

आयकर अपीलीय अधिकरण, 'बी' न्यायपीठ, चेन्नई।  
IN THE INCOME TAX APPELLATE TRIBUNAL  
'B' BENCH: CHENNAI

श्री जॉर्ज जॉर्ज के, उपाध्यक्ष, एवं सुश्री पदमावती यस, लेखा सदस्य के समक्ष  
BEFORE SHRI GEORGE GEORGE K, VICE PRESIDENT AND  
MS. PADMAVATHY.S, ACCOUNTANT MEMBER

आयकर अपील सं./ITA No.3676/Chny/2025  
निर्धारण वर्ष /Assessment Year: 2017-18

PR & Co.,  
APM Complex, College Pirivu,  
Karatadipalayam,  
Gobichettipalayam – 638 453.  
PAN: AAOFP 6190L  
(अपीलार्थी/Appellant)

The Income Tax Officer,  
Vs. Ward-2(1),  
Erode.

(प्रत्यर्थी/Respondent)

आयकर अपील सं./S.A No.128/Chny/2025  
(Arising in ITA No.3676/Chny/2025)  
निर्धारण वर्ष /Assessment Year: 2017-18

PR & Co.,  
APM Complex, College Pirivu,  
Karatadipalayam,  
Gobichettipalayam – 638 453.  
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Erode.

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/ Appellant by  
प्रत्यर्थी की ओर से /Respondent by

: Mr. S.Bhupendran, Advocate  
: Ms. Gouthami Manivasagam, Addl. CIT

सुनवाई की तारीख/Date of Hearing  
घोषणा की तारीख /Date of Pronouncement

: 07.01.2026  
: 13.01.2026

**आदेश / ORDER**

**PER PADMAVATHY.S, A.M:**

This appeal and the stay application by the assessee are against the order of the Commissioner of Income Tax (Appeals)/Addl. JCIT (Appeal)-

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Bengaluru (in short "FAA") passed u/s. 250 of the Income Tax Act, 1961 ( in short "the Act") dated 12.11.2025 for Assessment Year (AY) 2017-18. The assessee raised the following grounds of appeal:

*"1) The Impugned Order is bad, erroneous and unsustainable in law.*

*2) The learned First Appellate Authority erred in not considering the submissions, explanations and evidences during the assessment in proper perspective.*

*3) The learned First Appellate Authority erred in making the impugned addition under sec.68, without rejecting the books of account and the trade results.*

*4) The learned First Appellate Authority erred in not considering the past history of the appellant, when all the related details were available in the portal."*

*And for all other grounds of appeal that may adduced later, the Appellant humbly prays that the appeal be admitted, be considered and justice be rendered."*

2. The assessee is a partnership firm, engaged in the business of wholesale and retail trading of rice. The assessee filed return of income for A.Y 2017-18 on 01.02.2018 declaring total income of Rs. 57,560/-. The case was selected for scrutiny and the statutory notices were duly served on the assessee. The A.O noticed from the perusal of cashbook and other details that during the year under consideration, the assessee has deposited cash to the tune of Rs. 11,14,29,700/- in two bank accounts held by the assessee. The A.O further noticed that out of the said cash deposit a sum of Rs.1,56,56,600/- is deposited during the demonetization period which included Rs. 56,00,000/- in specified bank notes (SBN). The A.O also noticed that the opening cash balance of the assessee as on 08.11.2016 is Rs. 36,43,022/- and called on the assessee to furnish the source for the balance SBN deposit of Rs. 19,56,978/-. The assessee submitted that the SBN deposited is received as collection from sundry debtors since the assessee is supplying rice both on wholesale as well

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as retail basis to various parties on credit. The A.O did not accept the submissions of the assessee and held that accepting SBN from 09.11.2016 is prohibited. The AO also rejected the explanation of the assessee that he has collected cash in SBN from debtors stating that the assessee failed to produce confirmation from the debtors to substantiate the claim that collections from debtors are made in SBN. Accordingly the A.O treated the amount of Rs. 19,56,978/- as unexplained cash credit u/s. 68 of the Act for the reason that the assessee has not produced any evidence in support of the source of cash in SBN. Aggrieved, the assessee filed appeal before the FAA. The FAA confirmed the addition made by the A.O. The assessee is in appeal before the Tribunal against the order of the FAA.

3. The Ld. AR submitted that the assessee is engaged in the business of wholesale and retail sale of rice to provisions stores etc. and has collected cash in certain cases in SBN from the parties. The Ld. AR drew our attention to the confirmation received from the cash collecting agents who have confirmed having collected cash in SBN from debtors of the assessee (page 35 to 42 of paper book). The Ld. AR further submitted that the A.O has not rejected the books of accounts and has accepted the sales of the assessee along with the corresponding debtors and therefore the A.O is not correct in rejecting the submissions of the assessee that collection from debtors is the source for cash deposited in SBN. The Ld. AR also drew our attention to month wise cash sales, cash receipts, cash deposits into the bank account for A.Y 2016-17 & 2017-18. The ld AR submitted that the trend of cash sales and cash collection during the year under consideration is in line as compared to the previous AY and therefore treating the cash deposit as unexplained u/s. 68 of the Act is not tenable. The Ld. AR also submitted a table containing the

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net profit ratio from A.Y 2013-14 to 2019-20 to submit that the net profit ratio of the assessee is consistent across all the A.Ys which goes to substantiate to claim that the sales which is explained as the source for the cash deposit cannot be held as not genuine to make an addition u/s. 68 of the Act. The Ld. AR also submitted that the FAA has not considered the various documentary evidences submitted by the assessee in support of the source of cash deposit in SBN.

4. The Ld. DR, on the other hand, argued that the assessee failed to provide the critical evidence like debtors' confirmation and proof of SBN collection/sales. The ld. DR further argued that for the purpose of making addition u/s. 68 of the Act, it is not mandatory for the A.O to reject the books of accounts. The Ld. DR in this regard relied on the decision of the Hon'ble Gujarat High Court in the case of Fakir Mohamod Haji Hasan vs. CIT [2001] 247 ITR 290 (Guj.) to submit that section 68 operates independently and the A.O has added only the unexplained portion without disturbing the overall books. The ld DR submitted that in the present case since the assessee has not discharged the onus of explaining the source of cash deposit SBN, the FAA has correctly confirmed the addition made by the A.O. The Ld. DR also argued that the SBN is declared as a non legal tender and acceptance of the same after 09.11.2016 is prohibited. The Ld. DR therefore argued that the explanation offered by the assessee cannot be accepted.

5. We have heard the parities, perused the material available on record. The assessee is a wholesale and retail trader in rice. The A.O did not accept the submission of the assessee that the source of deposit of cash in SBN is the collection from debtors. In this regard, we notice that the assessee has

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submitted affidavit from agents stating that they have collected cash from the debtors of the assessee and has handed over the same to the partner of the assessee. The details of the agents in the affidavit filed are tabulated as under;

Sl. No.	Name of the agent	Amount
1.	<i>A Balusamy</i>	<i>Rs. 5,20,000/-</i>
2.	<i>P. Nandakumar</i>	<i>Rs. 5,00,000/-</i>
3.	<i>K.Sivasakti</i>	<i>Rs. 4,80,000/-</i>
4.	<i>G.R. Natarajan</i>	<i>Rs. 4,60,000/-</i>

6. We further notice that the assessee has submitted the cash ledger for the month of November reflecting the receipt of cash from cash sales and collection from debtors and the corresponding deposit of cash into the bank account of the assessee. We also notice that the assessee has submitted the details showing the cash sales, cash receipts and cash deposits into the bank account during the year under consideration. From the perusal of the order of the FAA, we notice that the FAA has upheld the disallowance made by the A.O on the ground that the assessee failed to correlate the cash sales with actual delivery of goods and has also not substantiated the sales with corresponding receipts from debtors. During the course of hearing, the Ld. AR submitted that considering the nature of business of the assessee, the assessee is not maintaining party-wise ledger account and the cash collections are carried out through agents who have confirmed the receipt of SBN from debtors. In this regard, it is relevant to mention that the FAA has not considered the confirmations submitted by the agents with regard to the cash collection in SBN. It is also relevant to mention that when compared with the overall turnover of the assessee which is at Rs.12,84,16,395/ the addition made towards collection from debtors in SBN is very nominal. We notice that the lower authorities have not considered the analysis of cash sales, cash receipts and cash deposit submitted by the assessee when compared to the

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earlier AY. Considering overall facts and circumstances of the case and the various documents evidences submitted by the assessee, we are of the considered view that the assessee has discharged the onus of substantiating the source for deposit of cash in SBN. Further, accepting SBN after 08.11.2016 can be a violation of notification issued by the Reserve Bank of India and the same cannot be treated as unexplained u/s. 68 of the Act when the assessee has substantiated the source of cash in SBN as cash sales and collections from debtors. In view of this discussion, we hold that the action of A.O to make an addition u/s. 68 of the Act towards cash deposited in SBN cannot be sustained and accordingly directed the A.O to delete the same.

**SA No.128/Chny/2025:**

7. Since, we have allowed the appeal of the assessee, the stay application filed by the assessee has become infructuous. Accordingly the same is dismissed as infructuous.

8. In the result, the appeal of the assessee is allowed and the Stay application is dismissed as infructuous.

*Order pronounced on 13<sup>th</sup> day of January, 2026 at Chennai.*

Sd/-  
(जॉर्ज जॉर्ज के)  
(George George K)  
उपाध्यक्ष / Vice President

Sd/-  
(पदमावती यस)  
(Padmavathy.S)  
लेखा सदस्य / Accountant Member

चेन्नई/Chennai, दिनांक/Dated: 13<sup>th</sup> January, 2026.

EDN, Sr. P.S

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**आदेश की प्रतिलिपि अग्रेषित/Copy to:**

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT, Chennai/Madurai/Coimbatore/Salem
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF