

आयकर अपीलीय अधिकरण, हैदराबाद पीठ
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'B' Bench, Hyderabad

BEFORE SHRI VIJAY PAL RAO, VICE PRESIDENT
AND
SHRI MANJUNATHA G. ACCOUNTANT MEMBER

आ.अपी.सं / **ITA No.29/Hyd/2025**
 Assessment Year 2017-2018

MRL Trading Company, Hyderabad – 500 004. Telangana. PAN AAGFM3520P (Appellant)	vs.	The Income Tax Officer, Ward-7(1), Hyderabad. PIN – 500 084. Telangana. (Respondent)
निर्धारिती द्वारा / Assessee by:	CA A Srinivas	
राजस्व द्वारा / Revenue by:	MS Kritika Jaiswal, Sr. AR	
सुनवाई की तारीख / Date of hearing:	16.12.2025	
घोषणा की तारीख / Pronouncement:	07.01.2026	

आदेश / ORDER

PER VIJAY PAL RAO, VICE PRESIDENT :

This appeal by the Assessee is directed against the Order dated 01.01.2025 of the learned CIT(A)-National Faceless Appeal Centre [in short “NFAC], Delhi, for the assessment year 2017-2018.

2. The assessee has raised the following grounds:
1. *“The order of the Appellate Commissioner is contrary to law, facts and circumstances of the case.*
 2. *The Appellate Commissioner ought not to have confirmed the addition of an amount of Rs.3.37,31,000/- as income of the assessee, u/s 69A of the Income Tax Act.*
 3. *The Appellate Commissioner erred in confirming the treatment of the amounts in the cash book as unexplained, ignoring the fact that the same have been included in the books of accounts, and the addition u/s.69A is outside the purview of the said section.*
 4. *The Appellate Commissioner ignored the fact that the deposits in the bank are proceeds of regular sales of the assessee.*
 5. *The Appellate Commissioner, erred in coming to a conclusion similar to that of the A.O, that having accepted that the deposits are sale of ITC products should not have added the same as unexplained credits u/s.69A of the Income Tax Act.*
 6. *The Appellate Commissioner ought to have seen that, the A.O has no jurisdiction to decide on the legality of specified bank notes and should have accepted the same as legal tender.*
 7. *Any other grounds which the Assessee may urge either before or at the time of the hearing.”*

3. The assessee company is engaged in the business of wholesale and retail sales of ITC products. The assessee filed its return of income for the year under consideration on 23.09.2017 declaring total income of Rs.10,86,174/-. The case was selected for scrutiny through CASS. During the assessment proceedings, the Assessing Officer noted that there was a cash deposit of Rs.17,16,22,035/- during the demonetization period, out of which, a sum of Rs.3,37,31,318/- was deposited in Specified Bank Notes [in short "SBNs"] i.e., demonetized currency of Rs.500/- and Rs.1000/-notes. While completing the assessment u/sec.143(3), the Assessing Officer made the addition of the said amount of Rs.3,37,31,318/- on the ground that after the notification of the demonetization of the currency notes of Rs.500/- and Rs.1000/-, the transactions done in the SBNs is not permitted and consequently, the same was added into the income u/sec.69A of the Income Tax Act [in short "the Act"], 1961. The assessee challenged the action before the learned CIT(A) but could not succeed.

4. Before the Tribunal, the learned Authorised Representative of the Assessee has submitted that the deposits made in the bank account during the months of November and December is out of sales of the assessee during the said period. All the transactions of the sales are duly recorded in the books of accounts and also verified by the Commercial Tax Department. He has further submitted that even the Assessing Officer has also not disputed the correctness of the books of accounts of the assessee as well as the turnover of the assessee. Once the assessee has already declared the turnover and offered the income to tax arising from the said turnover including the deposits made in the bank account during the months of November and December comprising of SBNs, then the separate addition cannot be made by the Assessing Officer only on the ground that assessee has deposited this sum of Rs.3,37,31,318/- in SBN. The learned Authorised Representative of the Assessee has further submitted that the Assessing Officer has made the addition u/sec.69A of the Act, whereas the sales transactions are duly recorded in the books of accounts and,

therefore, the provisions of sec.69A are not applicable and consequently, the addition made by the Assessing Officer is not sustainable and liable to be deleted. He has referred to the Order of the assessment of the Commercial Tax Department dated 09.04.2018 and submitted that the turnover/sales for the year under consideration has been verified and accepted by the Assessing Officer of the Commercial Tax Department.

4.1. He has referred to the month-wise sales as well as deposits made in the bank account and submitted that the turnover of the assessee as well as the deposits in the bank account during November-December, 2016 are in line with the sales and deposits for the rest of the financial year relevant to the assessment year under consideration. Thus, he has submitted that once the books of accounts of the assessee are duly audited and also accepted by the Assessing Officer, then the deposits made out of the sale proceeds cannot be added u/sec.69A of the Act. In support of his contention, he has relied upon the decision of ITAT, Surat Bench, in the case of **Anuj Satishkumar Bansal vs. ITO**

[2025] 177 taxmann.com 251 (Surat-Trib.) and submitted that the Tribunal has considered an identical issue and held that once the transactions of sales are duly recorded in the books of accounts, then the addition made by the Assessing Officer u/sec.69A of the Act towards the cash deposit during the demonetization period is not sustainable in law as the scope of sec.69A is limited to the money, bullion, jewellery or other value article found but not recorded in the books of accounts. The learned Authorised Representative of the Assessee has relied upon the decision of ITAT, Chennai Benches, Chennai of the Tribunal in the case of **Tamilnadu State Marketing Corporation Ltd., vs. ACIT [2025] 170 taxmann.com 641 (Chennai – Trib.)** and submitted that the Tribunal in the said case has considered an identical issue and decided the same in favour of the assessee by holding that mere deposit in the bank account in SBNs cannot be a reason for addition u/sec.69 of the Act. Thus, the learned Authorised Representative of the Assessee has submitted that the addition made by the Assessing Officer and

confirmed by the learned CIT(A) is not sustainable and liable to be deleted.

5. On the other hand, the learned DR has submitted that after the demonetization of currency notes of Rs.500/- and Rs.1000/- w.e.f. 08.11.2016 the transaction in the SBNs is not permitted and, therefore, the source of the deposit made by the assessee in SBNs in the bank account during the demonetization period cannot be accepted from the sales which was not permitted as per the demonetization notification. She has further submitted that the deposit in cash ought to have been proved by availability of the cash as on 08.11.2016. The learned DR has relied upon the following decisions:

- i. Judgment of Hon'ble Delhi High Court in the case of Pr. CIT vs. Agson Global (P.) Ltd., [2022] 134 taxmann.com 256 (Delhi).
- ii. Order of ITAT, Ahmedabad B-Bench, Ahmedabad in ITA.No.995/Ahd./2014 with CO.No.167/Ahd./2014, dated 06.01.2020.

5.1. learned DR also relied upon the Orders of the authorities below.

6. We have considered the rival submissions as well as the relevant material on record. The Assessing Officer while framing the assessment u/sec.143(3) has noted in Paras 3.2 and 3.3 as under :

3.2. On perusal of the information/ documents submitted by the assessee it is noticed that the assessee is a firm carrying wholesale and retail business of ITC Products and the assessee submitted that the cash deposits made in the bank account of the assessee is out of the cash received on sale of the ITC products. It is further noticed that out of the total cash deposits made in the bank account of the assessee, Rs.3,46,37,500/- were deposited in old denomination i.e. Rs.1,000/- and Rs.500/- (not a Legal Tender) during the demonetization period. The assessee has submitted copies of deposit slips used while depositing cash in bank during demonetization period.

3.3. The assessee is showing cash in hand as on 08.11.2019 to the tune of Rs.9,06,182/-. Thus, the total amount in which the assessee had done business transactions in old denomination during the demonetization period turns out to Rs. 3,37,31,318/-.”

7. Thus, out of the total deposit of cash during the demonetization period [November and December 2016] of Rs.17,16,22,035/-, the Assessing Officer found that a sum of Rs.3,46,37,500/- was deposited in the old SBNs of Rs.1000/- and Rs.500/- which were not a legal tender after the notification of demonetization. The Assessing Officer then made the disallowance by giving the reasoning in Paras 3.5 and 3.6 as under:

“3.5. That being the case question arises as to whether any person who received such SBN note after 09.11.2016 can bring it into books of account. "Here the basic principle of accountancy has to be relied upon. The money measurement concept underlines the fact that in accountancy and economics generally, every recorded event or transaction is measured in terms of money i.e. local currency, monetary unit of measure. Since, the SBNs were just a piece of paper and they stand no virtue on 09.11.2016 or after, as Central Government, the guarantor has withdrawn its guarantee. Therefore, it can't be measured in monetary terms and hence, it can't be journalized in books of account. Therefore, the transaction made in SBN on or after 09.11.2016 can't be entered into books.”

3.6. Vide notifications mentioned above, the assessee's case does not comes under exempted category and the


assessee was not allowed to receive the SBNs in business. In view of the above, source for cash deposits of Rs.3,37,31,318/-stands unexplained, therefore Rs.3,37,31,000/- being an amount multiple of Rs.1,000/- and Rs. 500/- is added back into the income returned u/s. 69A of the Act. Since, the source of cash deposits as discussed above is not properly explained by the assessee, the provisions of section 115BBE and 271AAC of the IT Act is initiated separately.”

8. Thus, the only reason for making the addition by the Assessing Officer is on account of deposit made during the demonetization period in SBNs is that after the notification of demonetization, the transactions made by the assessee through SBNs are liable to be added back to the income u/sec.69A of the Act. It is pertinent to note that the Assessing Officer has not disputed that these transactions are duly recorded in the books of accounts of the assessee as sales and part of the cash book of the assessee which in turn deposited in the bank account. The books of accounts of the assessee are also duly audited and the audit reports in Form-3CB and Form-3CD are also filed by the assessee. Further the Commercial Tax Department in the assessment order dated 09.04.2018 has accepted the turnover of the assessee

for the financial years 2016-2017 and 2017-2018 placed at pages-25 to 27 reproduced as under :

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**GOVERNMENT OF TELANGANA
STATE TAX DEPARTMENT**



Office of the
Assistant Commissioner (ST),
III rd floor, Old Kakatiya
Hotel Complex, Nampally,
Hyderabad
Date:09-04-2018.

VAT 305A

TIN. 36020209552

Sub:- TGVAT Act 2005- VAT audit – M/s. M R L TRADING COMPANY, Hyderabad –
Form VAT 304 issued – Books of accounts produced - Show Cause notice issued –
Objections called for- Reg.

Ref:-

1. Authorisation in Form ADM 1B No. 36171007204729552 Dated:07-10-2017,
issued by Deputy Commissioner (CT), Abids Division.
2. Form VAT 304 Dated:21-10-2017.
3. Dealers letter Dated:22-02-2018.
4. Authorization in Form ADM IC No:20180307481246 Dated:07-03-2018 issued
by the Deputy Commissioner (CT) , Abids Division.

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M/s. M R L TRADING COMPANY, are the registered dealers and assesses on the rolls of
Commercial Tax Officer, Basheerbagh Circle with TIN: 36020209552 under the TGVAT Act
2005. They are Distributors in Food Products, Note Books, Diaries and Stationery . The dealers
have filed monthly returns in Form VAT 200 upto June 2017 by disclosing the turnovers and
paid taxes due thereon.

Earlier audit was completed by the Assistant Commissioner(INT), Abids Division upto
March 2016. Hence audit has been taken from April 2016.

As per the authorization of the Deputy Commissioner (CT), Abids Division in the
reference first cited the undersigned has issued the VAT 304 Dated:21-10-2017 and served on
15-02-2018.

In response to the said notice, the dealers have filed Purchase & Sales bills, Purchase
& Sales register for the years 2016-17 and 2017-18 (upto June 2017) and Balance sheets for
the year 2016-17.

On verification of books of accounts filed by the dealer, it is noticed that the dealers are
distributor for ITC products such as Cigarettes, Food products and Agarbatti etc. Entire
purchases are from local Vat dealers and claiming the input tax credit to that extent. Cigarettes
are generally exempted from Vat. Hence the dealers are claimed the exemption on the sales of
cigarettes. Hence the exemption is allowed. Entire sales are within the state and paying the
output tax @ 5% and 14.5% and there are no CST sales.

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The Deputy Commissioner (CT), Abids Division has also issued authorization to complete the assessment of the dealers in the reference fourth cited

During the course of audit, the correctness and completeness of the returns filed by the dealer is verified with reference to turnovers recorded in the books of accounts maintained by the dealer with the following results

2016-17

s no	Purchases	Turnovers as per VAT 200	Tax	As per Books of accounts
1	Non Creditable purchases	131,02,19,372	0	
2	Purchases @ 5%	10,30,63,164	51,53,158	
3	Purchases @ 14.5%	5,20,61,626	75,48,935	
	Total	146,53,44,162	1,27,02,093	146,53,44,160

s no	Sales	Turnovers as per VAT 200	Tax	As per Books of accounts
1	Exempted Sales	126,72,77,290	0	
2	Sales @ 5%	10,64,85,917	53,24,295	
3	Sales @ 14.5%	5,44,90,413	79,01,109	
	Total	142,82,53,620	1,32,25,405	142,82,53,619
		Less ITC	1,27,02,093	
		Net Tax Due	5,23,312	
		Less Tax Paid	5,23,323	
		Balance	Nil	

The dealers have declared net tax payable of Rs. 5,23,312-00 and paid by way of cheques/DD's etc during the tax periods from April 2016 to March 2017 is Rs. 5,23,323-00 and the dealers have claimed input tax credit of Rs.1,27,02,093-00 with no restrictions and there is 'Nil' balance as on 31-03-2016.

2017-18

s no	Purchases	Turnovers as per VAT 200	Tax	As per Books of accounts
1	Non Creditable purchases	30,26,06,745		30,26,06,745
2	Purchases @ 5%	2,21,26,712	11,06,335	2,21,26,712
3	Purchases @ 14.5%	1,35,94,613	19,71,218	1,35,94,613
	Total	33,83,28,070	30,77,553	33,83,28,070

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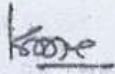
s no	Sales	Turnovers as per VAT 200	Tax	As per Books of accounts
1	Exempted Sales	33,71,06,259		33,71,06,259
2	Sales @ 5%	2,25,24,572	11,26,228	2,25,24,572
3	Sales @ 14.5%	1,39,34,552	20,20,510	1,39,34,552
	Total	37,35,65,383	31,46,738	37,35,65,383
		Less ITC	30,77,553	
		Net Tax Due	69,185	
		Less Tax Paid	69,184	
		Balance	Nil	

The dealers have declared net tax payable of Rs. 69,185-00 and paid by way of cheques/DD's etc during the tax periods from April 2017 to June 2017 is Rs.69,184-00 and the dealers have claimed input tax credit of Rs.30,77,553-00 with no restrictions and there is 'Nil' balance as on 30-06-2017.

It is therefore proposed to complete the assessment of the dealers for the years 2016-17 and 2017-18 (upto June 2017) with 'NIL' liability Under Rule 25(5) of the TGVAT Act 2005.

Accordingly VAT 305 A issued.

M/s. M R L TRADING COMPANY, are requested to file their objections if any against the above proposal within (7) days from the date of receipt of this notice failing which orders will be passed without any further notice.


 Assistant Commissioner (ST),
 Assistant Commissioner of State Tax
 NAMPALLY CIRCLE,
 Abids Division, Hyderabad.

To,
 M/s. M R L TRADING COMPANY,
 11/4/656,C 509 VIJAYA HILLS,A C GAURDS,
 HYDERABAD,500004

8.1. Thus, on verification of the books of accounts, the VAT Authorities/Assessing Officer of the Commercial Tax

Department has accepted the turnover of the assessee as recorded in the books of accounts. Even otherwise the turnover of the assessee is also reflected in the P & L A/c and the sundry debtors to the extent of non-realized sales is also reflected in the balance-sheet of the assessee as on 31.03.2017. The assessee has given the details of cash deposits in the bank account during the months of September to December 2016 as under:

September'16					
Date	1,000	500	100	Change	Total
1	268	7,167	9,531	74,560	48,79,160
2	-	-	-	-	-
3	2,477	23,401	35,125	18,390	1,77,08,390
4	-	-	-	-	-
5	-	-	-	-	-
6	1,823	8,231	25,727	1,06,860	86,18,060
7	100	14,500	22,946	1,33,390	97,77,990
8	632	11,971	8,805	35,270	75,33,270
9	2,792	5,201	14,699	54,920	69,17,320
10	-	-	-	-	-
11	-	-	-	-	-
12	1,192	15,554	20,470	58,630	1,10,74,630
13	-	-	-	-	-
14	856	20,427	20,898	1,51,470	1,33,10,770
15	-	-	-	-	-
16	429	3,470	13,720	43,550	35,79,550
17	282	6,162	21,720	69,180	56,04,180
18	-	-	-	-	-
19	252	13,716	16,136	96,960	88,20,560
20	708	15,605	20,050	51,390	1,05,66,890
21	432	8,817	29,362	1,20,990	78,97,690
22	430	10,619	7,310	45,200	65,15,700
23	207	1,446	7,549	98,720	17,83,620
24	-	-	-	-	-
25	-	-	-	-	-
26	1,012	8,089	19,974	1,35,020	71,88,920
27	-	-	-	-	-
28	93	15,586	18,606	1,82,470	99,29,070
29	135	3,049	4,328	37,270	21,29,570
30	596	6,584	5,508	50,010	44,88,810
31	-	-	-	-	-
Total	14,716	1,99,595	3,22,464	15,64,250	14,83,24,150

October'16					
Date	1,000	500	100	Change	Total
1	157	916	3,430	57,420	10,15,420
2	-	-	-	-	-
3	353	6,971	10,995	79,700	50,17,700
4	165	1,327	3,625	70,820	12,61,820
5	678	5,700	13,216	89,350	49,38,950
6	78	1,034	2,941	56,420	9,45,520
7	169	7,076	3,980	69,900	41,74,900
8	-	-	-	-	-
9	-	-	-	-	-
10	977	19,208	25,400	50,810	1,31,71,810
11	-	-	-	-	-
12	-	-	-	-	-
13	1,439	20,271	25,773	1,71,670	1,43,23,470
14	3,352	453	1,262	30,300	37,35,000
15	686	3,615	6,359	1,17,590	32,46,990
16	-	-	-	-	-
17	177	16,466	23,203	1,01,390	1,08,31,690
18	36	1,731	11,048	67,420	20,73,720
19	205	978	3,921	65,430	11,51,530
20	289	5,031	9,574	62,060	38,23,960
21	232	4,731	11,879	65,490	38,50,890
22	-	-	-	-	-
23	-	-	-	-	-
24	500	10,377	10,815	1,79,710	69,49,710
25	317	5,218	9,692	80,600	39,75,800
26	1,797	8,132	3,443	91,740	62,99,040
27	1,439	10,675	17,254	73,770	85,75,670
28	229	1,533	5,681	1,02,510	16,66,110
29	458	15,134	16,010	70,380	96,96,380
30	-	-	-	-	-
31	572	4,136	8,957	59,830	35,95,530
Total	14,305	1,50,713	2,28,458	18,14,310	11,43,21,610

November 16

Date of Deposit	2,000	1,000	500	100	50	20	10	5	Amount
1	-	816	8,406	13,808	766	129	1,909	3	64,59,785
2	-	170	1,488	4,876	741	905	5,967	4	15,16,440
3	-	2,032	18,611	18,800	1,583	263	1,842	4	1,33,20,350
4	-	1,311	19,076	10,383	677	552	4,813	6	1,19,80,350
5	-	549	13,527	12,226	801	443	2,909	-	86,13,100
6	-	-	-	-	-	-	-	-	-
7	-	467	12,404	17,120	1,320	373	3,314	-	84,87,600
8	-	181	6,490	7,215	1,037	676	2,427	-	42,37,140
9	-	-	-	-	-	-	-	-	-
10	-	9,092	29,835	-	91	305	1,643	-	2,40,36,580
11	-	5,290	2,000	70	6	2	-	-	62,97,340
12	-	3,652	4,602	89	575	250	578	4	60,01,450
13	-	352	1,252	16	360	500	3,741	-	10,45,010
14	-	-	-	-	-	-	-	-	-
15	-	-	-	10,246	2,271	1,350	8,132	-	12,46,470
16	-	-	-	22,141	6,186	1,743	3,319	-	25,91,450
17	-	-	-	20,527	2,586	965	4,416	-	22,45,460
18	-	-	-	14,514	2,338	880	5,104	4	16,36,960
19	138	-	-	4,329	1,548	1,160	3,941	-	8,48,910
20	-	-	-	-	-	-	-	-	-
21	322	-	-	8,083	2,501	1,905	5,493	-	16,70,380
22	565	-	-	9,446	2,098	971	6,027	-	22,59,190
23	252	-	-	11,373	1,424	911	5,556	-	17,86,280
24	292	-	-	14,171	3,824	2,690	5,935	-	23,05,450
25	1,722	-	-	9,315	1,601	1,559	5,998	-	45,46,710
26	-	-	-	-	-	-	-	-	-
27	-	-	-	-	-	-	-	-	-
28	848	-	-	28,001	5,620	5,536	13,508	6	50,22,930
29	676	-	-	16,790	2,693	3,654	8,480	15	33,23,605
30	2,016	-	-	28,899	2,343	1,629	6,173	-	71,33,360
31	-	-	-	-	-	-	-	-	-
Total	6,831	23,912	1,17,691	2,82,438	44,990	29,351	1,11,225	46	12,86,12,300

December 16

Date of Deposit	2,000	500	100	change(50,20,10,5)	Amount
1	501	-	4,053	79,570	14,86,870
2	189	-	4,786	2,29,990	10,86,590
3	1,006	-	4,918	2,28,010	27,31,810
4		-			-
5	656	-	6,148	2,65,440	21,92,240
6	718	-	4,110	1,30,140	19,77,140
7	323	-	2,908	2,26,210	11,63,010
8	1,270	-	2,022	1,41,940	28,84,140
9	2,476	-	1,470	1,06,680	52,05,680
10	-	-	-	-	-
11	-	-	-	-	-
12	-	-	-	-	-
13	8,702	-	13,047	6,51,310	1,93,60,010
14	4,309	-	1,156	2,12,730	89,46,330
15	2,787	-	17,612	2,30,370	75,65,570
16	1,739	-	2,385	2,07,820	39,24,320
17	1,980	-	3,274	1,62,460	44,49,860
18	-	-	-	-	-
19	1,055	-	5,986	2,64,730	29,73,330
20	803	-	2,531	1,59,390	20,18,490
21	612	-	4,065	1,71,010	18,01,510
22	677	-	3,415	1,78,950	18,74,450
23	830	-	1,100	1,73,230	19,43,230
24	-	-	-	-	-
25	-	-	-	-	-
26	4,951	-	10,479	3,30,220	1,12,80,120
27	2,305	-	6,764	2,01,550	54,87,950
28	838	-	4,923	2,02,790	23,71,090
29	1,773	-	2,824	2,08,360	40,36,760
30	2,926	-	5,920	1,59,590	66,03,590
31	2,600	-	2,571	1,49,640	56,06,740
Total	46,026	-	1,18,467	50,72,130	10,89,70,830

9. Thus, it is clear that during the months of September the total deposits in the bank account was at Rs.14,83,24,150/-; in the month of October, 2016 the total deposit was at Rs.11,43,21,610/-; in the month of November, 2016 the total deposit was at Rs.12,86,12,300/- and in the month of December, 2016 the total deposit was at Rs.10,89,70,830/-. These details duly reflected in the bank account of the assessee manifest the fact that the deposits during the months of November and December, 2016 were in line of the deposits made in the preceding months and, therefore, there is no abnormal or excess deposit of cash during the month of November and December, 2016. The learned DR has not contradicted these facts otherwise evident from the bank account statement of the assessee and part of the turnover/sales recorded in the books of accounts of the assessee. On appeal, the learned CIT(A) has confirmed the addition made by the Assessing Officer by giving the findings in Paras 4.3 and 4.4 as under :

“4.3. I have gone through the assessment order and record available. The appellant has argued that the Cash Deposits Form Part of Recorded Turnover of Rs. 3,37,31,000 is part of the declared turnover and duly recorded in the appellant's books of accounts, supported by Sales data verified by both the AO and the Commercial Tax Department. Copies of audited accounts and commercial tax orders. No Defects in Books of Accounts: The AO did not identify discrepancies or reject the books of accounts during assessment. Monthly cash realizations and deposits (April 2016-March 2017) demonstrate no unusual spikes or irregularities during November-December 2016. As per CBDT instructions (F.No. 225/145/2019-ITA.II, dated 09.08.2019), there is no evidence of:

Unusual cash sales increase during the demonetization period.

Sudden cash deposits inconsistent with business patterns.

Further, there is Incorrect Application of Section 69A Section 69A applies only if the money is unrecorded in the books of accounts. The cash deposits are duly recorded as sales and part of the declared turnover.

4.4. In the instant case, in my view, the interpretation of the money measurement concept and the prohibition of post-demonetization SBN usage aligns with the law and Reserve Bank of India notifications. The assessee claimed that the cash deposits were proceeds from sales of ITC products.

However, the lack of concrete evidence, such as detailed transaction logs or customer receipts, weakened the argument. The assessee's claim of business receipts during demonetization is inconsistent with government regulations. The AO's recalibration of business receipts and pro-rata computation of profit reduced the ambiguity in determining the legitimate income of the assessee. The assessee has not produced valid evidence, such as ledger entries, sales invoices and cash book. The AO has properly segregated unexplained deposits and taxed them under Section 69A. Recalculated gross receipts and net profit fairly based on available data. Inclusion of demonetized currency in books of accounts does not validate the unexplained deposits as sales. In view of the above, the order of the AO is confirmed.”

10. Thus, the assessee again explained before the learned CIT(A) that the deposits in the bank account is part of the declared turnover duly recorded in the books of accounts supported by sales data verified by the Assessing Officer as well as the Commercial Tax Department. No defect was found by the Assessing Officer in the books of accounts even no defect pointed out by the Commercial Tax Department in the turnover recorded by the assessee. The monthly sales realization and deposits also do not demonstrate any unusual increase or irregularities during

the months of November and December 2016. However, the learned CIT(A) has not appreciated these facts and given the reasoning that the assessee has not produced valid evidence such as ledger entries, sales invoice, cash book etc., It is pertinent to note that these reasonings as given by the learned CIT(A) are contrary to the reasoning given by the Assessing Officer who has not disputed the correctness of the books of accounts of the assessee and turnover declared by the assessee. Therefore, without verifying the relevant record and pointing out the specific defects in the books of accounts and other records, making a statement not emerging from the record is not justified. Even otherwise, once the transactions are duly recorded in the books of accounts and accepted by the Assessing Officer as well as the Commercial Tax Department, then the provisions of sec.69A are not attracted. The **ITAT, Surat Bench of the Tribunal in the case of Anuj Satishkumar Bansal vs. ITO (supra)** has considered an identical issue in Paras 7 to 7.1 as under:

“7. We have heard both the parties and perused the materials available on record. We have also deliberated upon the decision relied on by the Id. AR. On basis of information available with department, the AO found that assessee had total credits of Rs.2,02,52,000/- in his bank account maintained with Bank of Baroda. Further, as per the ITR of the year, assessee had deposited cash of Rs.5,97,000/- and Rs.2,00,000/- in his bank accounts with Indian Bank and Punjab National Bank respectively. Therefore, the case was re-opened after passing order u/s 148A(d) of the Act on 29.07.2022 and notice u/s 148 of the Act was issued on 30.07.2022. The AO issued various notices and show cause notices in response to which assessee filed various details. The AO was not satisfied with explanation of the assessee regarding credit of Rs.1,42,38,500/-out of the total credit of Rs 2,02,52,863/-. The same was added u/s 69A of the Act. The AO also added Rs.7,97,000/- u/s 69A of the Act towards cash deposit during demonetization period. The Id. AR submitted that credit entries of Rs.1,42,38,500/-made in the bank account of appellant and cash deposits of Rs.7,97,000/- are duly accounted for. He also submitted that section 69A of the Act applies to the money owned by the appellant, which is not recorded in the books of account. In this case, the aforesaid amounts credited in bank account of the appellant have been duly accounted for in the books of account maintained by the appellant. The bank account is reflected in the ITR filed by the appellant. Therefore, he submitted that the addition u/s 69A of the Act is clearly wrong and beyond the scope of Section 69A of the Act. He also submitted that

even from the point of view of section 68 of the Act, the nature and source of these credits were duly explained by furnishing account confirmations/ledgers, contra accounts, PAN and relevant extracts of bank statements of lenders of loans of Rs.1,26,45,000/-, In respect of remaining credit, it was explained that amount of Rs.12,50,000/- is for cheque returned, which was debited back in the bank account and Rs.3,43,500/- is the amount paid to "Avadh Club Ltd. on 06.05.2016 which was received back on 02.01.2017. Let us discuss the scope and ambit of the provisions of section 69A of the Act against the undisputed factual position discussed above. Section 69A of the Act reads as under:

"Unexplained money, etc.

69A. Where in any financial year the assessee is found to be the owner of any money, bullion, jewellery or other valuable article and such money, bullion, jewellery or valuable article is not recorded in the books of account, if any, maintained by him for any source of income, and the assessee offers no explanation about the nature and source of acquisition of the money, bullion, jewellery or other valuable article, or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the money and the value of the bullion, jewellery or other valuable article may be deemed to be the income of the assessee for such financial year."

7.1. In this case, the foundational requirement of the provision that the money is not recorded in the books of

account is absent. Therefore, the addition made u/s.69A of the Act, is legally untenable. Be that as it may, the appellant has also furnished all necessary details in support of the unsecured loans, which has not been controverted by revenue at any stage including before the Tribunal. In absence of any adverse finding regarding the genuineness or completeness of the books of account, the reliance on section 69A appears misplaced. It may be stated that mere deposit in a bank account cannot trigger addition u/s 69A of the Act if the same is duly accounted for and disclosed in the regular books of account. In view of the above factual and legal positions, we are of the considered view that the addition of Rs.1,50,35,500/- (1,42,38,500 - 7,97,000) made by the AO u/s 69A of the Act is not unjustified and liable to be deleted. Even otherwise, the impugned amount are also not liable for addition u/s 68 of the Act in view of the details furnished by the appellant and the authoritative precedents by the Hon'ble Supreme Court and Hon'ble jurisdictional High Court of Gujarat in cases of Orrisa Corporation Pvt. Ltd. (supra) and Ranchod Jivabhai Nakhava (supra). Accordingly, grounds Nos. 3 & 4 are allowed.

11. Thus, the mandatory condition for invoking the provisions of sec.69A of the Act is that **where the assessee is found to be the owner of any money, bullion, jewellery or other valuable article and such money, bullion, jewellery or valuable article is not recorded in the books**

of account, is not satisfied in the case of the assessee. Therefore, the addition made by the Assessing Officer u/sec.69A of the Act is illegal and untenable. We also concur with the view of the ITAT, Surat Bench, Surat in the above cited case and, therefore, hold that the addition made by the Assessing Officer u/sec.69A of the Act is not sustainable in law when the transactions are duly recorded in the books of accounts.

12. In the case of **Tamilnadu State Marketing Corporation Ltd., vs., ACIT (supra)**, the Chennai Benches of the Tribunal has also considered an identical issue in Pars 8 to 8.5 as under:

“8. We have heard rival contentions and gone through facts and circumstances of the case. The admitted facts are that the assessee is a company wholly owned by Government of Tamil Nadu and is conducting its retail business of IMFS and Beer through 6200 retail vending shops located all over Tamil Nadu (till November, 2016). These shops functioned under the control of 38 district managers. Admittedly, sale per day was ranging from Rs.80 crores to Rs.110 crores approximately and these shops are located across Tamil Nadu from remote villages to corporate areas. The shop personnel of the retail vending shops located in other areas are depositing the

previous day sale proceeds on the following day into non operative collection accounts of designated bank branches. The assessee before AO and before CIT(A) and even now before us in its paper book consisting of 238 pages filed complete details giving the branch-wise cash deposits, date-wise deposits of SBNs. Admittedly, during demonetization period from 09.11.2016 to 30.12.2016, all retail vending shops throughout the state have deposited a sum of Rs.3506 crores including closing balance as on 08.11.2016. These deposits are consideration received for sale of IMFS and beer sold to the ultimate customers as contended by assessee but contested by revenue. During the period 09.11.2016 to 30.12.2016, the assessee found to have exchanged for value by deposit of Specified Bank Notes or demonetized currency notes totalling to Rs.145.21 crores in its bank account during the permitted window period for such exchange commencing from 10.11.2016 to 30.12.2016. The assessee found to have been in possession of cash balance of Rs.81.57 crores (including demonetized currency and regular currency) at close of 08.11.2016. The balance sum of Rs.57.29 crores, the assessee claimed that such SBNs have been obtained from its customers in exchange of liquor sold to them during demonetization period i.e., 09.11.2016 to 30.12.2016. Admittedly, the Revenue has not rejected the books of accounts produced before the AO and CIT(A) and accepted the sales made by assessee including the sales made in demonetized currency from 09.11.2016 to 30.12.2016 and received demonetized currency of Rs.57.29 crores, which was added by AO u/s.69 of the Act as unexplained investment.

Admittedly, the amount of Rs.57.29 crores is received by assessee on account of sale of liquor as no contrary evidence was produced by Revenue except a simple allegation that the assessee is unable to substantiate its claim with valid verifiable evidence that it had indeed sold its goods to customers in exchange of SBNs during the period between 09.11.2016 to 30.12.2016. The assessee has produced complete evidence giving the branch-wise and date-wise deposit of SBNs, even now before us which are enclosed in assessee's paper-book at pages 19 to 238.

8.1. Now the question arises whether the demonetized currency received by assessee on account of sale of IMFS and beer to the customers and accepted demonetized currency in return is to be assessed u/s.69 of the Act or not as unexplained investment. The Id. Senior DR has raised a question on this that when there was an express bar by Government on transacting business from 09.11.2016 in SBNs in view of Question No.2 of FAQ issued by RBI on 08.11.2016 vide Circular No. DCM(Pig)No.1226/10.27.00/2016-17. The Id. Senior DR has argued that vide this very circular, the Government of India has declared the SBNs as not a legal currency w.e.f. 09.11.2016 except only from few notified business transactions were permitted to transact in SBNs and that too for a limited period up to 24.11.2016 as far as demonetized currency of Rs. 1000/- and Rs.500/- and then it was extended up to 15.12.2016. The Id Senior DR has also argued that the assessee's nature of business is not covered under the notification of the Government of India

exempting certain categories. We noted that the Id counsel for the assessee in reply to the same referred to Ordinance issued by the Ministry of Law & Justice, Government of India in the Gazette of India, wherein the SBNs were declared or ceased to be liability of RBI or Central Government and penal provisions were incorporated in the same for holding the demonetized currency as well as transacting in the same. The relevant Ordinance No.10 of 2016, The Specified Bank Notes (Cessation of Liabilities) Ordinance, 2016 was brought in on 30.12.2016. We noted that vide this Ordinance dated 30.12.2016 ie., Specified Bank Notes (Cessation of liabilities) Ordinance, 2016, No.10 of 2016 dated 30.12.2016, has clearly held the demonetized currency to have ceased to be legal tender as pointed out by Id. Counsel, the provision of Section 5 very categorically states that no person shall knowingly or voluntarily hold or transfer any Specified Bank notes on or from the appointed day of 31.12.2016. The relevant provisions of section 5, 6, 7 & 8 reads as under-

5. On and from the appointed day, no person shall, knowingly or voluntarily, hold, transfer or receive any specified bank note:

Provided that nothing contained in this section shall prohibit the holding of specified bank notes.

(a) by any person-

(i) up to the expiry of the grace period; or

(ii) after the expiry of the grace period,

(A) not more than ten notes in total, irrespective of the denomination; or

(B) not more than twenty-five notes for the purposes of study, research or numismatics;

(b) by the Reserve Bank or its agencies, or any other person authorised by the Reserve Bank;

(c) by any person on the direction of a court in relation to any case pending in that court.

6. Whoever knowingly and wilfully makes any declaration or statement specified under sub-section (1) of section 4, which is false in material particulars, or omits to make a material statement, or makes a statement which he does not believe to be true, shall be punishable with fine which may extend to fifty thousand rupees or five times the amount of the face value of the specified bank notes tendered. whichever is higher. Penalty for contravention of section 5

7. Whoever contravenes the provisions of section 5, shall be punishable with fine which may extend to ten thousand rupees or five times the amount of the face value of the specified bank notes involved in the contravention, whichever is higher. Offences by companies

8. (1) Where a person committing a contravention or default referred to in section 6 or section 7 is a company, every person who, at the time the contravention or

default was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention or default and shall be liable to be proceeded against and punished accordingly: Provided that nothing contained in this sub-section shall render any such person liable to punishment if he proves that the contravention or default was committed without his knowledge or that he had exercised all due diligence to prevent the contravention or default.

(2) Notwithstanding anything contained in sub-section (7), where an offence under this Ordinance has been committed by a company and it is proved that the same was committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary, or other officer or employee of the company, such director, manager, secretary, other officer or employee shall also be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Explanation. -For the purpose of this section,

(a) "a company" means anybody corporate and includes a firm, trust, a cooperative society and other association of individuals;

(b) "director", in relation to a firm or trust, means a partner in the firm or a beneficiary in the trust.

This was further explained by the Central Government Le., RBI vide Circular dated 26.05.2017 and the relevant reads as under-

Why was the Scheme of Withdrawal of Legal Tender Character of the old Bank Notes in the denominations of Rs.500 and Rs.1000 introduced?

The incidence of fake Indian currency notes in higher denomination has increased. For ordinary persons, the fake notes look similar to genuine notes, even though no security feature has been copied. The fake notes are used for antinational and illegal activities. High denomination notes have been misused by terrorists and for hoarding black money. India remains a cash based economy hence the circulation of Fake Indian Currency Notes continues to be a menace. In order to contain the rising incidence of fake notes and black money, the scheme to withdraw legal tender character of the old Bank Notes in the denominations of Rs.500 and Rs.1000 was introduced.

2. What is this scheme?

The legal tender character of the bank notes in denominations of Rs.500 and Rs.1000 issued by the Reserve Bank of India till November 8, 2016 (hereinafter referred to as Specified Bank Notes) stands withdrawn. In consequence thereof these Bank Notes cannot be used for transacting business and/or store of value for future usage. The Specified Bank Notes (SBNs) were

allowed to be exchanged for value at RBI Offices till December 30, 2016 and till November 25, 2016 at bank branches/Post Offices and deposited at any of the bank branches of commercial banks/Regional Rural Banks/Co-operative banks (only Urban Co-operative Banks and State Co-operative Banks) or at any Head Post Office or Sub-Post Office during the period from November 10, 2016 to December 30, 2016.

3. What is the Specified Bank Notes (Cessation of Liabilities) Act 2017?

On February 27, 2017 Government of India notified the Specified Banknotes (Cessation of liabilities) Act 2017. The Act repealed the Specified Banknotes (Cessation of liabilities) Ordinance 2016 providing for cessation of liabilities for the Specified Banknotes (SBNs) and for matters connected therewith and incidental thereto, with effect from December 31, 2016. The SBNs cease to be the liabilities of the Reserve Bank under Section 34 of the RBI Act and cease to have the guarantee of the Central Government.

8.2. The Id. counsel explained that till 31.12.2016, these notes i.e., SBNs in demonetized currency was not held to be illegal tender and there is no provision that holding these notes or transacting the same will amount to violation of any law. Before us, the Id. counsel compared the earlier demonetization scheme of 1978, i.e., The High Denomination Bank Notes (Demonetization) Act, 1978 with the present

Demonetization Scheme, whereby the scheme was announced on 16.01.1978 wherein the high demonetization notes of value Rs.500/-, Rs.1000/- or Rs.10000/- was withdrawn from circulation and there was a clear bar in the Act for transfer or receipt of high denomination notes and that demonetized bank notes was ceased to be legal tender vide section 3 & 4 from 16.01.1978 only, which reads as under:-

"3. High denomination bank notes to cease to be legal tender. On the expiry of the 16th day of January, 1978, all high denomination bank notes shall, notwithstanding anything contained in section 26 of the Reserve Bank of India Act, 1934 (2 of 1934), cease to be legal tender in payment or on account at any place.

4. Prohibition of transfer and receipt of high denomination bank notes. Save as provided by or under this Act, no person shall, after the 16th day of January, 1978, transfer to the possession of another person or receive into his possession from another person any high denomination banknote."

The ld. counsel for the assessee also relied on one decision of Hon'ble Bombay High Court in the case of Narendra G. Goradia (HUF) v. CIT reported in [1999] 101 Taxman 571/234 ITR 571 (Bombay) and stated that the Hon'ble Bombay High Court has categorically held that where the assessee is required to prove source of money, in such case and once, he is successful in proving that source, he could not be asked to produce proof of acquisition of such amount in currency notes

of particular denominations. The ld. counsel for the assessee relied on para 9 of the decision, which reads as under:-

"10. We have also perused the decision of A. Govindarajulu Mudaliar v. CIT, on which reliance is placed by learned counsel for the Revenue. We, however, fail to understand how the above decision helps the Revenue in the instant case. In that case, certain amounts appeared in the account books of a firm of which the assessee was a partner as credits for him. The assessee was asked for an explanation as to how he came to possess this amount. His explanation in regard to the source of this amount in part was not accepted. It was in that context that the Supreme Court observed that where an assessee fails to prove satisfactorily the source and nature of certain amounts of cash received during the accounting year, the Income tax Officer is entitled to draw the inference that the receipts are of an assessable nature. That is not the position in the case before us, In this case, the assessee could prove satisfactorily the source and nature of the amounts. Addition was made not for that reason. The assessee was further required to prove the receipt of the amount of Rs. 2 lakhs therefrom in high denomination notes. In other words, the assessee was asked to prove as to when and from whom he received the amount in high denomination notes. The assessee gave reasonable explanation for his inability to give detailed account of receipts and disbursements of amounts from

time to time in currencies of various denominations including high denomination notes. He could, however, satisfy the authorities about the fact that he was often in possession of Rs. 1,000 denomination notes and the probability of high denomination notes of the value of Rs. two lakhs being included therein. In fact, the Revenue itself was satisfied about the inclusion of 96 notes of Rs. 1,000 each therein. The amount of Rs. 1,04,000 was added as income from undisclosed sources only because, according to the Revenue, the assessee failed to discharge the onus cast on him to prove the acquisition of each and every high denomination note encashed by him. This approach, as earlier indicated, is not correct. The assessee having proved the source and shown satisfactorily the possibility of the inclusion of Rs. 1,000 high denomination notes of the value of Rs. 2 lakhs therein, the addition of Rs. 1,04,000 to his income for his failure to furnish detailed particulars of the receipt of such notes each of the 200 notes of Rs.1,000 denomination tendered by him for encashment, is not in accordance with law."

This judgment was referred by the Id. counsel for meeting the argument made by Id. Senior DR that the demonetized currency received by assessee in the present case is not out of sale proceeds of liquor. We have gone through the scheme and noted that the Specified Bank Notes (cessation of liabilities) Ordinance 2016 (subsequently this was passed as

an Act), was towards cessation of liability of RBI in respect of SBNs with effect from 31.12.2016. The Government of India vide Gazette of India Notification dated 8.11.2016 notified that the SBNs of Rs.500 and Rs.1,000 notes is not a legal tender w.e.f. 9.11.2016. We noted that even the Revenue admitted that the Government has not declared the SBNs as an illegal tender and even possessing of SBNs was not an offence till 31.12.2016. Between the period from 9.11.2016 to 31.12.2016, all the public, who were holding such SBNs were permitted to exchange such holdings against valid currency notes but the scheme itself does not render the SBN as illegal or declaration does not bar in receiving or paying through the SBNs in the course of business like other documents i.e., through cheques, promissory notes, Government securities, which are not legal tender can be freely exchanged so can the SBNs. The Ordinance of December 2016 clearly specifies that on or from 31.12.2016, it is illegal for any person to hold, transfer or receive SBNs. This would mean that prior to 31.12.2016 there is no bar on any person holding, transferring or receiving SBNSs prior to 31.12.2016 was not illegal. If a currency is not a legal tender, only the recipient may refuse or cannot force to receive currency which is not legal tender. When both parties to the transaction agrees, there is no prohibition for one party to transfer and the other party to receive SBNs in the course of a legal transactions prior to 31.12.2016. We noted that with the notification of "The Specified Bank Notes (Cessation of Liabilities) Act, 2017", even this liability to honour such exchange, transact,

transfer or hold SBNs ceased to be operative from 31.12.2016, the appointed date.

8.3 *In view of the above provisions, as in the present case, once the receipt of SBNs by assessee is not illegal or barred by any legal provisions the receipt of SBNs cannot be put on a different footing for the purpose of Section 68 or Section 69 of the Act from other currency as the source of SBNs are same as the source of other currency. The SBNs though are not legal tender, is of no consequence for determination of source, because the SBNs can be encashed for the face value with the bank without any question being raised. We further noted from the RBI circulars or CBDT circulars that neither the RBI circulars nor any CBDT circulars including any instructions on demonetization requires any person to disclose the source of SBNs. We noted from the facts of the case placed before us that out of total deposits of Rs.2635.35 Crores were in cash for the month of November 2016, which has been accepted as the value of liquor sold for a sum of Rs.2582.56 Crores, hence it can be easily presumed, unless disproved by Revenue, that the balance sum of Rs.52.79 Crores is out of sale of liquor. There is no basis or evidences or examination of any person for reaching a conclusion that this sum of Rs.52.79 Crores received by assessee has been substituted in demonetized currency. We noted from the evidences placed before us that the observation of the AO that branch wise details of deposits made in SBNs was not available is not correct for the reason that the complete details of deposits of SBNs account-wise,*

branch-wise was submitted before the AO as well as before the CIT and also before us.

8.4 *We have gone through the notifications issued by the RBI and Government of India, to deal with specified bank notes. The only premise of the Revenue is mainly on the issue of notification issued by the RBI to deal with the specified bank notes and argument is that the assessee is not one of the eligible person to accept or to deal with specified bank notes and thus, even if assessee furnish necessary evidence, the assessee cannot accept specified bank notes after demonetization and the explanation offered by the assessee cannot be accepted. No doubt specified bank notes of Rs.500 & Rs.1000 have been withdrawn from circulation from 09.11.2016 onwards. The Government of India and RBI has issued various notifications and SOP to deal with specified bank notes. Further, the RBI allowed certain category of persons to accept and to deal with specified bank notes up to 31.12.2016. Further, the specified bank notes (cessation of liability) Act, 2017, also stated that from the appointed date no person can receive or accept and transact specified bank notes, and appointed date has been stated as 31.12.2016. Therefore, there is no clarity on how to deal with demonetized currency from the date of demonetization and up to 31.12.2016. Therefore, under those circumstances, some persons continued to accept and transact the specified bank notes and deposited into bank accounts. Therefore, merely for the reason that there is a violation of certain notifications/GO issued by the Government in transacting with specified bank*

notes, the genuine explanation offered by the assessee towards source for cash deposit cannot be rejected, unless the AO makes out a case that the assessee has deposited unaccounted cash into bank account in specified bank notes.

8.5. *We further noted that the Central Board of Direct Taxes had issued a circular for the guidance of the Revenue Officer to verify cash deposits during demonetization period in various categories of explanation offered by the assessee and as per the circular of the CBDT, examination of business cases, very important points needs to be considered is analysis of bank accounts, analysis of cash receipts and analysis of stock registers. From the circular issued by the CBDT, it is very clear that, in a case where cash deposit found in business cases, the AO needs to verify the explanation offered by the assessee with regard to realization of debtors where said debtors were outstanding in the previous year or credited during the year etc. Therefore, from the circular issued by the CBDT, it is very clear that, while making additions towards cash deposits in demonetized currency, the AO needs to analyze the business model of the assessee, its books of account and analysis of sales etc. In this case, if we go by analysis furnished by the assessee in respect of total sales, cash sales including the cash received in demonetized currency and cash deposits, there is negligible amount in demonetized currency. Therefore, we are of the considered view that when there is no significant change in cash deposits during demonetization period, then merely for the reason that the assessee has accepted specified bank*

notes in violation of circular/notification issued by Government of India and RBI, the source explained for cash deposits cannot be rejected. Simpliciter violation of certain notification issued by RBI or demonetization scheme announced by Government of India on 08.11.2016 will not entitle the Revenue to make addition u/s.69 or 69A of the Act. Because, the mandate of the provisions of Section 69 & 69A of the Act, Le., unexplained investments and unexplained money etc., may be deemed to be the income of the assessee for the financial year relevant to assessment year concerned, in which the assessee is found to be the owner of such money, bullion, jewellery or valuable article or unexplained expenditure, if, the such expenditure or such money etc., are not recorded in the books of accounts, if any, maintained by assessee for any source of income and the assessee offers no explanation about the nature and source of such expenditure or acquisition of such money, etc., or the explanation offered by him, in the opinion of AO is not satisfactory. For violation of any RBI notification, etc., can have any civil or criminal liability and can be dealt with under any other provision of law by the concerned authority but for the purpose of bringing the amount under Income-tax, the provisions are very clear i.e., 69 & 69A of the Act. In our considered view, to bring any amount w/s. 69 or 69A 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 of demonetized cash in SBNs.”

13. Therefore, in the facts and circumstances of the case as discussed above and particularly, when the transactions are duly recorded in the books of accounts, the deposits made in the bank account during the demonetization period is well in the line with the deposits made during the other months of the year under consideration and, therefore, it is not an unusual, then the addition made by the Assessing Officer u/sec.69A of the Act is not sustainable and liable to be deleted. We Order accordingly.

14. Before parting with the matter, we note that the decisions relied upon by the learned DR in the case of **Pr. CIT vs. Agson Global (P.) Ltd., (supra)** is not on the issue of deposits in the bank account during the demonetization period but this was an issue of addition u/sec.68 of the Act

and not the sales or turnover of the assessee. Further, the decision of ITAT, Ahmedabad Bench in the case of **Shree Sanand Textiles Industries Ltd., Ahmedabad vs. DCIT (OSD), Circle-8, Ahmedabad (supra)**, the issue is rather decided in favour of the assessee. It is pertinent to note that in the said case the Tribunal has given a specific finding that the provisions of sec.68 cannot be applied in relation to the sales receipt shown by the assessee in the books of accounts. This finding of the Tribunal is also fortified by the Judgment of Hon'ble Gujarat High Court in the case of **CIT vs. President Industries reported in [2002] 258 ITR 654 (Guj.)**. Therefore, the decisions relied upon by the learned DR would not help the case of the Department.

15. In the result, appeal of the Assessee is allowed.

Order pronounced in the open Court on 07th day of January, 2026.

Sd/-
[MANJUNATHA G.]
ACCOUNTANT MEMBER
Hyderabad, Dated 07th January, 2026
VBP

Sd/-
[VIJAY PAL RAO]
VICE PRESIDENT

Copy to :

1.	MRL Trading Company, C-509, AC Guards, Vijaya Hills, Hyderabad – 500 004. Telangana.
2.	The Income Tax Officer, Ward-7(1), Signature Towers, Sy.No.6(P) of Kondapur, Sy.No.37(P), Opp. Botanical Gardens, Serilingampally, Ranga Reddy, Hyderabad. PIN – 500 084. Telangana.
3.	The Pr. CIT, Hyderabad.
4.	The DR, ITAT, “B” Bench, Hyderabad.
5.	Guard file.

BY ORDER

//True copy//