONDENT)

ASSESSEE BY : Shri Tejinder Pal Singh, CA
REVENUE BY : Shri Ajay Kumar Arora, Sr. DR

Date of Hearing : 09.09.2025
Date of Order : 26.11.2025

ORDER

PER S. RIFAUR RAHMAN, ACCOUNTANT MEMBER :

1. The assessee has filed appeal against the order of the Learned Commissioner of Income-tax (Appeals)/National Faceless Appeal Centre (NFAC), Delhi[“Ld. CIT(A)”, for short] dated 09.03.2023 for the Assessment Year 2017-18.
2. Brief facts of the case are, assessee filed its return of income for the Assessment Year 2017-18 on 30.10.2017 declaring total income of Rs.12,93,560/-. The case of the assessee was selected under complete scrutiny through CASS. Accordingly, notices under section 143(2) and

142(1) of the Income-tax Act, 1961 (for short 'the Act') were issued and served on the assessee. The reason for selection of this case was high value receipt of cash shown from third parties in response data and abnormal increase in cash deposits during demonetization period as compared to pre-demonetization period. The assessee is the proprietor of M/s. Sunny Jewellers dealing in sale of jewellery in gold and other precious metals, ornaments and has declared total purchase of Rs.82,04,192/- and sale of Rs.50,13,807/- in the return of income. During the year under consideration, assessee has deposited total cash of Rs.45,23,500/-. During the demonetization period, assessee has deposited Rs.43,73,500/- in the Axis Bank and Rs.1,50,000/- in another account maintained in the same bank, the total deposit of Rs.45,23,500/-. The AO observed that total cash deposit made by the assessee during the year pertains to demonetization period only. Since the assessee has made the deposits only during demonetization period and observed that the assessee had cash book as on 08.11.2016 with a cash balance of Rs.4,57,741/- only and it is manipulated statement and not supported with evidences. When the assessee was asked to furnish sources of cash deposited during the year, in reply assessee submitted that cash deposited in bank are out of collection, cash balance in hand and cash withdrawals from banks. Further it is submitted that assessee is in the business of

jewellery, for the purpose of business, assessee purchased gold from relatives. Cash received from sale of gold was deposited in the bank. After considering the same, the AO rejected the submissions of the assessee and analysed cash deposit pattern, cash sales and cash-in-hand in the following table :-

Period	Total Purchase	Gross Sale	Cash Sale	Cheque sale	G.P.	N.P.
F.Y. 2015-16						
1.4.2016 to 8.11.2016	4538441	1746607	1746607	1000	23.41	17.72
9.11.2016 to 31.12.2016	42347	2775700	11800	0	21.96	20.35
1.1.2017 to 31.3.2017	1494099	491500	491500	0	11.69	5.24

3. Further he analysed the month-wise cash sales and cash deposited w.e.f. 01.04.2016 to 08.11.2016 in the following chart :-

MONTH	OP. CASH	CASH SALE	CASH DEPOSITED	CLOSING CASH IN HAND
APRIL	65961	0	0	40961
MAY	40961	0	0	15961
JUNE	15961	246910	0	237871
JULY	237871	11110	0	203071
AUGUST	203071	24139	0	181320
SEPTEMBER	181320	113109	0	248564
OCTOBER	248564	1667335	0	1870044
1.11 TO 8.11	1870044	2566255	0	4436299

4. Similarly, he analyzed the cash sales and cash deposited from 01.04.2017 to 08.11.2017 in the following chart :-

MONTH	OP. CASH	CASH SALE	CASH DEPOSITED	CLOSING CASH IN HAND
APRIL	290899	327869	20000	328792
MAY	328792	199025	0	323613
JUNE	323613	982383	0	930511
JULY	930511	219596	0	792208
AUGUST	792208	340582	0	769911
SEPTEMBER	769911	53405	0	451130
OCTOBER	451130	312448	0	443305
1.11 TO 8.11	443305	127256	0	457741

5. After comparing both the charts, the AO observed that the cash deposits are not a regular feature in the case of the assessee and it is only during demonetization period, such amount of cash was deposited in the bank account. Accordingly, he applied the test of human probability in this case and questioned the rationality. Since the assessee has basically made the cash deposit only during demonetization period, accordingly, he rejected the claim of the assessee that assessee has purchased gold from relatives and having sold the same, deposited the amount so received in the bank account and observed that claim of the assessee for having the cash in hand is fake. Further he observed that assessee is not one of the entities authorized by Central Government to accept SBNs during demonetization period in exchange for goods/services. Considering the past profile of the assessee analyzed by him, no such quantum of cash deposited by the assessee. Accordingly, he invoked the provisions of section 69A of the Act to make the addition of Rs.45,23,500/- and also invoked the provisions of Section 115BBE of the Act.

6. Aggrieved with the above order, assessee preferred an appeal before the NFAC, Delhi. It was submitted that cash deposited by the assessee was from past savings, cash in hand and received from cash sales. Assessee also filed detailed submissions before the ld. CIT (A) as under :-

“The Ld. ITO has arbitrarily made an addition of Rs.45,23,500/- without Considering the exact facts of the case that despite detail submission was made manually as well as online through our e-filing portal.

Addition of Rs.45,23,500/- made vide order is absolutely wrong because Ld. ITO has not at all gone through the details of source of cash generated submitted by us and for further reference the same are already available with Ld. Assessing Officer and I am again enclosing

the cash ledger of FY 2016-17. It's true that Ld. ITO has prepared the date wise detailed cash deposited chart and making the addition on the Ground that since

- No Cash/ minimum cash was deposited in the corresponding Preceding (i.e 9.11.15 to 31.12.15) and succeeding (i.e 9.11.17 to 31.12.17) the demonetization period (i.e 9.11.16 to 31.12.16).

- And here my submission is that you are very well aware that demonetization was an abnormal period by virtue of which old Currency was scrapped and that's why everyone deposited the huge cash to avoid the losses and we being into Jewellery business in which cash is involved also did the same.

- Ld ITO has clearly scrapped the submission made by us and made the addition on past trend of cash deposited and simply made the addition of cash deposited by me in demonetization period.

- Everyone is very well aware that during demonetization every one deposited the cash in bank who had not even deposited a single penny in their life time,

- There was long ques in Banks to deposit the cash in banks so the cash deposited in bank was abnormal

- Banks were opened for long hours during demonetization to meet the cash deposits of public

- And I also deposited the cash to the tune of Rs.45 lakh and if you go through my financials and my trade I don't think that I have made any abnormal deposit,

- My dear Sir it was my Current account and no saving account and more over the same was clearly depicted in my ITR and Books. This is purely unjustified, unlawful and against the principles of Audi alteram partem and natural justice and it is prayed to be deleted fully.

So I gain request you to kindly go through the submission and do let, me know if something else is required from my end to decide the case.”

7. After considering the submissions of the assessee, ld. CIT (A) dismissed the appeal of the assessee by heavily relying on the findings of the AO.

8. Aggrieved with the above order, assessee is in appeal before us raising following grounds of appeal :-

“The Ld. ITO has erred in law and on facts in raising demand of Rs.47,02,703/- by making an addition of Rs.45,23,500/- u/s 143(3) of the Income Tax Act, 1961 without analyzing the facts. The Order passed by the Ld. ITO is arbitrary, unlawful and against the cannons of natural justice.

(I) Making an addition of Rs.45,23,500/- on account cash deposited.

The Ld. ITO has arbitrarily made an addition of rs.45,23,500/- without considering the exact facts of the case that deposited detail submission was made manually as well as online through our e-filing portal.

Addition of Rs.45,23,500/- made vide order is absolutely wrong because Ld. ITO has not at all gone through the details of source of cash generated submitted by us and for further reference the same are already available with Ld. Assessing Officer and we will again submit at the time of hearing.

This is purely unjustified, unlawful and against the principles of audi alteram partem and natural justice and it is prayed to be deleted fully.”

9. At the time of hearing, ld. AR of the assessee brought to our notice the findings of tax authorities. He submitted that the Assessing Officer had made addition u/s 69A. The Assessing Officer cannot invoke section 69A when the assessee had maintained books of account and no cash was found with the assessee. He prayed that the cash deposited was only from the cash sales and withdrawals from bank in the past. He relied on the following decisions :-

- (i) Rakesh Kumar Goel, Ghaziabad vs Ito Ward-2(2)(2), Ghaziabad on 28 April, 2025;
- (ii) Hon'ble Delhi High Court in the case of CIT Vs. Anoop Jain 424 ITR 115 (Delhi);
- (iii) Hon'ble Allahabad High Court in the case of Smt. Sadhana Jain Vs. CIT ITA 617 of 1999 date of judgment July 19, 2005
- (iv) In Shagun Jewellers (P) Ltd, N. Delhi vs DCIT Circle 23(1), New Delhi dtd 27 Feb 2025;
- (v) ITAT Delhi in the case of M/S Godwin Tourism Pvt. Ltd. V. DCIT 2024 (8) TMI 1173, dated- August 21, 2024.

10. On the other hand, Id. DR of the Revenue submitted that purchases were recorded by the assessee are from its relatives which was not substantiated and also claimed that payments of purchase were made only to the relatives. He submitted that cash deposited was only during demonetization period. The submissions made by the assessee are not reliable. Accordingly, he relied on the findings of the lower authorities.
11. Considered the rival submissions and material placed on record. We observe that assessee has deposited cash during demonetization period and even AO has observed that the assessee is not a habitual depositor of cash in bank and retained the cash sales with him. After analyzing the pattern of sales and cash deposits during AY 2016-17 and 2017-18, the AO observed that very few deposits were made by the assessee during non-demonetization period and only during demonetization period assessee has made the deposits. The AO rejected the submissions of the assessee on the basis that assessee is not an authorized dealer to exchange SBN during that period and the purchases recorded by the assessee are from his relatives and not satisfied with the submissions of the assessee, he proceeded to make the addition u/s 69A of the Act.
12. Before us, Id. AR of the assessee submitted that AO had accepted the sales recorded by the assessee and also assessee has proved the genuineness of the sales recorded by the assessee and also assessee has

proved the genuineness of the sales by submitting the VAT returns during the period. With regard to purchases from relatives, it was submitted that the purchases were made in the month of July and consistently assessee has made the sales which was not disputed by the Revenue. Since the assessee has deposited the cash during demonetization period the provisions of section 69A were invoked. After considering the factual matrix on record, we observe that assessee is a small trader and purchases gold from his relatives and sales the gold and jewelries in cash which was supported by the details submitted before the tax authorities. We observe that Revenue has accepted the cash sales declared by the assessee and also cash generated by the assessee out of the same sales. Since the sales is already declared in the return of income invoking the provisions of section 69A is questionable considering the facts, in order to invoke the provisions of section 69A the relevant cash should have been found in the possession of the assessee, which is not recorded in the books of the assessee and nature/source is not satisfactorily explained by the assessee. We observe that in this case, the assessee has deposited the cash in bank during demonetization and the same are already recorded in the books of account, therefore, invoking of section 69A is not justified and in this regard, there are several decisions, particularly, Hon'ble High Court of Delhi in the case of CIT vs. Anoop Jain (supra) held as under :-

“One of the essential conditions in section 69A of the Act is that the assessee should be the "owner of the money" and it should not be recorded in his books of account. This was a pre-condition to the next step of the assessee offering no explanation about the nature and source of the acquisition of such money.”

13. Similarly, Hon’ble Allahabad High Court in the case of Smt. Sadhana Jain (supra) held as under :-

"The provisions of section 69A are explicit and come into play when in a particular assessment year the assessee is found to be the owner of any money, bullion, jewellery or other valuable article and such money bullion, jewellery and other article is not recorded in the books of account and the assessee is unable to give any explanation about the nature and source of acquisition of the money, bullion, jewellery or other valuation articles."

14. Coming to the facts in the present case, we observe that assessee is not a habitual depositor of cash sales in the bank account and he maintains only cash books and the cash sales which are recorded in the books of account are already accepted by the Revenue and just because cash was deposited during demonetization, it is natural for the assessee who was having cash which are out of cash sales already declared by him and additional cash in hand it is natural for any trader who are dealing in cash sales will deposit the same in the bank when faces the situation of keeping the SBN in hand. Considering the nature of business and habitual nature of the

assessee who never deposited any cash in the bank and maintained all cash in hand himself, he deals with the expenditure out of cash sales generated in the business, we are inclined to allow the claim of the assessee on the basis that assessee has declared the purchases which were not purchased during demonetization period and there is a movement of stock in the books of account and also assessee has brought on record cash book to support the cash deposits during the year. The findings of the AO itself shows that assessee is not a habitual depositor of cash, therefore, we are inclined to allow the grounds raised by the assessee on the issue of invoking of provisions of section 69A as well as factual matrix on record.

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

Order pronounced in the open court on this 26TH day of November, 2025.

**SD/-
(ANUBHA SHARMA)
JUDICIAL MEMBER**

**SD/-
(S.RIFAUR RAHMAN)
ACCOUNTANT MEMBER**

Dated: 26.11.2025

TS

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals).
5. DR: ITAT

**ASSISTANT REGISTRAR
ITAT, NEW DELHI**