

IN THE INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCH 'G' NEW DELHI

BEFORE SHRI MAHAVIR SINGH, VICE PRESIDENT  
AND  
SHRI KRINWANT SAHAY, ACCOUNTANT MEMBER

ITA No. 3589/DEL/2024 (AY 2017-18)

DCIT, GHAZIABAD,  
ROOM NO. 201, FIRST FLOOR,  
CGO COMPLEX, HAPUR CHUNGI,  
GHAZIABAD, UP-201002

(APPELLANT)

VS. SALUJA OVERSEAS PVT. LTD.,  
A-1, PLOT NO. 1, DELHI MEERUT ROAD,  
NEW ARYA NAGAR, GHAZIABAD  
UP-201001

(PAN: AAUCS6233L)

(RESPONDENT)

Appellant by : Sh. Mahesh Kumar, CIT(DR)

Respondent by : None

Date of Hearing	10.11.2025
Date of Pronouncement	22.01.2026

**ORDER**

This appeal by the Revenue is arising out of the order of the Ld. NFAC, Delhi in Appeal No. ITBA/NFAC/250/2024-25/1066102788(1) dated 26.06.2024. Assessment was framed by the ACIT, Circle 2(2)(1), Ghaziabad for the assessment year 2017-18 u/s. 143(3) of the Income Tax Act, 1961 (hereinafter referred as 'Act') vide order dated 30.12.2019. The Revenue has raised the following grounds:-

- 1. That on the facts and circumstances of the case, the Ld. CIT(A), NFAC erred in law and on facts in deleting the addition of Rs. 79,14,204/- made by the AO after invoking provisions of Section 145(3) of the I.T. Act, as the assessee did not maintain its books of accounts in proper manner as item-wise stock register was not being maintained.*
- 2. That on the facts and circumstances of the case, the Ld. CIT(A), NFAC erred in law and on facts in deleting the addition of Rs. 2,52,50,000/- made by the AO on account of bogus loans u/s. 68 of the Act as the assessee failed to establish the genuineness of the transactions as well as creditworthiness of the parties from whom the loans were taken and repaid.*

3. *That on the facts and circumstances of the case, the Ld. CIT(A), NFAC erred in law and on facts in deleting the addition of Rs. 18,53,09,000/- made by the AO on account of cash deposited during the demonetization period as the assessee failed to explain the nature and source of cash deposit.*

2. Brief facts of the case are that in this case, assessment was completed u/s 143(3) of the I.T. Act on 30.12.2019 at assessed income of Rs.22,54,24,905/- by making following additions:-

i) Addition on account of invoking of provisions of section 145(3) of the I.T.

Act, 1961 & by applying N.P. @0.47% Rs. 79,14,204/-.

ii) Addition on account of unexplained credit u/s 68 of the I.T. Act, 1961

Rs. 2,52,50,000/-

iii) Addition on account of unexplained cash deposit u/s 68 of the I.T. Act, 1961

Rs. 18,53,09,000/-

Being aggrieved with the assessment order dated 30.12.2019, the assessee preferred appeal before CIT(A), who partly allowed the appeal of the assessee by deleting the additions as mentioned at Sl. No. (i) to (iii). Aggrieved, Revenue is in appeal before us.

3. At the time of hearing, ld. DR has submitted that the order of the Ld. CIT(A) is not acceptable as Ld. CIT(A), NFAC erred in law and on facts in deleting the addition of Rs.79,14,204/- made by the AO after invoking provisions of section 145(3) of the I.T. Act, 1961 as the assessee did not maintain books of accounts in proper manner. Further, it was submitted that Ld. CIT(A) erred in law and on facts in deleting the addition of Rs.2,52,50,000/- made on account of bogus loans u/s 68 of the I.T. Act, as the assessee failed to establish the genuineness and creditworthiness of the parties from whom loans were taken and repaid. Further, the Ld. CIT(A) also erred in law and on facts in deleting the additions of Rs. 18,53,09,000/- made on account of cash deposited during the demonetization period as the assessee failed to explain the nature and source of cash deposit. Thus, all these deletions by Ld. CIT(A), needs to be verified.

4. None appeared on behalf of the Assessee.

5. We further note that with regard to addition of Rs. 79,14,204/- Ld. CIT(A) has observed as under:-

*“5.1.1 Ground No. 1 to 3 pertain to the addition of Rs. 79,14,204/- by invoking provisions of section 145(3) of the Act. In the present case, undisputedly the only basis for rejecting the books of accounts is non maintenance of item wise stock register. No other defect has been pointed out by the AO for rejecting the books of accounts. In this regard, the appellant has explained that non feasibility of maintaining item wise stock register considering the fact that it was dealing in the wholesale and trading of electronic items such as iphone, Macbook and products manufactured by Apple Inc Ltd. These items are very large in numbers with varying size, specification, quality, colors, manufacturing make, charges and storage capacity in phones with different quality of cameras installed in it. It was also explained that the appellant was consistently following the method of physically verifying its stock at the end of the year. Further, the appellant has claimed that every purchase is from the manufacturing company and sale to the general customers is entered under the main heads in the accounting system wherefrom the quantity wise details can always be ascertained and verified.*

*5.1.2 If above facts are considered, it can be concluded that the non maintenance of item wise stock register is not a sufficient cause of rejection of books of account under section 145(3) of the Act. It is not unusual for such business dealing in very large no of items varying in size, specification, quality, locality manufacturing make, charges, storage capacity etc to do away with maintaining of item wise stock register more particularly when the purchase is from one manufacturing company i.e. Apply Inc Ltd and sale to general customers is entered under the main head in account system wherefrom the quantity wise details can be ascertained.*

*5.1.3 No other defects have been found by the AO in the books of accounts maintained by the appellant. Also, the AO could not demonstrate that how the non-maintenance of item wise stocks system has been a hindrance in determining the true and correct profit earned by the appellant except saying that the appellant has not submitted Bills/stock records and item wise details of items purchased/sold during the year. Here the fact is that the appellant has confirmed to produce books of accounts in its several submissions made before the AO. However, the AO has not verified the same and also not issued any such notice to the appellant stating that no books of accounts have been produced for examination.*

*5.1.4 Further, the AO has rejected the book results by invoking the provision of sec 145(3) without issuing any show cause notice in this regard which is against the principle of natural justice. In view of the above it is concluded that the non maintenance of item wise stock register cannot be the basis for rejection of books of accounts.*

*5.15 In a case Paramount Impex vs ACIT (ITA no 1047/Cha/2016 dated 30.6.2020) on identical issues, the Hon'ble ITAT Chandigarh has taken the similar View that books cannot be rejected for mere non maintenance of stock register. Moreover, the Hon'ble SC in the case of S.N Nama Sivayam Chettiar VS CIT (1960) 3 & ITR 579, 588 (SC) has also discussed the very same issue in favour of appellant. In view of the above facts and decision it is held that the AO has wrongly made addition of Rs.*

79,14,204 on Net Profit estimation at 0.47% of turnover by invoking section 145(3) of the Act. Therefore, the same is hereby deleted. Ground no. 1 to 3 are allowed accordingly.

5.1.6 Further, while making addition under business of Rs. 79,15,204 by invoking the provision of section 145(3) of the Act, the AO has discussed various other issues although no addition/disallowance has been made separately on those/accounts. However, in order to decide each and every issue discussed in the order, the same are discussed as under:

A. With regard to expenditure of Rs. 4,15,000/- on 11.04.2016 and 24.03.2017 in respect of accounting charges, the appellant has claimed that the amount was paid the accountant and tax was not deducted because he had furnished his declaration of investment in insurance/medical insurance and interest on housing loan etc. However, the appellant has not submitted any documentary evidence in this regard during the appellate proceedings. Therefore, the same is disallowed.

B. Similarly, expenditure of Rs. 2,70,000/- was made in respect of legal and professional charges. In this regard, the appellant has submitted that it had paid ticket agent for buying ticket for visiting Hyderabad, Bangalore, Uttarakhand etc as it has outlet at these places. However, the appellant has not submitted any documentary evidence in this regard during the appellate proceedings. Therefore, the same is disallowed.

C. Further, the appellant has incurred expenses of Rs 90,000/- paid for the insurance, Rs. 7,57,371/- for depreciation and Rs 3,95,971/- paid interest on car loan. As per appellant it is not a personal expenditure because the vehicle is used for business purpose. However, it is settled position that personal component cannot be ruled out. Therefore, it will be justified to disallow the 20% of total expenditure i.e. Rs. 12,43,342/- which comes at 2,48,668/-.

Accordingly, total expenditure of Rs. 9,33,668/- (4,15,000 + 2,70,000 + 2,48,668) are disallowed.”

5.1 After hearing the Ld. DR and perusing the records, we find that the Addition of Rs.79,14,204/- was made on account of invoking the provisions of section 145(3) of the I.T. Act, 1961 & by applying N.P. @0.47%, the Ld. CIT(A) has held that "In a case Paramount Impex Vs. ACIT (ITA No. 1047/Cha/2016 dated 30.06.2020) on identical issues, the Hon'ble ITAT Chandigarh has taken the similar view that books cannot be rejected for mere non-maintenance of stock register. Moreover, the Hon'ble SC in the case of S.N. Nama Sivayam Chettiar Vs. CIT (1960) 3 & ITR 579, 588 (SC) has also discussed the very same issue in favour of appellant. In view of the above facts and decision, it is held that the AO has wrongly made addition of Rs. 79,14,204/- on Net Profit estimation at 0.47% of turnover by invoking section 145(3) of the Act. In view of the aforesaid factual matrix and respectfully following the precedents, as

referred above, we are of the considered view that Ld. CIT(A) has rightly deleted the addition, which does not need any interference on our part, hence, we affirm the same and dismiss this ground of appeal.

6. We further note that with regard to addition of 2,52,50,000/- made u/s. 68 of the Act, Ld CIT(A) has observed as under:-

*“5.2.1 Ground No. 4 to 6 pertain to the addition of Rs. 2,52,50,000/- made under section 68 of the Act. While making above addition, the AO has concluded that the appellant could not establish the genuineness of transaction, creditworthiness of parties to the satisfaction of AO. In its defense, the appellant filed its submission along with documentary evidences. The summary of which is as under:*

Sr. No.	Name of the Party	As per AO, amount remained unexplained u/s 68 of the Act	Appellant's claim
1.	A D Sales Corporation	65,00,000/-	The said amount was paid back from the account number 914030039683741 in the same year.
2.	Kunal Chawla/ Shree Ratnam	64,00,000/-	The said amount was paid back from the account number 914030039683741 in the same year.
3.	Vijay Shree Distributors	65,00,000/-	The said amount was paid back from the account number 914030039683741 in the same year.
4.	American Paints	58,50,000/-	The said amount was paid back from the account number 914030039683741 in the same year.

5.2.2 After carefully perusal of the appellant's submission, it is noticed that the appellant took the said loans or credit and repaid the same in the very same year. As there is no amount is outstanding pertaining to these creditors at the end of the year, it cannot be said that the appellant is beneficiary of routing its own money. Further, the transactions have been made by the appellant through banking channel and the appellant has submitted copy of bank statement, GST number and ledger accounts which further strengthen the fact that the said creditors are real and the transaction made by them are genuine. With regard to the creditworthiness, it is further stated that income shown by creditors are beyond taxable limit. Hence the same cannot be questioned. Moreover, entire

*loan taken from four parties have been repaid during the year itself. However, in one instance repayment was made through account of M/s Saluja Electronics to Kunal Chawla/Shree Ratnam. In this regard, justification were sought from the appellant which has been submitted by the appellant on 26.06.2024 and the same has been duly considered and found to be acceptable.*

*5.2.3 Further the same view has also been taken by the Hon'ble ITAT, Surat in the case of Ganesh Ganpat vs ITO (ITA No. 40/SRT/2022 dated 08.05.2023), wherein the tribunal has held that addition under section 68 should not be made when repayment of loan is made in the FY itself. The relevant portion of this decision is as under:*

*"We note that original assessment of the assessee was complete under section 144 of the Act dated 30.03.2015 wherein the Assessing Officer made addition of Rs. 23,82,34,900/- on account of bogus purchases. Later on reassessment proceedings were initiated under section 147 of the Act and assessment was framed under section 144 r.w. s. 147 of the Act dated 31.12.2019. In the said reassessment proceedings, the bogus purchases to the tune of Rs. 49,00,000/- (Rs.45,00,000 + Rs.4,00,000) was again added by the Assessing Officer, which amounts to double taxation. Since, the above amount of Rs.49,00,000/- was disallowed by Assessing Officer in original assessment, therefore the same amount of Rs. 49,00,000/- should not be disallowed in reassessment proceedings. Hence, addition made by Assessing Officer in reassessment proceedings is not sustainable in law. Hence, we are not inclined to accept the contention of the Assessing Officer in any manner and hence the addition of Rs. 64,00,000/- (49,00,000 + 15,00,000) so made is deleted. Hence this ground No.2 of the assessee is allowed."*

*5.2.4 Before this order, Hon'ble Gujarat High Court in the case of Ambe Tradecorp (P.) Ltd, [2022] 145 taxmann.com 27 (Gujarat) held that where assessee took loan from two parties and assessee had furnished requisite material showing identity of loan givers and that assessee was not beneficiary as loan was repaid in subsequent year, no addition under section 68 could be made on account of such loan. The findings of the Hon ble Court is reproduced below:*

*"4. Learned advocate for the appellant attempted to emphasize that for the purpose of application of section 68 of the Act, three ingredients were necessary. Firstly identity of the parties to the transaction of loan, second is the creditworthiness of such parties and thirdly the genuineness of the transaction. It was submitted in vain that neither of the ingredients were satisfied.*

*5. As discussed above, since the requisite material was furnished by assessee showing the identity and since the assessee was not beneficiary when the loan was repaid in the subsequent year, even the ingredients of creditworthiness and genuineness of transaction were well satisfied*

*6. The Tribunal rightly recorded in para 29 of the judgment, "Once repayment of the loan has been established based on the documentary evidence, the*

*credit entries cannot be looked into isolation after ignoring the debit entries despite the debit entries were carried out in the later years. Thus, in the given facts and circumstances, we hold that there is no infirmity in the order of the Ld. CIT-A.*

*7. For the reasons recorded above, no question of law much less substantial questions arises in this appeal. It stands meritless and accordingly dismissed"*

*5.2.5 Considering the above decisions and facts of the, it is very much clear that the amount that was credited in appellant's account during the FY 2016-17 is remained explained and there is no reason to add the same under section 68 of the Act. Therefore, the addition of Rs. 2,52,50,000/- is hereby deleted. Accordingly, ground no. 4 to 6 are allowed."*

6.1 After hearing the Ld. DR and perusing the records, we find that the Addition of Rs.2,52,50,000/ - made on account of unexplained credit u/s 68 of the I.T. Act, 1961, the Ld. CIT(A) has held that the appellant took the said loans or credit and repaid the same in the very same year. As there is no amount is outstanding pertaining to these creditors at the end of the year, it cannot be said that the appellant is beneficiary of routing its own money. Further, the transactions have been made by the appellant through banking channel and the appellant has submitted copy of bank statement, GST number and ledger accounts which further strengthen the fact that the said creditors are real and transaction made by them are genuine. With regard to the creditworthiness, it is further stated that income shown by creditors are beyond taxable limit. Hence the same cannot be questioned." The Ld. CIT(A) has also referred Case Law "Ganesh Ganpat Vs. ITO" and "Ambe Tradecorp Pvt. Ltd." on the similar issue. Accordingly, the addition of Rs.2,52,50,000/ - was deleted. In view of the aforesaid factual matrix and respectfully following the precedents, as referred above, we are of the considered view that Ld. CIT(A) has rightly deleted the addition, which does not need any interference on our part, hence, we affirm the same and dismiss this ground of appeal.

7. We further note that with regard to addition of 18,53,09,000/- u/s. 68 of the Act, Ld CIT(A) has observed as under:-

*“5.3.1 Ground No. 7 to 10 pertains to addition made of Rs. 18,53,09,000/- for the reason that the cash deposited in the bank account during the period of demonetization. While deciding this issue, the AO has observed that the assessee has failed to establish identities of the buyers who have purchased goods. Further the AO has noticed that the assessee has completely failed to show and establish factum of delivery of goods and material as contended by the assessee on account of sales against which cash deposit for Rs. 18,53,09,000/- has been made during 08.11.2016 to 31.12.2016.*

*5.3.2 On the other hand, the appellant has submitted that it is engaged in the trading of electronic goods of varying size, brands, specifications and qualities where the sale value varies from Rs. 100 to Rs. 100000 or even above and that too across the counter. If the appellant has to verify the genuineness and creditworthiness of each customer, the appellant won't be able to sell material at all.*

*As per appellant, the act has not provided any such condition in the matter of counter sales. It may of course, is certainly required in the case of unsecured loan/deposits and/or trade payable if any, and reflected in the balance sheet and/or books of accounts. Further the appellant has submitted that the total deposit made during the quarter under consideration Rs. 47,15,09,220/- in cash and Rs. 52,84,88,416/- by way of cheque aggregating to Rs. 99,99,97,636/- during the quarter 01.01.2016 to 31.12.2016 and the entire transaction stands recorded in the books of accounts of the appellant. The total sales declared in the revenue account at Rs 307,37,57,167/- along with audit report balance sheet and schedules forming part of the balance sheet were enclosed with the ITR.*

*5.3.3 The submission of the appellant was carefully perused and it is noticed that the AO has not pointed out any defect in the purchase and sales made by the appellant and merely rejected the cash deposits made during the period of 08.11.2016 to 31.12.2016. If the purchase and sale details are accepted then there is not point to reject the cash deposits made between the period of 08.11.2016 to 31.12.2016 merely on the ground that the same were done during the demonetization period and appellant could not explain the nature and source of such deposits. Mere suspecting the amount of cash deposit into the bank account during the demonetization period cannot be basis of making addition under section 68 of the Act.*

*5.3.4 Further, it is a fact that the business was in existence. prior to the demonetization and CC A/c was maintained with the Axis Bank in the name and style of M/s Saluja Overseas Private Limited. Vat return was also filed declaring purchase and sales which were also filed during the assessment proceedings. The AO has not brought nay concrete material to establish that the sales and purchase disclosed in VAT return is incorrect. Merely saying that huge cash sales were made and cash deposited during demonetization period does not suffice especially if it very much within the purview of the Act, Rules and clarifications issued by the Department of Revenue. Further it is noticed that cash sales and cash deposit by the appellant company is not a new phenomena as can be seen from quarter wise cash sales and cash deposit in the previous and subsequent year which is as under:-*

Saluja Overseas Pvt Ltd				
Year	Quarter	Cash	Bank (Cheque / RTGS/ Transfer)	Total
2015-16	Quarter 1			
	Quarter 2	94,62,000	9,28,45,522	10,23,05,522
	Quarter 3	9,73,82,500	1,46,11,508	11,19,94,008
	Quarter 4	29,67,16,000	23,80,69,340	53,47,85,340
	Total	48,48,42,400	26,50,83,887	74,99,26,287
2016-17	Quarter 1	88,84,02,900	63,06,08,257	1,51,90,11,157
	Quarter 2	73,00,72,040	16,58,46,592	89,59,18,632
	Quarter 3	55,25,45,000	22,18,81,177	77,44,26,177
	Quarter 4	47,15,09,220	52,84,88,416	99,99,97,636
	Total	37,86,48,700	55,47,14,264	93,33,62,964
2017-18	Total	2,13,27,74,960	1,47,09,30,449	3,60,37,05,409
	Quarter 1	23,01,21,000	76,33,41,737	99,34,62,737
	Quarter 2		66,43,37,187	66,43,37,187
	Quarter 3	31,40,000	1,44,04,84,391	1,44,36,24,391
	Quarter 4	4,18,000	78,85,57,509	78,89,75,509
Total	23,36,79,000	3,65,67,20,824	3,89,03,99,824	

From the above table, it is crystal clear that the cash deposited during the quarter covered by the demonetization period is much less than the cash deposited in earlier quarter. The above data further strengthen the fact that the cash deposit made by the appellant is not a new phenomena in its business.

5.3.5 On identical set of facts Hon'ble ITAT Chandigarh in the case of Kalanidhi Jewelers LLP vs DCIT, ITA No. 311/Chd/2021 vide order dated 25.03.2022 has accepted the cash deposited during the demonetization period as genuine. The relevant portion is reproduced herein under:

"10.13 In the present case also the cash deposited post demonetization by the assessee was out of the cash sales which had been accepted by the Sales Tax / VAT Department and not doubted by the AO, there was sufficient stock available with the assessee to make cash sales and there was festive season in the month of October 2016 prior to the making of the cash deposit in the bank account out of the sales. So, respectfully following the aforesaid referred to 63 orders by the various Hon'ble High Courts and the Coordinate Benches of the ITAT, we are of the view that the impugned addition made by the AO and sustained by the Ld. CIT(A) was not justified, accordingly the same is deleted."

Further, Hon'ble ITAT Delhi in the case of ACIT vs Delhi Spot Bullion Trading Co. Pvt Ltd in ITA No. 1965/D/2021 vide order dt. 23.04.2024

"No discrepancy in the VAT return has been found out. No specific defects in the books of accounts of the assessee have been found out and there was no negative stock on any of the dates which only goes to prove that the cash sales have been made against the available stock. Further, the Assessing Officer has accepted the sales and hence the proceeds of the sales cannot be considered u/s 68 of the Income Tax Act, 1961. The Id. CIT(A) has rightly placed reliance in the comparable judgments of the Tribunal in the case of Agson Global Pvt. Ltd. vs. ACIT (supra) and ACIT, Central Circle Vs. Hirapanna Jewellers, Vishakhapatnam (supra)."

*Further, Hon'ble ITAT Vishakhapatnam in the case of ACIT vs Hirapanna jewellers ITA No. 253/Viz/2020 vide order dt. 12.05.2021 wherein 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 effect the sales and we do not find any defect in 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 us 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."*

*5.3.6 Considering the above case laws and facts of the case, it is held that the AO has wrongly made addition of Rs. 18,53,09,000/- under section 68 of the Act on account of cash deposit made during demonetization period. Therefore, the same is hereby deleted. Accordingly, ground no. 7 to 10 are allowed."*

7. As regards addition of Addition of Rs. 18,53,09,000/-made on account of unexplained cash deposit u/s 68 of the I.T. Act, 1961, the Ld. CIT(A) has held that "From the above table, it is crystal clear that the cash deposited during the quarter covered by the demonetization period is much less than the cash deposited in earlier quarter. The above date further strengthen the fact that the cash deposit made by the appellant is not a new phenomena in its business." The Ld. CIT(A) has also referred Case Law "Kalanidhi Jewelers LLP Vs. DCIT, ITA No. 311/Chd/2021" and "ACIT Vs. Delhi Spot Bullion Trading Co. Pvt. Ltd. in ITA No. 1965/D/2021" on the similar issue. Accordingly, the addition of Rs. 18,53,09,000/- was deleted. In view of the aforesaid factual matrix and respectfully following the precedents, as referred above, we are of the considered view that Ld. CIT(A) has rightly deleted the addition, which does not need any interference on our part, hence, we affirm the same and dismiss this ground of appeal.

8. In the result, the Revenue's appeal stands dismissed.

Order pronounced on 22.1.2026.

**Sd/-**

**(KRINWANT SAHAY)**  
**ACCOUNTANT MEMBER**

**Sd/-**

**(MAHAVIR SINGH)**  
**VICE PRESIDENT**

**Date: 22-1-2026**

**SR Bhatnagar**

Copy forwarded to: -

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

ASSTT. REGISTRAR, ITAT