

**IN THE INCOME TAX APPELLATE TRIBUNAL,  
AGRA BENCH, AGRA**

**BEFORE : SHRI S. RIFAUR RAHMAN, ACCOUNTANT MEMBER  
AND  
SHRI SUNIL KUMAR SINGH, JUDICIAL MEMBER**

**ITA No. 335/Agr/2025  
Assessment Year: 2017-18**

Lokendra Kumar Gautam, F-109, Sector-3, Phase-2, Chaitanya Vihar, Vrindavan, Mathura.	<b>Vs.</b>	Income-tax Officer, Ward 1(3)(2), Mathura.
<b>PAN : AGRPG3670K</b>		
<b>(Appellant)</b>		<b>(Respondent)</b>

Assessee by	Sh. Pankaj Gargh, Advocate
Department by	Sh. Shailendra Srivastava, Sr. DR

Date of hearing	16.12.2025
Date of pronouncement	15.01.2026

**ORDER**

**PER : SUNIL KUMAR SINGH, JUDICIAL MEMBER:**

This appeal has been preferred by assessee against the impugned order dated 29.05.2025 passed in Appeal No. CIT(APPEALS)- 1, Agra/10410/2019-20 by the Ld. Commissioner of Income-tax (Appeals), NFAC, Delhi u/s. 250 of the Income-tax Act, 1961 (hereinafter referred to as "the Act") for the assessment year 2017-18, wherein the Id. CIT(Appeals) has dismissed assessee's first appeal.

2. Briefly stating, the facts are that the assessee is an individual, engaged in the business of manufacturing and trading of Pan Masala and Zarda as proprietor of M/s Radha Rani Enterprises. The assessee e-filed his return of income on 03.11.2017 for the relevant assessment year, declaring nil income. Case was selected for complete scrutiny under CASS on account of cash deposits during demonetization period and abnormal increase in such cash deposits as compared to pre-demonetization period. During the demonetization period (09.11.2016 to 31.12.2016), the assessee deposited cash amounting to Rs.1,23,00,000/- in his current account No. 502000086068050 maintained with HDFC Bank. This amount was withdrawn in the month of July & August, 2016 and was re-deposited in the same account upon declaration of demonetization period. The amount was deposited in the bank account on account of business exigencies and uncertainty arising out of demonetisation. It was further explained that the appellant assessee had realized the amounts from his sundry debtors through banking channels and the business of the assessee was in financial stress. Creditors and other parties were making undue pressure for recovery of their funds , hence, he decided to withdraw the amount from bank and later on deposited again in the month of November, 2016 due to demonetization and made payments to the

creditors of assessee. The assessee had furnished cash book for FY 2016-17, bank statements, and details of sundry debtors and sundry creditors along with the copy of application submitted before the Commercial Tax Department, wherein it was stated that the assessee's business was closed on 31.10.2016. The Assessing Officer rejected the explanation of the assessee and treated the entire cash deposit as unexplained cash credit under section 68 of the Act, and made addition of Rs.1,24,00,000/- u/s. 68 of the Act, vide assessment order dated 20.12.2019 passed u/s. 143(3) of the Act.

3. Assessee preferred first appeal before the Id. CIT(Appeals), who dismissed the appeal with the observations that the assessee could not explain the source of cash deposit in the bank account satisfactorily.

4. Assessee has filed this second appeal on the ground that Ld. CIT(Appeals) has erred in confirming the addition of Rs.1,24,00,000/- made by Assessing Officer u/s. 68 r.w.s. 115BBE of the Act, ignoring the submissions of assessee supported by documentary evidences, explaining the source of cash deposit during the demonetization period.

5. Perused the records. Heard learned representative for appellant/assessee and learned DR for revenue.

6. Learned Authorized Representative for the assessee has submitted that the assessee was a regular businessman engaged in

the manufacturing and trading of Pan Masala and Zarda under the name and style of M/s. Radha Rani Enterprises. The cash amount of Rs.1,18,00,000/- was deposited on 12.11.2016 and Rs.5,00,000/- was deposited on 19.11.2016 in the current bank account and Rs.1,00,000/- was deposited in HDFC saving bank account No. 03271930015712 on 12.11.2016. Out of these withdrawals, a sum of Rs.1,23,00,000/- was subsequently re-deposited into the same bank account during November 2016, consequent upon the announcement of demonetization. The source of the cash deposits stood fully explained, being re-deposits, out of earlier withdrawals made from the same disclosed business bank account. The assessee had duly produced the cash book for the relevant year, bank statements, details of business debtors and creditors, as well as ledger accounts of parties to whom payments were made through banking channels. No defects whatsoever were pointed out by the Assessing Officer in the books of account or in the cash book maintained by the assessee. It was emphasized that the revenue authorities failed to bring on record any cogent material or evidence to establish that the cash withdrawn from the said bank account had been utilized by the assessee for any purpose other than business or that the said cash was not available with the assessee on the dates of its redeposit in the same bank

account. In the absence of any such adverse finding, the presumption that the cash re-deposited emanated from unexplained sources is wholly unwarranted. Therefore, it was contended that the addition made under section 68 of the Income-tax Act, 1961 is legally unsustainable, as cash deposits arising out of explained and disclosed withdrawals cannot be treated as unexplained cash credits. The Learned AR further submitted that an amount of Rs.1,00,000/- was deposited during the demonetization period in the assessee's savings bank account with HDFC Bank, which was sourced out of the assessee's personal savings, and hence does not warrant any adverse inference. The reliance was placed on various judicial precedents, including the decision of the ITAT, Mumbai Bench in *Ajit Bapu Satam vs. DCIT* (ITA No. 1599/Mum/2021, order dated 29.08.2022) and the decision of the ITAT, Bangalore Bench in *Veena Makam Nandakumar vs. ITO*, 2024 (5) TMI 532, wherein it has been held that re-deposit of cash out of explained withdrawals from the bank cannot be brought to tax under section 68 of the Act.

7. Learned DR for revenue supported the orders of the authorities below and submitted that since the source of cash deposits amounting to Rs.1,24,00,000/- was not properly explained by the assessee, the

learned CIT(Appeals) has rightly sustained the addition made u/s. 68 of the Act.

8. It is an undisputed fact that the assessee was engaged in the business of manufacturing and trading of Pan Masala and Zarda through his proprietary concern, M/s Radha Rani Enterprises before he closed his business on 31.10.2016. The assessee filed the return of income along with audited books of account, including the balance sheet, profit and loss account, tax audit report, bank statements, and a cash book maintained on a day-to-day basis. The Assessing Officer has neither rejected the books of account nor pointed out any defect therein.

9. The cash deposits aggregating to Rs.1,23,00,000/- were made in the assessee's HDFC Bank current account during November 2016. The assessee consistently explained that these deposits were made out of cash withdrawn earlier from the same bank account during July and August 2016. These withdrawals are duly reflected in the bank statements as well as in the cash book. The availability of cash on the respective dates of deposit is clearly borne out from the cash book and has not been controverted by the Assessing Officer by bringing any adverse material on record.

10. It is further observed that the revenue has failed to negate the explanation of the assessee that the cash deposits were sourced from earlier withdrawals, which in turn emanated from the sale proceeds realized by assessee. The assessee's sales amounting to Rs.4,04,53,486/- have been duly disclosed and not doubted by the Assessing Officer. Once the sales are accepted and the books of account are not rejected, the corresponding entries in the cash book cannot be disbelieved in the absence of any adverse material.

11. We also note that the Assessing Officer has not brought any evidence to establish that the cash withdrawn during July and August 2016 was utilized for any non-business purpose, nor has it been shown that the cash was not available with the assessee at the time of redeposit or that the amount represented income from any undisclosed source. We also find that no adverse inference has been drawn by the authorities below against the explanation of assessee that deposit of Rs.1,00,000/- was made in his saving bank account out of personal savings.

12. The legal position is well settled that section 68 of the Act cannot be invoked where the assessee has satisfactorily explained the source of cash deposits and such explanation remains uncontroverted by material evidence. Merely because the assessee carried out business

transactions before and after the demonetization period does not go to negate the explanation of cash re-deposit. The coordinate Bench of ITAT Mumbai in Ajit Bapu Satam (supra) found no reason to sustain the addition made by the lower authorities, particularly when both cash withdrawal and deposit are duly substantiated from the bank statement of the very same branch. Similarly, ITAT Bangalore Bench in Veena Makam Nandakumar (supra) has observed that once the assessee has explained the source of deposit as having been sourced from the withdrawals from the bank account, it was not open to the revenue to examine as to what assessee did with that money and cannot chose to disbelieve the plea of the assessee merely on surmises.

13. That apart, the business decisions such as withdrawal and redeposit of cash, timing of payments to creditors, or suspension or resumption of business activities fall within the domain of commercial expediency and in such matters, the Assessing Officer cannot substitute his own business judgment unless the transactions are proved to be sham or non-genuine, which is not the case here.

14. In the absence of any incriminating material once the source of cash deposits stands satisfactorily explained, the addition made under section 68 is not sustainable. Accordingly, the addition of Rs.1,24,00,000/- made by the Assessing Officer under section 68 read

with section 115BBE is liable to be deleted. The appeal of the assessee deserves to be allowed.

15. In the result, assessee's appeal is allowed.

***Order pronounced in the open court on 15.01.2026.***

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

**Sd/-  
(SUNIL KUMAR SINGH)  
JUDICIAL MEMBER**

Dated: 15.01.2026

\*aks/-

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(A)
5. DR

Asst. Registrar, ITAT, Agra