

**IN THE INCOME TAX APPELLATE TRIBUNAL
"A" BENCH, MUMBAI
BEFORE SHRI PAWAN SINGH, JUDICIAL MEMBER AND
MS. PADMAVATHY S., ACCOUNTANT MEMBER
ITA No.2504/Mum/2025 (AY : 2017-18)**

(Physical hearing)

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| Abu Jani Sandeep Khosla, Gala No. 22 A Block, 1 st Floor, Ghanshyam Industrial Estate, Veera Desai Road, Andheri West, Mumbai-400058 PAN: AAFA 2341 Q | Vs | DCIT, central Circle 3(3), Room No. 1923, 19 th Floor, Air India Building, Nariman Point, Mumbai |
| Appellant / assessee | | Respondent / Revenue |

ITA No.2530/Mum/2025 (AY : 2017-18)

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| DCIT, central Circle 3(3), Room No.404, 4 th Floor, Kautilya Bhawan, Bandra Kurla Complex, Mumbai-400051 | Vs | Abu Jani Sandeep Khosla, Gala No. 22 A Block, 1 st Floor, Ghanshyam Industrial Estate, Veera Desai Road, Andheri West, Mumbai-400058 PAN: AAFA 2341 Q |
| Appellant / assessee | | Respondent / Revenue |

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|-------------------------------|----------------------------|
| Assessee by | Shri Jagdish Shetty CA |
| Revenue by | Shri Surendra Mohan Sr. DR |
| Date of institution of appeal | 11.04.2025 |
| Date of hearing | 13.11.2025 |
| Date of pronouncement | 31.12.2025 |

Order under section 254(1) of Income Tax Act

PER PAWAN SINGH, JUDICIAL MEMBER;

1. These cross appeals by assessee as well as by revenue are directed against order of Id. CIT(A)-51, Mumbai dated 12.02.2025 for assessment year (AY) 2017-18. In both the appeals facts are common, thus, with the consent of both the parties, both the appeals were clubbed heard together and are decided by

common order. The assessee in its appeal has raised following grounds of appeal;

- (I) *On the facts and circumstances of the case and in law Id CIT(A) erred in confirming the addition made by DCIT-3(3) of genuine and bonafide, completely disclosed unsecured loan of Rs. 18,00,000/- availed by your appellant which has been allegedly deemed as unexplained cash credit under section 68 of the Income Tax Act, by the Id AO.*
- (II) *On the facts and circumstances of the case and in law Id CIT(A) erred in confirming the addition made by DCIT of Rs. 2,34,000/- being interest on unsecured loan without appreciating the facts the details/ documents submitted by your appellant substantiating the said interest amount.*

2. The revenue in its cross appeal has raised following grounds of appeal;

1. *On the facts and circumstances of the case and in law the Id CIT(A) erred in deleting the addition made by under section 68 amounting to Rs. 3,01,29,433/- on account of unexplained cash credit ignoring the facts that the assessee could not prove its veracity for high amount of cash deposits during the period of demonetization with supporting documents.*
2. *On the facts and circumstances of the case and in law the Id CIT(A) erred in deleting the addition under section 40A(3) amounting to Rs. 37,70,347/- on account of payment excess of Rs. 20,000/- to various parties ignoring the factual position as stated in the assessment order and remand report in which the AO clearly stated that the assessee could not produced the copy of work order/ contract & proof of TDS deducted in order to prove whether any work has been done or any services has been provided to the assessee by the said parties.*

3. Brief facts of the case are that assessee is a firm, engaged in the business of readymade garments and fashion designing, filed its return of income for assessment year 2017-18, declaring income of Rs. 1.53 crore. The case was selected for scrutiny on the issue of cash deposit during demonetization. During

assessment the assessing officer (AO) noted that during demonetisation period the assessee made cash deposit in their ten bank accounts of Rs. 5.50 crore. The details of all bank accounts and aggregate amount is recorded in para 5.4 of assessment order. The AO in para 5.5 of his order, on the basis of details provided by the assessee also recorded total turnover from AY 2014-15 to 2018-19 ranging from Rs. 33.57 Crore to Rs. 84.08 Crore, cash in hand and ratio of cash in hand as per balance sheet. On the basis of such details, the AO was of the view that assessee was not having such huge cash in hand for deposit in bank. On show cause notice, the assessee replied that cash deposit was out of cash in hand. The assessee also provided chart of cash deposits in earlier years. The assessee also provided month-wise cash in hand. The assessee also explained about sales of gift vouchers of Rs. 1.00 in cash. There were sale of cash gift vouchers of 147 from 22nd August 2016 to 28.10.2016. The assessee also explained that cash sale was increased due to festivals, Navratri and wedding season. All cash sales were shown in VAT returns. The reply of assessee was disregarded by the AO. The AO officer, on the basis of detail file before him prepared the average cash summary available in the hand of assessee in the month of October & November 2014, October & November 2015, October & November 2016. On the basis of such summary of average cash available the AO was of the view that average cash deposit in October in last two years were of ₹ 1.49 crore and in November in last two years were of ₹ 1.85 crore. The AO worked out average such cash available in October &

November for deposits in the bank account of Rs. 3.35 Crore. However, total cash deposit in October & November 2016 was of Rs. 6.36 Crore. On the basis of such cash available and deposited during last two preceding assessment years, the assessing officer treated case of ₹ 3.01 crore (6.36 minus 3.35) as unexplained credit under section 68 and brought the same to tax under section 115 BBE at enhanced rate of tax.

4. The AO further noted that during the relevant financial year the assessee made certain payment in cash to various parties/persons, summary of such payment is recorded in para 7.1 of assessment order. The AO was of the view that assessee made such payment to various parties exceeding ₹ 20,000/-which are not allowable under section 40A(3). On show cause notice the assessee explained that such payments were made to individual workers of work undertaken through Abu Jani Sandeep Khosla Designers PNA Ltd. Such payments were made to a group company on account of intracompany purchase. Such company is also assessed to tax and is filed a return of income for the same assessment year by including such payment in the return of income. The submission of assessee was not accepted by the AO. The AO was of the view that payment made in cash in excess of ₹ 20,000 is disallowable under section 40A(3). The AO further noted that assessee has shown unsecured loan from Blue Star Investment of ₹ 18.00 lakhs. On show cause notice, the AO recorded that no details were furnished by assessee. The AO in absence of

documentary evidence treated such loan amount as unexplained cash credit under section 68 and added to the income of assessee.

5. Aggrieved by the additions in the assessment order, the assessee filed appeal before Id. CIT(A). Before Id CIT(A) the assessee filed detailed written submission. The assessee also filed application for admission of additional evidence; vide application dated 8 February 2023. In support of unsecured loan of ₹ 18.00 lakhs, which was added under section 68, the assessee furnished PAN of creditor and ledger confirmation and submitted that such details could not be furnished before AO due to shortage of time. On disallowance under section 40A(3), the assessee submits that they are in the business of manufacturing of readymade garments which is a labour incentive industry. The assessee required skill or semiskilled workers for carrying out its designing activities. The labourers engaged in such skills are more comfortable in receiving salary in cash, on the basis of their need for buying their food or meeting out their daily necessities. In such exigencies many times the assessee had to accept their demand and to pay with pay salary in cash. To substantiate such issue, the assessee submitted that payments were made for the exigencies of business. It was further explained that assessee made payment of less than ₹ 20,000 per day to each of the persons/recipient. To support their submission the assessee furnished vouchers evidencing payment of cash below ₹ 20,000 to such recipient. All the parties are having their PAN and are clearly identifiable. The assessee furnished the details of their PAN numbers. On the

addition of cash deposited during demonetisation period, the assessee submitted that as per income tax return, the assessee made cash deposit of ₹ 5.50 crore during demonetisation in its various bank account. The assessee furnished the details of cash on hand during three preceding assessment year, during current assessment year and of subsequent assessment year. The assessee also furnished details of total turnover showing that total turnover in AY 2014- 15 of ₹ 33.57 crore, in AY of 2015-16 of ₹ 44.38 crore, in AY 2016-17 ₹ 41.61 crore and in AY 2017- 18 it was ₹ 47.63 crore. Further in AY 2018-19 it was ₹ 84.08 crore. During the assessment, the assessee in response to show cause notice vide its submission dated 26th November 2016 explained that cash deposit during the demonetisation was out of cash in hand. A chart of cash deposit in current assessment year along with deposit in earlier years was provided. The cash book as required by AO was also provided. The assessee also stated that the cash sales were not disputed by AO. All the sales were recorded in the books of account. The books of assessee were not rejected. Once the cash sales were not disputed, disallowance of cash deposit was not justified. The cash sales are duly supported by VAT returns. The cash deposit during demonetisation and cash sales are routine and in line with the earlier years. The assessee further explained that in AY 2015-16 cash deposit was ₹ 14.97 crore, in AY 2016-17 it was Rs. 16.78 crore and in the year under consideration it was Rs. 14.41 crore. The assessee also furnished increase in cash deposit ratio from the month of April to October in AY 2016-17 and in AY

2017-18 and average increased in the month of November 2015 and November 2016, which were 18.08% and 6.46% respectively. The assessee submitted that addition of cash deposit on hypothecation basis is failed in such test.

6. The Id CIT(A) forwarded the submission of assessee and the additional evidence to assessing officer for his remand report. The assessing officer furnished his remand report vide letter dated 26th January 2024. The contents of remand report is recorded in para 5.2 of order of Id CIT(A). The Id CIT(A) recorded that assessing officer in his remand report;(i) on the issue of unsecured loan, the AO submitted that onus was on the assessee to prove with sufficient documentary evidence about the genuineness of unsecured loan. During assessment, the assessee despite allowing sufficient opportunity failed to furnish evidence to substantiate the loan. During appellate proceeding such evidence should not be accepted as the assessee has not shown sufficient cause. During remand proceeding the assessee furnished ledger confirmation of the lender, however bank statement of lender was not furnished. (ii) On the disallowance under Officer 40A(3) the AO submitted that assessee has not explained how the provisions of section 40A(3) are not attracted on the payments made by assessee. During remand proceeding the assessee failed to furnish copy of order /contract or proof of TDS made by assessee on such payments. The assessee failed to explain as to how such provisions are not attracted. The contents of remand report are recorded in para 5.3 of order of CIT(A).

7. The copy of remand report was provided to the assessee for making their comment. The assessee filed its objection /rejoinder to the remand report furnished by AO. On the issue of unsecured loan, the assessee submitted that they have furnished PAN, ledger confirmation and loan was received through banking channel. The said loan has been squared off in the subsequent year through banking channel, which is evident from the signed ledger confirmation of lender. The assessee submitted that if such details were not acceptable, the AO has right to issue notice under section 133 (6) of the Act to verify details furnished by assessee. On the disallowance under section 40A(3), the assessee submitted that they are in the business of manufacturing of ready-made garments which is highly labour incentive industry. In accordance with need to hire a skilled and semiskilled worker or for carrying out its business activities, the assessee has to hire a skilled labour. As per their needs, the payments were made in cash. All the amounts paid were less than Rs. 20,000/- per day. The list of such person along with their PAN and identification were provided. It was further stated that TDS is not applicable on the wages. There is no separate contract or agreement. The assessee also furnished their PAN and details.
8. The Id CIT(A) after considering the submission of assessee admitted the additional evidences furnished by the assessee by taking view that very limited time was allowed to the assessee during assessment and some of the evidences furnished by the assessee were filed before AO, though in the form of unsigned confirmation. It was also held that the evidences filed by the

assessee are in the form of signed confirmation or vouchers for payments. On considering the merits, the Id CIT(A) deleted the addition of cash deposit during demonetisation and the disallowances under section 40A(3). However, the addition of unsecured loan of Rs. 18.00 lakhs and consequential interest was upheld. The Id CIT(A) while deleting the addition of cash deposits of Rs. 3.01 crore held that assessing officer has not taken cognizance of the books of account wherein the sales are duly recorded. The VAT returns were filed before AO. The AO instead of considering the evidences relied upon 'prepondness of probability' and ignored the actual evidence. So far as objection of AO that assessee has not maintained and details of customer of Rs. 2.00 lakhs and also unexplained gift voucher sales during the period, the assessee submitted that it is normal and accepted practice not to maintain customer details for cash sales. Cash sales and gift voucher sales happen during the festival of Diwali and Dusherra. It is the claim of assessee that AO has not considered the sale register and VAT returns which were filed before him, which are easily verifiable and once the amount is credited as sales in the books of account, it cannot be further added as unexplained cash credit. The Id CIT (A) after recording the cash deposited during two preceding assessment year from April to October and in November, cannot be compared with the cash in hand at the end of financial year. The AO has used the data for the month of October and November of earlier two years to hold that there has been abnormal jump in cash sales during the demonetisation. The assessee is on the other hand has

demonstrated that the cash deposit and the cash sales are routine and in line with earlier years; when compared on year to year basis and also when compared from April to November of current financial year and also earlier years and they are has been no abnormal jump. The sales of the assessee have been duly reflected in the VAT returns filed by assessee and there is no abnormal jump therein also. The VAT returns has been accepted by the authorities concerned without any modifications. The assessee is in retail business and it is normal not to obtain the details of buyer in case of cash sales. The assessee consistently maintained that cash deposited to the bank accounts is duly recorded in the books of accounts. Sales transactions have been subjected to VAT. Documentary evidences have been furnished to substantiate this claim. The sales are undisputed, which has been duly audited and no discrepancies has been identified either in the stock register or in the books of account. The AO while making addition selectively relied in the past cash deposit including that of cash deposit for October 2016 (₹ 6.36 crore), however on broader analyses of the yearly cash deposit of three years shows no abnormal variation with the cash deposit during the current assessment year which is less than by 14.09 %. Even for the period of April to November-2016, increasing in the cash deposit was only 6.46%. Such figure is significantly lower than the increase in the preceding year which was of 18.08%. The AO primary relied upon the principle of 'prepondness of probabilities'and on circumstantial evidence to classify a portion of cash deposit

as a non-genuine. However, such a methodology cannot override the documentary evidence. The concept of proponents of probability is applicable where direct evidence is absent, which is not the case of assessee. The assessee has provided sufficient and credible evidence to support the legitimacy of cash deposit the assessee has filed return of income well within the due date and there is not the case where the return has been revised or filed belatedly. On the basis of aforesaid observations and categorical funding, the learned CIT(A) held that addition made by AO is based on assumption and selective analyses rather than a factual inconsistencies or defects in the books of account. It was held that on considering the complete data it is apparent that there has been no abnormal jump in the cash sales. Once sales are duly recorded and disclosed in the VAT returns, cash deposit arising out of such sales cannot be treated as unexplained cash credit under section 68. The 'prepondness of probabilities' in the presence of direct evidence in the form of books of account is unjustified. There is no material on record to support the allegation that cash deposit represents unaccounted income and deleted the addition of cash deposit.

9. On the addition/disallowance under section 40A(3), the learned CIT(A), it was held that AO disallowed the amount of ₹ 37,70,347/- on the ground that cash payment exceeding ₹ 20,000/- made to various parties. The assessee submitted that although a single entry exceeding ₹ 20,000/- has been passed in the books of account, the individual payments were made to various

labourers and none of these exceeds Rs. 20,000/-. The assessee also filed copies of the voucher in support of the claim as additional evidence. Such vouchers were forwarded to AO for his comments. The assessee also filed copy of PAN card of persons to whom such payments were made. As regard to the payments made to Abu Jani Sandeep Khosla Designers Private Limited and Abu Jani Fashions Private Limited, the assessee submitted that the same is not a single payment but comprises of several payments made on different dates each being less than Rs. 20,000. The assessee filed ledger accounts of parties namely Sandeep Khosla Designers Private Limited and Abu Jani Fashions Private Limited, to substantiate that none of the payment exceeding ₹ 20,000 and that single entry exceeding 20,000 was passed for administrative convenience. The learned CIT(A) held that AO has not consider these evidences, furnished during the assessment proceedings as well as during the remand proceedings. The AO held that there is no agreement/contract with the parties and these payments and the assessee failed to justify how the provisions of section 40A(3) are not applicable. It was held that AO failed to appreciate that the vouchers and the ledger accounts have been filed by the assessee to substantiate there is no single payments made in a day or two a person in excess of Rs. 20,000/- to attract such provisions. The entries in the books of account are a consolidated entry passed for the purpose of convenience. The learned CIT(A) on perusal of vouchers and ledger accounts of the payee, held that he did not find any reason to doubt such payment. Such

vouchers and ledger accounts were examined by auditor at the time of finalising audit report in Form 3CD and no adverse remark is made by auditor. It was specifically held that genuineness of these payments are not doubted, thus, the provision of section 40A(3) are not attracted in the instant case and deleted the entire addition. On the addition of unsecured loan the learned CIT(A) held that before AO the assessee has not submitted any documentary evidence to substantiate the transaction of loan. The learned CIT (A) held that ledger account, bank statement of the assessee are self-serving document and are not sufficient to prove the creditworthy of the lender and genuineness of the transaction. The assessee has not discharged its onus on providing these documents; thus, the assessee cannot raise the plea that AO ought to have accepted the genuineness of these loans without satisfaction of primary ingredients of section 68. It was also held that even during the appellate proceeding, the assessee has not furnished any document in support of creditworthiness of the lender and genuineness of the transaction, Hence, it was concluded that there is no infirmity in the order of AO officer in making the addition of unsecured loan under section 68 and the consequential corresponding interest disallowance was also upheld. Thus, aggrieved by the action of Id CIT(A) in confirming the addition of loan and consequential interest payment disallowance the assessee has filed present appeal. The revenue in its Cross appeal has challenged the action of Id CIT(A) in allowing relief to the assessee on cash deposit an addition under section 40A(3).

10. We have heard the submissions of the Id Authorised Representative (AR) of the assessee and the Id Senior departmental representative (Sr DR) for the revenue. First, we are taking appeal filed by the Assessee. The Assessee has challenged the order of Id CIT(A) in confirming the addition of unsecured loan of Rs.18,00,000/- under Section 68. The Ld. AR of the Assessee submits that during assessment no sufficient time was provided to the Assessee. Though, in response to show cause notice issued by AO, the Assessee furnished confirmation and ledger account of lender. Such evidence was not accepted as sufficient. However, before first Appellate Authority the Assessee submitted the ledger confirmation of ledger account, bank assessee and also submitted that loan received from Blue Star Investment was paid in subsequent Assessment Year. The Assessee provided PAN of lender, ledger statement and confirmation that loan was repaid. Thus, the Assessee discharged its primary onus. The assessing of the Revenue authorities has not disputed repayment of loan in subsequent Assessment Year. Once the loan has been repaid which is not disputed, no addition is to be sustained. The second addition relates to disallowance consequential interest payment.

11. On the other hand, the Sr DR for the Revenue supported the order of lower authorities. The Ld. Senior DR for the revenue submits that the Assessee failed to discharge its onus in providing identity, creditworthy and genuineness of transaction. Before Id CIT (A) the Assessee again provided incomplete details,

thus, the assessee failed to discharge their primary onus. Thus, Id. CIT(A) was justified in confirming the additions.

12. We have considered the rival submissions of both the parties and have gone through the findings of lower authorities carefully. As recorded above, the AO made addition for the want of requisite evidence. We find that before CIT (A) the Assessee filed PAN and ledger confirmation and its own bank statement. The Assessee also submitted that the loan amount was repaid in subsequent Assessment Year. We find that before AO complete details were not furnished to substantiate the identity creditworthiness and genuineness of transaction. However, before Id CIT (A) the Assessee has furnished details to prove the identity of creditor and ledger confirmation and their bank statement. In our view the assessee discharged its primary onus, if the Id CIT(A) was not satisfied with such evidences, he should have made further investigation either of his own or through AO. It is also plea of the Assessee that loan was repaid in subsequent year. We find that Hon'ble Gujarat High Court in *Ayachi Chandrasekhar Narsangji (2014) 42 taxmann.com 251 (Gujarat)* held that if repayment of loan in subsequent year has not been disputed by Revenue authorities, the addition of unsecured loan is not sustainable. Similar view was taken by Bombay High Court in *CCIT Vs. Bhupendra Champaklal Dalal (2024) 160 taxmann.com 560 (Bombay)* that where the Assessee received loan from its creditor and repaid the same and when all transaction were routed through banking system, the addition is not justified. Thus, following the aforesaid legal

principle that once the loan has been repaid and the same is not disputed by revenue authorities in subsequent year, there is no justification of making such addition. Even otherwise, once the assessee discharged its primary onus in providing the name, PAN and bank details, they have discharged their primary onus. If such evidences were not acceptable, it was on the Id CIT(A) either to conduct further inquiry by himself or through AO, which has not been done. Hence, we direct the Assessing Officer to delete the addition under Section 68 of Rs.18,00,000/-. In the result, Ground No.1 of Assessee's appeal is allowed.

13. Ground No.2 relates to disallowance of interest on unsecured loan. Considering the fact that we have deleted the addition of unsecured loan, therefore, interest addition/ disallowance of interest, which is consequential, is also deleted.

14. In the result appeal of the Assessee is allowed.

ITA No. 2530/Mum/2025 appeal by revenue

15. Ground No.1 in Revenue's appeal relates to deleting the addition of Rs.3.01 crore on account of unexplained cash credit. The Ld. Senior DR for the Revenue supported the order of Assessing Officer. The Ld. Senior DR for the revenue submits that during demonetization period the Assessee made a cash deposit of Rs.5.50 Crore in the form of Specified Bank Notes (SBN). The cash deposit during demonetization period in the form of SBN was not in consonance with the pattern of cash deposit during the normal days. The AO on a reasonable basis allowed benefit to the Assessee of about Rs.2.50

crore(Approx.) and made addition of Rs.301 crore only. The Ld. CIT (A) deleted the entire addition by taking view that sales of Assessee were not disputed and books of Assessee was not doubted. The AO in assessment order has given detailed reasoning. The AO examined previous year and subsequent year pattern of cash deposit. The Assessee failed to substantiate with evidence about sales of garments of more than Rs.2,00,000/- and gift vouchers of Rs.1,00,000/- as claimed by them. No details of buyers were maintained by the Assessee. The Ld. Senior DR for the revenue prayed for reversing the order of Id CIT (A) and to restore the order of AO.

16. On the other hand, the Ld. AR of the Assessee supported the order of Id CIT (A). The Ld. AR of the Assessee submits that Assessee is a well-known Fashion Designer. The sales of the Assessee are not disputed by AO. Books of account of the Assessee were not disputed by AO. Books of account of Assessee are duly audited. The auditor has not given any remarks while preparing audit report. There is no requirement under any law to maintain the record of customers who purchased the garment items in cash. The total turnover of Assessee during relevant financial year was more than Rs.47.00 crore. In subsequent assessment Year the turnover of the Assessee was more than Rs.84.00 crore. Demonetization was unforeseen situation; the Assessee has no option except to deposit of currency in the form of Rs.1000/- as well as of Rs.500/- as per the direction of Central Government and the guidelines issued by Reserve Bank of India (RBI). The Assessing Officer selectively prepared

average cash in hand in October and November 2015 as well as in October and November 2016 and allowed benefit of average of only those two months. The sales of the Assessee are duly supported by VAT Return. The addition made by the Assessing Officer was based on probabilities, assumption and in unscientific manner. The Ld. CIT (A) appreciated the fact and allowed relief to the Assessee.

17. We have considered the rival submissions of both the parties and have gone through the orders of lower authorities carefully. The basis of making addition has been recorded by us in preceding paras of this order. We find that before Ld. CIT (A) the Assessee filed detailed written submission. The Assessee also furnished details of average cash deposit in preceding three Assessment Years as well as in subsequent Assessment Year. The Assessee also provided pattern of cash deposit from April 2015 to October 2015 and from November 2015 to March 2016. Again, from April 2016 to October 2016 and November 2016 and thereafter. The Assessee also furnished the ratio of increase or decrease of cash deposit during such period. We find that Ld. CIT (A) on his detailed reasoning deleted the addition by taking view that the AO primarily relied upon the principle of 'preponderance of probabilities' and on circumstantial evidence to treat a portion of cash deposit during demonetization as a non-genuine. Methodology adopted by AO cannot override the documentary evidence. The concept of preponderance of probability is applicable where direct evidence is not available, which is not in the case of assessee. It was held that the assessee

has provided sufficient and credible evidence to support the legitimacy of cash deposit. The assessee has filed return of income well within the due date and there is not the case where the return has been revised or filed belatedly. We find that on such categorical finding, the learned CIT(A) held that addition made by AO is based on assumption and selective analyses, rather than a factual inconsistencies or defects in the books of account. It was also held that on considering the complete data it is apparent that there has been no abnormal jump in the cash sales. Once sales are duly recorded and disclosed in the VAT returns, cash deposit arising out of such sales cannot be treated as unexplained cash credit under section 68. The 'prepondness of probabilities' in the presence of direct evidence in the form of books of account is unjustified. There is no material on record to support the allegation that cash deposit represents unaccounted income and deleted the addition of cash deposit.

18. We have independently examined the facts of the case and find that the Assessee is a well-known Fashion Designer. The turnover of the Assessee for the year under consideration was more than Rs.47.00 Crore. The cash sales are not disputed by AO. The books of the Assessee were not disputed by the Assessing Officer. The Assessee was showing good amount of cash in hand. The assessee was also incurring certain expense in cash. The assessee always have good amount as cash in hand. All such figures were not disputed by AO. We also find that there is no statutory provision to maintain the record of customers who made the purchases of garments in cash. Even in comparison

of cash deposit we find that cash deposit during demonetization period as well as normal period it is not abnormal considering the turnover of Assessee. Hence, we do not find any merit in the grounds of appeal raised by Revenue. In the result, the ground No. 1 of the appeal raised by the revenue is dismissed.

19. Ground No.2 of the revenues appeal relates to deleting the addition/disallowance under section 40A(3). The Id Sr DR for the revenue supported the order of AO and submitted the no agreement or contract was filed by the assessee to substantiate such payments. The assessee has not made TDS of such payments. The amount paid was clearly in violation of provisions of section 40A(3).

20. On the other hand, the Id AR of the assessee supported the orders of Id CIT(A).

21. We have considered the rival submissions of both the parties and have gone through the orders of lower authorities carefully. We find that the AO made addition under section 40A(3) by taking view that the assessee made such payment to various parties exceeding ₹ 20,000/-which are not allowable under section 40A(3). And on show cause notice the assessee filed to provide required details of payee. We find that before AO the assessee explained that explained that such payments were made to individual workers of work undertaken through Abu Jani Sandeep Khosla Designers Private Ltd. And other group company on account of intracompany purchase. Such company is also

assessed to tax and is filed a return of income for the same assessment year by including such payment in the return of income. Submission of assessee was not accepted by the AO; he was of the view that payment made in cash in excess of ₹ 20,000 is disallowable under section 40A(3). We find that before Id CIT(A), the assessee filed detailed written submissions and also filed application for admission of additional evidences. We find that Id CIT(A) on proving opportunity to the assessee admitted the additional evidences. The evidences furnished by the assessee consist of name, PAN and payment vouchers of parties. So far as payments made to Abu Jani Sandeep Khosla Designers Private Limited and Abu Jani Fashions Private Limited are concerned, the assessee submitted that the same is not a single payment but comprises of several payments made on different dates each being less than Rs. 20,000. The assessee filed ledger accounts of parties namely Sandeep Khosla Designers Private Limited and Abu Jani Fashions Private Limited, to substantiate that none of the payment exceeding ₹ 20,000 and that single entry exceeding 20,000 was passed for administrative convenience. We find that the learned CIT(A) on appreciation of such facts and evidences held that AO has not consider these evidences, furnished during the assessment proceedings as well as during the remand proceedings. The Id CIT(A) recorded that AO objected on the ground that there is no agreement/contract with the parties and these payments and the assessee failed to justify how the provisions of section 4)A(3) are not applicable. The Id CIT(A) held that AO failed to appreciate that the vouchers

and the ledger accounts have been filed by the assessee to substantiate there is no single payments made in a day or two a person in excess of Rs. 20,000/- to attract such provisions. The entries in the books of account are a consolidated entry passed for the purpose of convenience. The learned CIT(A) on perusal of vouchers and ledger accounts of the payee, held that he did not find any reason to doubt such payment. Such vouchers and ledger accounts were examined by auditor at the time of finalising audit report in Form 3CD and no adverse remark is made by auditor. It was specifically held that genuineness of these payments are not doubted, thus, the provision of section 40A(3) are not attracted in the instant case and deleted the entire addition. Before us, no contrary facts or law is brought to our notice to take other view. Hence, we do not find any reason to interfere with the finding of Id CIT(A). In the result, this ground of appeal is dismissed.

22. In the result, the appeal of revenue is dismissed.

Order pronounced in the open Court on 31/12/2025 as per Rule 34 of Income Tax (Appellate Tribunal) Rules-1963.

Sd/-

PADMAVATHY S
ACCOUNTANT MEMBER

Sd/-

PAWAN SINGH
JUDICIAL MEMBER

MUMBAI, Dated:31/12/2025
Ms Ashwani Rao Sr PS
(Dragon)

Copy of the order forwarded to:

- (1) *The Assessee;*
- (2) *The Revenue;*
- (3) *The PCIT / CIT (Judicial);*
- (4) *The DR, ITAT, Mumbai; and*
- (5) *Guard file.*

By Order

Assistant Registrar
ITAT, Mumbai