

**IN THE INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCH 'E': NEW DELHI**

**BEFORE SHRI SUDHIR KUMAR, JUDICIAL MEMBER  
AND  
SHRI MANISH AGARWAL, ACCOUNTANT MEMBER**

**ITA No.1881/Del/2024  
(ASSESSMENT YEAR 2017-18)**

Mrs. Zia Rathi, 274, DDA Flats, Sector-1A, Dwarka Nasirpur, New Delhi-110045.  PAN-BSVPR9218M	Vs.	Income Tax Officer, Ward-44(3), Delhi.
<b>(Appellant)</b>		<b>(Respondent)</b>

Assessee by	Dr. Rakesh Gupta, Adv. Shri Somil Agarwal, Adv. Shri Saksham Agarwal, CA and Shri Deepesh Garg, Adv.
Department by	Ms. Ankush Kalra, Sr. DR
Date of Hearing	04/11/2025
Date of Pronouncement	16/01/2026

**ORDER**

**PER MANISH AGARWAL, AM:**

This appeal is filed by the Assessee against the order of Learned Commissioner of Income Tax, National Faceless Appeal Centre (NFAC), Delhi ('Ld. CIT(A)' in short) dated 27.02.2024 in Appeal No. CIT(A), Delhi-15/11146/2019-20 arising out of the order passed u/s 143(3) of the Income Tax Act, 1961 ('the Act' for short) for Assessment Year 2017-18.

2. Brief facts of the case are that assessee is sole proprietor of M/s Veezee Traders engaged in the business of trading of PVC Coated Imported Fabric. The

main supplier of the goods is M/s Trinity Overseas who imports from outside India and sold to the assessee. The return of income was filed on 30.10.2017 declaring total income at Rs.4,53,100/-. The case of the assessee was selected for scrutiny for the reason "large cash deposits during demonetization". The notice u/s 143(2) was issued on 09.08.2018 followed by notices u/s 142(1) along with questionnaires issued from time to time. In response, assessee filed submissions and necessary evidence. The AO after considering the submissions and also examining the proprietor of M/s Trinity Overseas, Shri Inder Mohan Kukreja concluded that the cash deposited in the bank account in SBN during demonetization period of Rs. 2,23,46,000/- is unexplained cash credit and made the addition for the same on protective basis in the hands of assessee by observing that this cash was actually hold by assessee for Shri. Inder Mohan Kukreja. The AO further invoked the provisions of section 115BBE for charging tax at a higher rate.

3. Against such order, the assessee filed an appeal before Ld. CIT(A) which was dismissed by Ld. CIT(A) and sustained the additions in the hands of the assessee towards the cash deposits of Rs. 2,23,46,000/- on substantive bases.

4. Aggrieved by the said order, the assessee is in appeal before the Tribunal by following grounds of appeal:

1. *That having regard to the facts and circumstances of the case, Ld. CIT(A) has erred in law and on facts in exercising the jurisdiction in making aggregate addition of Rs.2,23,46,000/- on account of cash deposits u/s 68 on substantive basis in the hands of assessee and that too without any basis and without giving show cause notice in this regard and without following the principles of natural justice and without appreciating/considering the submissions, evidences and material placed on record by the assessee, more so when AO made the said addition on protective basis.*

2. *That in any case and in any view of the matter, action of Ld. CIT(A) in making aggregate addition of Rs.2,23,46,000/- on account of cash deposits u/s 68, is bad in law and against the facts and circumstances of the case.*
3. *That having regard to the facts and circumstances of the case, Ld. CIT(A) has erred in law and on facts in making aggregate addition of Rs.2.23,46,000/- on account of cash deposits u/s 68 and that too on substantive basis which led to triple addition which is not permitted under the law,*
4. *Without prejudice, that in any case and in any view of the matter, Ld. CII(A) ought to have deleted the addition made by Ld. AO as the substantive addition has already been made in case of Sh. Inder Mohan Kulreja vide order dated 30-03-2022.*
5. *That having regard to the facts and circumstances of the case, Ld. CIT(A) has erred in law and on facts in not reversing the action of Ld. AO in charging interest u/s 234B & 234C of Income Tax Act, 1961.*
6. *That the appellant craves the leave to add, modify, amend or delete any of the grounds of appeal at the time of hearing and all the above grounds are without prejudice to each other.”*

5. Vide letter dated 04.11.2025, assessee has filed an application u/s Rule-11 of the ITAT Rules, 1963 and raised the one additional ground of appeal which reads as under:

- “1. *That having regard to facts and circumstances of the case, Ld. AO has erred in law and on facts in taxing the addition of Rs. 2,23,46,000 on account of cash deposits u/s 68 as per the amended provisions of section 115BBE i.e. at the high rate of tax of 60%, which is bad in law in view of the decision of Hon'ble Madras High Court in the case of S.M.I.L.E Microfinance Limited vs. ACIT, W.P.(MD) No. 2078 of 2020 and W.M.P.(MD) No. 1742 of 2020, dated 19.11.2024.”*

6. Heard both the parties. It is observed that additional ground of appeal taken by the assessee is purely legal in nature and requires no further investigation and goes to the root of the matter, therefore, by respectfully following the judgment of Hon'ble Supreme Court in the case of CIT vs. Singhad Technical Education Society, [2017] 397 ITR 0344 (SC) and NTPC Ltd. vs. CIT, [1998] 229 ITR 0383 (SC), the same is hereby admitted for adjudication.

7. Before us, Ld. AR of the assessee submits that the AO has not denied the fact that assessee was engaged in the retail trade of imported PVC Coated Fabric. He further submits that during the course of assessment proceedings, the AO examined main supplier of assessee Sh. Inder Mohan Kukreja who had categorically admitted the fact that entire goods imported by him were sold to the assessee for retail sales. However, the AO was of the opinion that the cash sales was of Shri Kukreja and belonged to him, made the addition only protective basis in the hands of assessee which the Id. CIT(A) has converted into substantive. The Ld. AR submits that during the year under appeal total cash of Rs.9,23,95,000/- was deposited in the bank account by the assessee and out of which only sum of Rs.2,23,46,000/- was deposited during the demonetization period. The lower authorities have not doubted the cash deposited of the balance amount of Rs.7,00,49,000/- though the said cash was also generated from the same business to retail sales of PVC Coated Fabric purchased from M/s Trinity Overseas. The Ld. AR submits that assessee was blessed with Baby Girl in the month of February 2016 and due to this fact, she suspended the business and taken maternity leave. Therefore, from the month of October 2016 onwards, there were no sales nor purchases in the firm owned by the assessee.

8. Ld. AR further submits that during the course of assessment proceedings, assessee has filed all the relevant details in support of the sales which include copy of sale register, purchase register, stock register, copy of the cash books and further filed the copy of VAT return and VAT assessment orders which are available in the PB filed before us. Ld. AR submits that Assessing Officer on the one hand has not doubted the books of account maintained and accepted the profit declared from the business and on the contrary, doubted the cash generated from the sales and made

the addition on protective basis without appreciating the evidences filed in support of claim by the assessee. The Ld. AR further submits that when the supplier appeared and accepted the sales to the assessee and no doubts were raised by the other authorities like VAT etc. regarding the sales made the additions made in the hands of the assessee deserves to be deleted. The Ld. AR also filed detailed written submissions in this regard which reach as under:

*“Ground No. 1-3:- The only effective issue in the present appeal is with respect to addition made by Ld. AO u/s 68 on protective basis of Rs. 2,23,46,000/- on account of alleged unexplained cash deposit made by the assessee in his bank account. Ld. CIT(A) confirmed the addition on substantive basis in the hands of assessee, Hence the present appeal.*

***Brief facts of the case are that** assessee is an individual and was doing retail trading business in the name of M/s Veezee Traders since 2014 to Oct. 2016 and had shown gross total income of Rs.4,53,100/- (PB 1) during the assessed year. During the impugned year, assessee deposited cash of Rs. 2,23,46,000/- in her current account during the demonetization period, the source of which is in dispute. The source of such deposit is explained by assessee to be out of sales made during the regular course of business from 01.04.2016 to 14.10.2016. However, the same was added to income of assessee by Ld. AO and thereafter it was confirmed by Ld. CIT(A) on the ground that assessee has failed to substantiate such deposit by correlating the cash sale with such deposit. Hence, the present appeal.*

*In fact, total cash available with the appellant during the year was Rs.9,23,95,000/- out of which Rs. 2,23,46,000/- was deposited during demonetization period for which addition was made which is the subject matter of the present appeal and Rs7,00,49,000/- was deposited during 1.4.2016 till demonetization period for which case was reopened u/s 147 and which was accepted by Ld. AO in the reassessment order to have been made substantially from the cash sale of Rs8,60,62,562/- effected by the appellant.*

*(1) In fact, foremost argument of the assessee is that this case was reopened u/s 147 also, after passing the impugned assessment order for bringing to tax the cash deposits in the bank account of the assessee between the period 01.04.2016 till 08.11.2016 and during that reassessment proceeding, Assessing Officer enquired about the cash sales made by the appellant and accepted the factum of cash sales & generation of cash therefrom and cash deposit made out of the cash sale, between the period from 01.04.2016 to 08.11.2016.*

*When the source of the impugned addition is also the cash sales made between 01.04.2016 till 08.11.2016 and Ld. A.O. having accepted the cash sales & cash deposit out of that cash in the reassessment order passed under section 147, there is no justification for making addition of the impugned cash deposit in the bank account during the demonetization period.*

**PB 477** is the copy of notice u/s 148, dated 30.06.2021 for A.Y. 2017-18.

**PB 478 to 482** is the copy of reply dated 30.05.2022, u/s 148A(b) in which information was confronted for bringing to tax the remaining cash deposited in the bank account by the assessee, in response to which assessee submitted that total cash deposits in the bank account was Rs.9,23,95,000/- out of which Rs. 2,23,46,000/- was deposited during demonetization period and the balance cash deposited was out of total cash available of Rs. 9,23,95,000/- including the cash sale.

**PB 483 to 486** is the assessee's submission dated 16.04.2023 filed in reassessment proceeding, submitting inter-alia that assessee was doing business of retail trading of PVC Coated Fabric since 2014 and selling the same in retail to the customers in cash and such cash sale proceeds were regularly deposited in the bank account and that total sales during the year was to the tune of Rs.8,60,62,562/- and producing copy of sale register, purchase register, stock register, copy of ledger account in the books of the suppliers and copy of cash book and that sale was reported in VAT Returns and VAT Assessment Order was passed and enclosing the copy of the VAT Assessment Order.

**PB 487 to 494** is the copy of assessee's submissions dated 17.12.2019 submitted during reassessment proceeding giving reconciliation of the total cash deposit in the bank and comparison of cash sales in A.Y. 2016-17 with the cash sales of A.Y. 2017-18 and again enclosing copy of cash book, VAT return, VAT Assessment Order, stock register and other details.

**PB 495 to 497** is another submission of the assessee dated 03.05.2023 submitting inter-alia about the explanation of cash deposit and submitting copy of various books of accounts.

**PB 498 to 501** is the copy of show cause notice dated 04.05.2023 asking the assessee as to why cash deposit of Rs.7,00,49,000/- made between the period from 01.04.2016 and before the date of demonetization be not added.

**PB 502 to 507** is the detailed submission dated 07.05.2023 made by the assessee submitting inter-alia that cash book was duly submitted and cash was deposited from the cash sales made by the assessee.

**PB 508 to 510** is the copy of assessee's reply dated 11.05.2023 submitting explanation of the cash deposit in the bank account and that A.O. in the case of Sh.

*Inder Mohan Kukreja Proprietor of M/s Trinity Overseas has accepted that the cash deposited in the account of Smt. Zia Rathi in the period before demonetization was in the normal course of business.*

**PB 511-518** is the copy of assessment order dated 30.03.2022 in the case of Sh. Inder Mohan Kukreja for A.Y. 2017-18, where addition of Rs. 2,23,46,000/- was made by the A.O. in the hands of Mr. Kukreja.

**PB 519 to 524** is the copy of the reassessment order dated 25.05.2023 for A.Y. 2017-18 passed in the case of the appellant in which A.O. has accepted that assessee was active and engaged in the financial/business transactions and that cash deposit of Rs.7,00,49,000/- out of the total cash available was accepted in the reassessment order and that A.O. in the reassessment order has verified and accepted the purchase / sale deposits in the bank.

Therefore, the short argument based on the above is this that when Ld. A.O. in the reassessment proceeding for A.Y. 2017-18 has accepted the factum of the cash sale to the tune of Rs.8,60,62,562/- and cash deposit of Rs.7,00,49,000 out of total cash available of Rs. 9,23,95,000, there was no justification for making addition on account of the balance cash deposit which was from that very sale, which has been accepted in the reassessment order.

**(2) In this regard it is submitted that** cash deposit was made out of the cash in hand available in the books of accounts which in turn was made up by sale which is evident from the following voluminous evidences:-

**PB 5-6** is the copy of audited Balance Sheet and Profit & Loss Account showing inventories which have been accepted by Ld. AO as may be seen from the assessment order.

**PB 6** is Profit & Loss account showing the amount of sale of Rs. 8,60,62,562/- which includes the amount of cash sales.

**PB 7-16** is the copy of tax audit report issued by the tax auditor showing that cash book, bank book, ledgers and copies of bills were mentioned and which were examined by the tax auditor (PB 8).

**PB 16A-16B** is the copy of Balance Sheet and Profit & Loss account for the financial year 2015-16 showing the opening balance of cash in hand as on 01.04.2016 was Rs.73,82,787.

**PB 23-26** is assessee's reply dated 04.12.2019 submitting that there are audited books of accounts and same may be produced as and when required and cash sales have been made which were deposited in bank accounts and such cash sale are part

*of books of accounts which may be produced when required (PB 24) and submitted detail of cash available in hand as on 08.11.2016 (PB 25) of Rs.2,27,20,861/-.*

**PB 37-206, 207-210** are the copies of sales register, purchase register showing that assessee made purchases only from M/s Trinity Overseas.

**PB 213-220** is assessee's reply dated 17.12.2019 submitting the comparison of cash deposit during the FY 2015-16 was more than in compare to cash deposit in FY 2016-17, detail of cash sales in FY 2015-16 & FY 2016-17, monthwise cash sales and cash deposited in bank account during the FY 2015-16 & FY 2016-17, detail of month wise cash in hand during the FY 2016-17 and submitted that all purchases were on credit from M/s Trinity Overseas and the proprietor allowed to assessee to make payment after sale of product and that can be confirmed from the ledger also (PB 233-235).

**PB 221-232** is the copy of bank statement of Union Bank of India account no 493701010051636 of assessee's Proprietorship firm i.e. M/s Vee Zee Traders for AY 2017-18.

**PB 233-235** is the Copy of ledger account of assessee's Proprietorship firm i.e. M/s Vee Zee Traders in the books of M/s Trinity Overseas for the AY 2017-18.

**PB 292** is the copy of stock summary of M/s VeeZee Traders assessee proprietorship firm for AY 2017-18.

**PB 293-356** is the copy of cash book of M/s Vee Zee Traders assessee proprietorship firm for AY 2017-18.

**PB 357-370** are the copies of Form VAT returns of assessee's proprietorship firm M/s VeeZee Traders for the FY 2015-16.

**PB 371-382** are the copies of Form VAT returns of assessee's proprietorship firm M/s VeeZee Traders for the FY 2016-17.

**PB 392** is the copy of VAT order for assessee's proprietorship firm M/s VeeZee Traders for the FY 2016-17 showing that assessee has filed all the VAT returns and those were complete and accepted by VAT department at the Turnover of Rs.8,60,62,561/-.

**PB 393-394** is the copy of show cause notice dated 15.12.2019.

**PB 396-397** is assessee's reply dated 17.12.2019 submitting the copies of random purchase bill (PB 398-404) and random sales bills for the FY 2016-17 (PB 405-412).

**PB 413-414** is the copy of show cause notice dated 23.12.2019 issued by Ld. AO to the assessee and requested to produce Sh. Inder Mohan Kukreja prop. M/s Trinity Overseas on the basis of assessee's earlier submissions that she only purchase the stock from above and sold the stocks in retail market and asked to prove his identity along with various annexures such as:-

- Copy of audited B/S, P/L accounts and full ITR (**PB 236-191**).
- Confirmed copy of accounts of the assessee in the books of M/s Trinity Overseas (**PB 233-235**).
- Copy of VAT return of M's Trinity Overseas (**PB 383-390**).

**PB 415-417** is the copy of summon to Sh. Inder Mohan Kukrejs prop. M/s Trinity Overseas dated 25.12.2019.

**PB 418-422** is the copy of reply dated 26.12.2019 submitted by the assessee before Ld. AO in response to the show cause notice dated 23.12.2019 confirming the appearance of Sh. Inder Mohan Kukreja prop. M/s Trinity Overseas.

**PB 423** is the copy of letter dated 26.12.2019 by Sh. Inder Mohan Kukreja prop. M/s Trinity Overseas stating that he produced in the case of assessee before Ld. AO.

**PB 426** is the copy of Letter dated 14.05.2018 received from the Investigation, Unit-7, New Delhi asking for the certain documents/ information in respect of cash deposits.

**PB 427-431** are the copies of replies dated 24.05.2018, 12.06.2018, 25.06.2018 & 06.07.2018 submitted by the assessee before Investigation, Unit-7, New Delhi in response to the letter dated 14.05.2018.

**PB 440-470** are the submission before Ld. CIT(A) highlighting the above mentioned points and submitting that addition has resulting into double taxation. Adverse observations of Ld. AO meets as under:

**Adverse observations of Ld. AO meets as under:-**

1. Ld. AO has mentioned in para 2.3 at page number 5 of the assessment order that "Even it is considered that assessee was having cash out of cash sales of items of Sh. Kukreja, the entire cash should have been deposited in one go."

**In reply it is submitted that** this was never asked. In any case it may be record that banks were not excepting big amount of cash in one go and also cash was not being transported in major chunk due to prevailing situation.

**PB 213-220, 217** is assessee's reply dated 17.12.2019 submitting that banks were very much occupied in receiving cash from its customers and were accepting the deposits in small amount only.

2. Ld. AO has mentioned in para 2.4 at page number 5 of the assessment order that assessee was also examined by Investigation Wing of the Department wherein it has been found that assessee had stopped the business in mid of Oct 2016 and she failed to demonstrate the reason for holding such huge cash after the closure of the business.

**In reply it is submitted that** assessee was having Union Bank classic current account and in this account she was eligible to deposit not exceeding Rs.75 Lacs in a month and if she crossed the limit she had to pay huge bank charges and due to that she was having accumulated cash in hand just before demonetization.

**PB 430-431** is the copy of assessee's reply dated 06.07.2018 submitting the above facts before Investigation Wing, Unit-7.

3. Ld. AO has mentioned in para 2.5 at page number 6 of the assessment order that assessee has no explanation and it is held that assessee has only held the case of Sh. Inder Mohan Kukreja to deposit in her bank account.

**In reply it is submitted that** this whole of the assessment has been mis on suspicions, surmises and conjectures. The facts available on record and produced before Ld. AO have been ignored and no evidence to the contrary has been brought on record by Ld. AO. Further it is submitted that assessee maintained the proper books of account in regular course of business which were duly audited by the independent Chartered Accountant under section 44AB of the Act, all the sales & purchases and stocks were recorded in the books of account which had not been doubted by the AO. The sales shown by the assessee had been accepted by VAT/Sales Tax Department and all is evident herein from above submitted evidences.

**It is further submitted** that the impugned cash deposits have been made from the cash sales made during the subject year which is part of total turnover of the assessee and on which tax has already been paid by the assessee.

**PB 6** is the copy of trading account and profit and loss account of the assessee for the year ending 31.03.2017 showing the same.

Therefore, reliance is placed on the following judicial precedents, wherein it has been held that no additions can be made of sales already disclosed and offered to tax by the assessee:-

**-Addl. CIT vs. Gurshant Rotary Compressor Ltd. 15 DTR 429(Del 'C')(TM)**

*Income Cash credit---Alleged sale consideration of goods---Amount of alleged sale consideration of books though not established by assessee to be genuine, same having been credited to the P&L a/c by assessee, it was neither required to be added nor deleted.*

***-Eland International (P) Ltd. vs. Dy. CIT 26 DTR 113(Del. 'C')***  
***-CIT v. Vishal Exports Overseas Limited (Gujarat High Court) Tax Appeal No. 2471 of 2009***

*Thus, impugned additions will only result in double taxation which is not permissible in the eyes of law.*

***Reliance is also placed on the following decisions for cash deposit during the demonetization period and also for the aspect of cash sales:-***

- ***Kalaneedhi Jewellers LLP [2022] 96 ITR 66 (Chandigarh-ITAT)***

*"Wherein, there was issue of cash deposits in the regular bank account of the assessee out of sales as reflected in trading account and it was held that if the opening stock, purchases, sales and closing stock have not been doubted and cash is received against such sales, then the addition cannot be said to be justified."*

- ***CIT v. Hirapanna Jewellers [2021] 96 ITR 24 (Vishakhapatnam-ITAT)***

*"Where AO made addition under section 68 on account of huge cash amount deposited by assessee-jeweller in its bank account post demonetization, since assessee had explained source of said cash deposits as sales of jewellery, produced sale bills and admitted same as revenue receipt as well as offered it to tax and assessee also represented outgo of stocks which was matching with sales, impugned addition was to be deleted"*

- ***Arun Garg v. ITO/2022] 98 ITR 508 (Chandigarh-ITAT)***

*"They had made cash deposits out of their independent sources and furnished necessary proof for same and, thus, source stood justified-Further, opening stock, purchases, sales and closing stock in hands of assessee was accepted by Assessing Officer and its books of account was also not rejected - Such entries related to parties in effect stood accepted - Whether, on facts, impugned additions made by Assessing Officer was unjustified-Held, yes."*

***Adverse observations of Ld. CIT(A) meets as under:-***

*4. Ld. CIT(A) has mentioned in para 5.3 at page number 23 of the appeal order that appellant did not submit VAT return filed by her.*

***In this regard it is submitted that PB 218 is assessee's reply dated 17.12.2019 submitting the copies of VAT returns along with the VAT order.***

*Ld. CIT(A) confirmed all the additions and observations made by Ld. AO in the impugned order without applying any mind therefore in view of the above, it is submitted that all observations of Ld. CIT(A) based on Ld. AO may please be ignored.*

*In view of the above, it is respectfully submitted that the addition made by Ld. AO is without any basis, evidence or material and is merely based on surmises and conjectures and may please be deleted.”*

9. On the other hand, Ld. Sr. DR vehemently supported the orders of lower authorities and submits that business of the assessee was carried out to deposit the unexplained cash of the assessee which was claimed as genuine in the garb of cash sales. The Ld. SR. DR further submit that the assessee had was not continued business activity after October 2016 which further proved that the entire exercise was a cooked story to justify source of cash deposited in SBN during the demonetization period. Therefore, Ld. CIT(A) has rightly held the cash as unexplained and confirmed the addition on substantive basis in the hands of the assessee for which a prayer is made to confirm the order of the Ld. CIT(A).

10. Heard the parties and perused the materials available on record. In the instant case, since beginning of the proceedings, it was the claim of assessee that during the year under appeal she was engaged in retail sales of PVC Coated Fabric which was imported by one firm namely, M/s Trinity Overseas who had appointed the assessee as it sole selling agent. The proprietor of the supplier firm Shri Inder Mohan Kukreja also accepted this fact in the statement record during the course of assessment proceedings when he was summoned by the Assessing Officer.

11. The assessee has filed all the necessary evidence to establish the source of cash deposited which includes sales register, purchases register and day-to-day stock register along with copy of cash book. According to cash book submitted, there was

cash balance of Rs.2,27,20,861/- available with the assessee as on the closing hours of 08.11.2016 and these facts were submitted before the AO vide letter dated 04.12.2019 as available in the PB pages 23 to 26. It is further observed that books of accounts of the assessee were duly audited, and AO has not raised any doubts and further accepted the trading results declared by the assessee. It is also a matter of fact that AO alleged that assessee has stopped discontinued the business since October, 2016, however, had failed to appreciate that the assessee was under maternity leave and finally blessed with Baby Girl in the Month of February and birth certificate is filed before us. Therefore, this allegation of the lower authorities is found not tenable.

12. Once, the assessee has been able to establish that entire cash deposited in the bank account was out of sales proceeds. It is also a matter of fact that out of total cash deposited of Rs. 9,23,95,000/-, only sum of Rs.2,23,46,000/- was deposited during demonetization period and balance amount of Rs.7,00,49,000/- was deposited prior to demonetization which is also accumulated from the retail sales.

13. Once the assessee has discharged the burden casted upon her of explaining the source of cash deposited during demonetization by filing every possible evidence and Revenue has not been able to controvert such details nor any defects were pointed out thus merely on assumption, it cannot be held that cash deposited during demonetization is unexplained money of the assessee. Accordingly, we hereby direct the AO to delete the addition made u/s 68 of the Act towards the cash deposited during demonetization.

14. The Co-ordinate bench of Mumbai ITAT in the case of *ACIT v. Ramlal Jewellers (P.) Ltd.* reported in [2023] 154 taxmann.com 584 (Mumbai - Trib.)

under similar circumstances, deleted the addition made u/s 68 on account of cash deposit in SBN during the demonetization into bank by making following observations:

*Section 68 of the Income-tax Act, 1961- Cash credit(Cash deposit in bank)- Assessment year 2016-17- Assessee-company was engaged in jewellery business - During assessment proceedings, Assessing Officer noted that immediately after demonetization assessee had shown inflated cash sales and also made deposits in bank account which was completely abnormal as compared to earlier year and also subsequent year - He, therefore, taxed cash deposits under section 68 - It was seen that assessee had maintained regular books of account which was subject to audit and had produced entire sale bills, stock register and purchases and also quantitative tally of sales and corresponding stock - Addition under section 68 on account of cash deposits could not be made simply on reason that during demonetization period, cash deposits vis-a-vis cash sales ratio was higher - Whether once, it had been established that sales representing outflow of stocks was duly accounted in books of account and there was no abnormal profit during year, then there was no justification to treat deposits made in bank account out of cash sales to be income from undisclosed sources - Held, yes*

*Whether, therefore addition made under section 68 was to be deleted -Held, yes [Para 14] [In favour of assessee]*

15. The ***hon'ble Delhi High court*** in the case of ***CIT v. Kailash Jewellery House*** in ***ITA No. 613/2010 (Delhi High Court)*** has held as under:

*In the facts of above case cash of Rs.24,58,400/- was deposited in bank account. The Assessing Officer made the addition on the ground that nexus of such deposit was not establish with any source of income. The assessee claimed that it was duly recorded in the books on account of cash sales and was considered in the Profit and Loss Account. The Assessing Officer had verified the stock and cash position as per books and had accepted the same. Complete books of account and cash book was submitted to the Assessing Officer and no discrepancy was pointed out. On this basis CIT(A) deleted the addition. Tribunal also observed that it is not in dispute that sum of Rs.24,58,400/- was credited in the sale account and had been duly included in the profit disclosed by the assessee in its return. Therefore, cash sales could not be treated as undisclosed income and no addition could be made once again in respect of the same. The Hon 'ble High Court dismissed the appeal filed by the Department.*

16. The Co-ordinate bench of ITAT Delhi in the case of ***S. Balaji Mech-Tech Private Ltd Vs. ITO*** in ***ITA No. 556/Del/2024*** vide order dt. 25.09.2024 has observed as under:

18. *Coming to the issue of stock movement and excess sales, we observed that the assessee has submitted relevant stock reconciliation and auditors report of stock movements and there is no negative stock movement which will indicate that the assessee has booked excess sales without there being proper purchases.*
19. *In our considered view, there are chances that during the demonetization period the regular customers may have choose to buy the spare parts and bearing by making payment by cash so that their excess SBN is transferred. We noticed that the credit sales has come down during this period and the sales of the assessee is more or less maintained during this period. Therefore, it shows that the changes in the patterns recorded in the sales are not abnormal.*
20. *Whether the recording of cash sales which is already declared in the books of account will attract the deeming provisions of sec.68 or 69A of Act. We observed that the assessee has declared all the cash transactions in its books of account and merely because the cash deposits are more during the demonetization period, whether the CIT(A) can invoke the provisions of section 69A of the Act. As per provisions of the section, it is necessary that the assessee be found with the money, the same is not recorded in the books accounts maintained by it for any source and not offers any explanation or such explanations are not found to be satisfactory to the AO. In this case, the assessee has already declared the cash sales in its books of account and offers the explanation as cash sales, which the lower authorities has accepted it as regular business transactions because they have not rejected the book results and brought to tax the total sales declared by the assessee in its books. Since the cash were already recorded and explanation is already part of the book results, there is no avenue for the CIT(A) to reject such explanations. This expression "explanation is found not satisfactory to the AO" is purely relates to the money found with the assessee which are not recorded in the books of account. In this case, the above expression has no relevance since the assessee had already declared the cash sales in its books. In the similar situation, the coordinate bench has held in the case of *J.R.Rice India (P) Ltd* as under:*

*"At the cost of repetition, to the extent of sales made, the stock position is also correspondingly reduced by the assessee which goes to prove the genuineness of the claim of the assessee. On examination of the cash book of the assessee, it is found that the assessee had cash balance of Rs. 55.94 lakhs as on 8-11-2016, i.e., the date on which demonetization was announced, which sufficiently explains the source of deposit of Rs.*

*52.60 lakhs in specified bank notes. Apart from this, the assessee had duly furnished the month wise details of sales, month wise details of purchase, corresponding freight charges incurred month wise, month wise power and fuel expenses and month wise selling expenses in the form of rebate and discount. The assessee also furnished the quantitative details of goods month wise for rice, sugar, chana dal and wheat flour before the Assessing Officer. All these facts clearly go to prove the genuineness claim made by the assessee that cash deposits of Rs.52.60 lakhs has been made out of cash balance available with the assessee and, hence, there is absolutely no case made out by the revenue for making addition under section 68."*

17. In the case of ***Fine Gujranwala Jewellers Vs. ITO*** in ***ITA No. 1540/Del/2022*** vide order dated 27.03.2023 the co-ordinate bench held as under:

22. *In the case in hand the reason for disbelieving the cash deposit is that the assessee has been deposited below Rs. 2 lakh in every transactions that lead to the conclusion of the Assessing Officer that the same has been done to avoid the application of provision of section 285BA read with Rule 114E of the Act. The said observation made by the Assessing Officer without any material in his hand. There is no prohibition under law to make sale transaction below Rs. 2 lakhs as such the assessee had at liberty to manage his own affairs. From the action of the assessee in raising the sales bill below Rs. 2 lakhs the Assessing Officer cannot interpret as the sale are bogus only to give colour to non-genuine transaction as genuine transaction. The evidence brought on record by the Assessing Officer are not enough to hold that sales were not genuine. More so, the other wing of the Govt has already accepted the sale transaction under VAT, hence, the Assessing Officer is precluded from making contrary findings on the issue when the sales are not doubted. The other contention of the ld. DR is that the assessee has not maintaining stock register properly and date wise stock position are not given. The Assessing Officer made the said observation without rejecting the books of account form which true profit and loss accounts could be ascertained and there is no quarrel on this issue. The lower authorities cannot place reliance on the circumstantial evidence which is only conjectures and surmises and the said approach of the ld CIT(A) is devoid of merit it deserves to be rejected. Further, the income of the assessee has to be computed by the Assessing Officer on the basis of available material on record and it is very important to have a direct evidence to make an addition rather than circumstantial evidence. When the assessee gives any reply or submission or any documents to the Assessing Officer, it is duty of the Assessing Officer to examine the same in the light of the available evidence. In the present case the Assessing Officer and the ld CIT(A) have concluded the findings on the basis of conjectures and surmises. The Assessing Officer has to establish the link between the*

*evidence collected by him and the addition to be made. The entire case has to be dependent on the Rule of evidence, the assessee in this case explained the source of bank deposits are from cash sales. The Assessing Officer proceeded to disbelieve the explanation of the assessee on the presumption basis without bringing the corroborative material on record. The Assessing Officer is required to act fairly as reasonable person and not arbitrarily capriciously. The assessment should have been made based on the adequate material and it should stand on its own leg. The Assessing Officer without examining any parties to whom the goods are sold by the assessee, came to conclusion that the sales are not genuine, without even rejecting the books of account which is in our opinion is erroneous.*

23. *Respectfully, following the above decisions, we are inclined to allow the grounds raised by the assessee with the observation that the AO/CIT(A) cannot invoke the provisions of section 68 or 69A when the assessee is already declared the source for cash deposits in the books of accounts and the lower authorities without their being any material to support on their contrary view, the provisions of section 68 or 69A cannot be invoked.*
24. *In the result, appeal filed by the assessee is allowed.*

18. The co-ordinate bench of ITAT, Visakhapatnam in the case of **ACIT, CC-1 Visakhapatnam V. M/S Hirapanna Jewellers** reported in **2021 (5) TMI 447**, vide its order dated: 12-5-2021 held as under:-

*"9. In view of the foregoing discussion and taking into consideration of all the facts and the circumstances of the case, we have no hesitation to hold that the cash receipts represent the sales which the assessee has rightly offered for taxation. We have gone through the trading account and find that there was sufficient stock to the sales and we do not find any defect in count effect the stock as well as the sales. Since, the assessee has already admitted the sales as revenue receipt, there is no case for making the addition u/s 68 or tax the same u/s 115BBE again. This view is also supported by the decision of Hon'ble Delhi High Court in the case of Kailash Jewellery House (Supra) and the Hon'ble Gujarat High Court in the case of Vishal Exports Overseas Ltd. (supra), Hence, we do not see any reason to interfere with the order of the Ld. CIT(A) and the same is upheld."*

19. In view of above and by respectfully following the aforesaid judgments of hon'ble jurisdictional high court and of the coordinate benches of Tribunal, we

hereby direct the AO to delete the additions of Rs.2,23,46,000/- made u/s 69 of the Act. Accordingly, all the grounds of appeal taken by the assessee are allowed.

20. Regarding additional ground of appeal taken by the assessee, the assessee has challenged the invocation of provisions of section 115BBE of the Act, since we have already deleted the entire additions made u/s 68 of the Act, therefore, additional ground taken become academic.

21. In the result, the appeal of the assessee is allowed.

Order is pronounced in the Open Court 16. 01. 2026.

Sd/-  
**(SUDHIR KUMAR)**  
**JUDICIAL MEMBER**

Sd/-  
**(MANISH AGARWAL)**  
**ACCOUNTANT MEMBER**

Dated: 16.01.2026

*PK/PS, Sr. PS*

Copy forwarded to:

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

**ASSISTANT REGISTRAR**  
**ITAT NEW DELHI**