

आयकर अपीलीय अधिकरण, इंदौर न्यायपीठ, इंदौर
IN THE INCOME TAX APPELLATE TRIBUNAL
INDORE BENCH, INDORE
BEFORE SHRI B.M. BIYANI, ACCOUNTANT MEMBER
AND
SHRI PARESH M. JOSHI, JUDICIAL MEMBER

ITA No.382/Ind/2025
Assessment Year:2017-18

Virendra Kumar Mandot, 01, Sadar Bazar Sailana, Ratlam	<u>बनाम/</u> Vs.	ITO-1 Ratlam
(Assessee/Appellant)		(Revenue/Respondent)
PAN: ACMPM9167A		
Assessee by	Shri Gagan Tiwari, AR	
Revenue by	Shri Ashish Porwal, Sr. DR	
Date of Hearing	05.01.2026	
Date of Pronouncement	22.01.2026	

आदेश / ORDER

Per B.M. Biyani, A.M.:

Feeling aggrieved by order of first appeal dated 07.04.2025 passed by learned Commissioner of Income-Tax (Appeals)-National Faceless Appeal Centre, Delhi ["CIT(A)"] which in turn arises out of assessment-order dated 22.08.2021 passed by learned National Faceless Assessment Centre, Delhi ["AO"] u/s 147 r.w.s. 143(3) & 144B of Income-tax Act, 1961 ["the Act"] for Assessment-Year ["AY"] 2017-18, the assessee has filed this appeal on following grounds:

1. GROUND OF APPEAL

1. *That the order dated 07/04/2025 of the Ld. NFAC (A) is perverse, erroneous and is not tenable on facts and in law and also in breach of principle of natural justice.*
2. *That the Ld. NFAC (A) erred in sustaining the impugned Re-assessment order 22/08/2021 passed u/s 147 for A.Y 2017-18 (Financial Year 2016-17) by National Faceless Assessment Centre is illegal, perverse and without jurisdiction.*
3. *That without prejudice to the above, on the facts and in the circumstances of the case and as also, in law, the learned AO & Ld. NFAC (A) grossly erred in ignoring the Press Release dated 18.11.2016 issued by CBDT and subsequently, Instruction No. 03/2017 [F. No. 225/100/2017/ITA-II] dated 21.02.2017 issued by CBDT for dealing with case during demonetization.*
4. *That, on the facts and in the circumstances of the case, re-determination of total income u/s. 147 r.w.s. 144B of the Income-Tax Act, at Rs 31,58,820/- as against the Returned Income of Rs.3,51,320/, thereby making an addition of Rs. 28,07,500/- in the appellant's total income is quite unjustified, unwarranted, excessive, arbitrary and bad-in- law.*

5. That the Ld. NFAC (A) has erred in law and/or on facts in sustaining the addition of Rs 23,07,500 out of total addition of Rs 28,07,500/- as unexplained cash u/s 69A r.w.s 115BBE of the Act on account of following :-

- 5.1 Because the impugned addition sustained by the Ld. NFAC (A) in hands of Appellant is illegal and unwarranted.**
- 5.2 Because the Ld. NFAC (A) has not properly appreciated the various submissions/ explanations / evidences on record filed by the Appellant including the vital documents such as, cash book, purchase bills, ledger and VAT returns. Thus order of NFAC is against the principles of natural justice.**
- 5.3 Because the Ld. NFAC (A) has erred in sustaining the addition of Rs 23,07,500 out of total addition of Rs 28,07,500/- being cash deposited in bank accounts without appreciating that the said cash was part of the cash account submitted with the submissions made and was sourced from sales duly accepted by VAT department.**
- 5.4 Because Ld. NFAC (A) failed to appreciate that Appellant has not made any investment which is not recorded in the books of accounts assessee has deposited cash which is coming in his cash book and sales made by him therefore Learned NFAC is not correct in making addition u/s 69 as unexplained investment.**
- 5.5 Because Ld. NFAC (A) has erred in confirming the addition u/s 69A without appreciating that provision of Section 69A is not applicable in case of cash deposit duly recorded in the audited books of account and offered as income. that in the present case the Appellant himself has declared the**

amount of cash deposited in the return of income after duly entering the same in the books of account. Thus the provision of section 69A is not applicable and has wrongly been invoked.

- 5.6 *Because Ld. NFAC (A) has failed to appreciate that the AO has neither disproved the genuineness of purchase/availability of stock corresponding to the sales nor the claim of the assessee that source of cash deposit was made out of the cash sale effected during the year under consideration, thus the impugned addition sustained by Ld. NFAC (A) is illegal, unjust & untenable.*
- 5.7 *Because Ld. NFAC (A) failed to note that Sec. 69A of the Act is applied when the assessee is found to be owner of any money which is not recorded in the books of account. However, in the case of the assessee, it has maintained books of accounts duly audited in accordance with section 44AB of the Income Tax Act which was also furnished with the return of income filed by the assessee. The assessee has demonstrated from the purchase books, sale books cash book supported with relevant invoices that source of cash deposited was out of the cash sales made during the A.Y. relevant to the assessment year under consideration.*
6. *That on the facts & circumstances of the case, Ld. NFAC (A) has grossly erred in law in sustaining the addition of Rs 23,07,500 out of total addition of Rs 28,07,500/- u/s 69A of the Act chargeable to tax u/s 115BBE of the Act since provisions of amended section 115BBE of the Act are attracted w.e.f. A.Y. 2018-19 and are not applicable to A.Y. 2017-18.*
7. *The appellant craves leave of Your Honour to add to, alter amend and/or delete all or any of the foregoing grounds of appeal."*

2. The background facts leading to present appeal are as under:
- (i) The assessee-individual filed his return of income of AY 2017-18 u/s 139 declaring a total income of Rs. 3,51,320/- which was assessed. Subsequently, the AO re-opened assessee's case u/s 147 through notice dated 30.12.2019 u/s 148 to examine the issue of cash deposited in bank a/cs during demonetization. The assessee made cash deposits of Rs. 28,07,500/- in three banks, viz. (i) State Bank of India, (ii) Central Bank of India, and (iii) Bank of Baroda. In response to notice, the assessee re-filed return on 04.01.2020 repeating the original income. Thereafter, the AO issued notices u/s 143(2)/142(1). The AO issued notice dated 03.02.2021 (the extract of notice is reproduced on Page 2 of assessment-order) asking assessee to furnish details/documents of business activity; sources with supporting documents of cash deposits of Rs. 28,07,500/- made in three banks; statements of bank accounts; explanation of huge cash kept by assessee; ledger a/cs of purchases, sales, interest, expenses, etc. The assessee, however, did not respond. The AO issued follow-up notices dated 12.02.2021 and 04.03.2021 which also remained uncomplished. Ultimately, the AO issued one more notice dated 25.03.2021 granting final opportunity to assessee and in response to this notice, the assessee filed a reply on 31.03.2021 giving certain details/documents of business activity, copy of bank a/c extract, monthwise sales and purchases of financial year 2015-16 & 2016-17, ledger of interest a/c,

ledger of bank interest and cash account monthwise (as noted by AO in bottom lines / upper most lines of Page 2 / 3 of assessment-order). The AO, however, found that the assessee had not furnished the entire details called for. He noted that the assessee had not furnished the copies of a/cs with (i) Bank of Baroda and (ii) State Bank of India and the sources of cash deposits of Rs. 28,07,500/-. Therefore, the AO issued one more notice dated 27.07.2021 to assessee asking certain details and documents (the extract of notice is re-produced on Page 3 of assessment-order) and followed the same by another show-cause notice dated 11.08.2021 but these notices also remained uncomplished. Ultimately, the AO concluded that the assessee did not furnish complete/corroborated details of sources of impugned deposits made in bank a/c. Accordingly, he completed assessment treating the deposits an unexplained cash credit u/s 68 and thereby making an addition of Rs. 28,07,500/-.

- (ii) Aggrieved, the assessee carried matter in first-appeal and made a detailed submission which is re-produced by CIT(A) in Para 6 of impugned order of first-appeal. The assessee filed bank statements of all three banks to CIT(A) and the CIT(A) forwarded same to AO for remand proceedings. The AO submitted remand-report to CIT(A) in which he reported to have sent enquiry-letters to all three banks u/s 133(6) for providing details of "demonetized currency notes" deposited by assessee. However, in response to AO's letter, one of the banks, viz.

Central Bank of India only responded, the assessee has filed reply-letter sent by Central Bank of India at Page 125 in Paper-Book. Ultimately, the CIT(A) passed impugned order granting an adhoc relief of Rs. 5,00,000/- and upholding the remaining addition of Rs. 23,07,500/-.

(iii) Still aggrieved, the assessee has come in next appeal before us.

3. In Grounds of Appeal, as re-produced in earlier Para No. 1, the assessee has raised as many as 7 grounds (with sub-grounds in some of the grounds). In these grounds, the assessee has raised the issue of illegality of assessment-order passed by AO as well as the merit of the impugned addition u/s 68. However, during hearing before us, Ld. AR for assessee made a categorical assertion that the assessee is not pressing the issue of illegality of assessment, the assessee wants limited adjudication of the merit of addition. Ld. DR for revenue is not opposing this submission of Ld. AR. **Therefore, taking into account the assertion made by Ld. AR, we reject the grounds raised by assessee challenging the legality of assessment-order.**

4. Now, what remains for our adjudication is the limited issue of merit of addition of Rs. 23,07,500/- sustained by CIT(A) out of the total addition of Rs. 28,07,500/- made by AO.

5. At first, we re-produce the relevant portion of assessment-order passed by AO:

"2. In view of the above, it is evident that despite giving several opportunities, the assessee miserably failed to furnish the complete details and also failed to explain the sources of cash deposits along with supporting documentary evidence and also failed to explain to have huge cash in hand as on 31.03.2017 comparing to immediate preceding year. The Show cause notice was issued to the assessee on 11.08.2021 asking him to furnish his objections/reply in respect of proposed additions. The assessee was asked to furnish the reply of show cause notice on or before 17.08.2021 but the assessee did not respond to the show cause notice issued to him. In absence of complete details furnished by the assessee, the scrutiny proceedings is proposed to be finalised u/s 143(3) r.w.s. 147 r.w.s. 144B of the IT. Act, 1961 having bearing the following issues:

3.1 Unexplained Cash Credit u/s 68:

The assessee is a proprietor of concern Vinod Traders engaged in the wholesale business of grocery items. On examination of details available/gathered on record, it is noticed that during the F.Y. 2016-17 relevant to A.Y. 2017-18, the assessee has made cash deposits to the tune of Rs. 28,07,500/- in his bank accounts maintained with Central Bank of India, State Bank of India and Bank of Baroda. **In process of finalisation of assessment proceedings, the assessee was asked to furnish the explanation of the sources of said cash deposits along with collaborative supporting document. The assessee failed to furnish the complete details.** Further the assessee was asked to furnish the reason of having huge cash in hand as on 31.03.2017 in comparison to the previous year cash in hand as on 31.03.2018. The assessee once again failed to explain the reason called for. **In absence of any concrete evidence and details of sources of cash deposits with supporting documents, the sources of cash deposits to the tune of Rs. 28,07,500 remained unexplained.** Hence, the amount of Rs. 28,07,500/- deposited in the bank accounts of the assessee during the F.Y. 2016-17 relevant to A.Y. 2017-18 is treated as unexplained cash credit u/s 68 of the I.T. Act, 1961 in the hands of the assessee for the AY 2017-18 and the same is taxed as per the provisions of section 115BBE of the I.T. Act, 1961."

[emphasis supplied]

6. Now, we re-produce the relevant portion of impugned order passed by CIT(A):

"1. Decision :-

7.1 The appellant is a proprietor of grocery stores and declared total income of Rs 3,51,320/-. The appellant had deposited cash of Rs.28,07,500/- during demonetization period in SBNs in SBI, Central Bank of India and Bank of Baroda Bank accounts. As the appellant did not offer satisfactory explanation towards the source of cash deposit, the AO treated the entire cash deposit of Rs.28,07,500/- as unexplained cash credit and brought to

tax u/s. 68 of the Act. Aggrieved by the said addition, the appellant is in appeal and has raised 3 grounds, which are adjudicated as under:

8. Ground No. 1 & 2 are relating to addition of Rs. 28,07,500/- u/s. 68 of the Act. The facts of the case are that the appellant is a proprietor of grocery stores and declared total income of Rs 3,51,320/-. The appellant had deposited cash of Rs. 28,07,500/- during demonetization period in SBNs in SBI, Central Bank of India and Bank of Baroda Bank accounts. As the appellant did not offer satisfactory explanation towards the source of cash deposit, the AO treated the entire cash deposit of Rs.28,07,500/- as unexplained cash credit and brought to tax u/s, 68 of the Act. The contention of the appellant in raising these grounds is that the AO has not considered cash sales which have been taken in the P&L account and the addition made by the AO has resulted in double addition.

8.1 There have been lot of judicial pronouncements on the issue of cash deposits during demonetization period. In all the said decisions, it has been held that if the cash in hand as on the date of demonetization was sufficient to take care of the deposits of SBNs (specified bank notes / demonetized notes), such deposits could not be taxed again. Thus, after demonetization was announced, except few agencies like hospitals, petrol stations were allowed to accept SBNs and they had to be only deposited in the bank account. The appellant has proved through the daily cash summery that he had cash in hand of Rs. 28,07,500/-. If the appellant has accepted SBNs after demonetization was announced as sale proceeds, the same is illegal which cannot be treated as part of the sale proceeds. **The appellant has not given any details of cash in hand as on the date of demonetization. Considering his turnover, the AO is directed to accept the cash in hand at the estimated figure of Rs. 5,00,000/-.** The balance amount of cash deposit even though claimed to be out of sale proceeds, has to be treated as unexplained cash credit as the appellant was not expected to accept the SBNs even as sale proceeds after demonetization was announced. Thus, addition of Rs. 23,07,500/- (Rs 28,07,500/- (-) Rs. 5,00,000/-) is sustained. **The appellant gets relief of Rs.5,00,000/-, Ground No 1 & 2 are treated to have been partly allowed."**

[emphasis supplied]

7. Before us, learned Representatives of both sides made vehement submissions and raised respective contentions against or in favour of orders of lower authorities. The Ld. AR for assessee has also filed a Paper-Book and Written-Synopsis. The Synopsis filed by Ld. AR is scanned and re-produced below:

**BEFORE THE HON'BLE INCOME TAX APPELLATE TRIBUNAL, BENCH AT
INDORE (M.P.)**

ITA No. 382/IND/2025 (A.Y. 2017-18)

FIXED ON 05/01/2026

APPELLANT: - SHRI VIRENDRA KUMAR MANDOT

VERSUS

**RESPONDENT :- NATIONAL FACELESS ASSESSMENT CENTRE , NEW
DELHI**

SYNOPSIS

May it please your honour

1. That the present appeal is filed against the addition of Rs. 23,07,500/- sustained by the Ld. NFAC, New Delhi.
2. That the Appellant is engaged in retail and wholesale trading of grocery items such as sugar, edible oils, and kirana goods, and is a regular income-tax assessee. The return of income for A.Y. 2017-18 was filed on 27.10.2018 declaring total income of Rs. 3,51,320/, which was duly processed and accepted.
3. Thereafter the assessment of the Appellant was reopened by the Ld. Assessing Officer under Section 147 read with Section 143(3) of the Act on the allegation **that cash was deposited during the demonetization period and the return of income was not filed within the prescribed time for A.Y. 2017-18.**
4. That vide Re-assessment order dated 22.08.2021, the Ld. AO made an addition of Rs. 28,07,500/- on account of cash deposits during the financial year. In appeal, the Ld. NFAC granted ad-hoc relief of Rs. 5,00,000/- and sustained the balance addition of Rs. 23,07,500/, against which the present appeal is preferred.

Submission :-

5. It is respectfully submitted that the addition of Rs. 23,07,500/- sustained by the Ld. NFAC is illegal and unjustified. The Appellant had deposited cash amounting to Rs. 28,07,500/- during the demonetization period (09/11/2016 to 31/12/2016), was generated from genuine sales of kirana and grocery items such as sugar and edible oils in the normal course of business. The said sales proceeds were deposited in three regular bank accounts of the Appellant. Following are Three Bank Account

Bank Name	Account No.
State Bank of India	32160757050
Central Bank of India	3286123650
Bank of India	4449020000002

6. That the following are the details of Cash Deposited :-

Date of Cash deposit in the bank account	Op. Cash as per Cash Book	Cash Sale as per Cash Book	Total 2+3	Out of total amount of Colum No. (4) amount deposited	Bank account in which payment is made
1	2	3	4	5	
13/11/2016	86473	440926	5,27,399/-	2,00,000/-	SBI (7050)

13/11/2016				3,20,000/-	SBI (7050)
19/11/2016	80,831	62,400	1,43,231/-	1,35,000/-	BOI (002)
22/11/2016	89,958	12,000	1,01,958/-	20,000/-	Central Bank (650)
25/11/2016	1,11,164	17,630	1,28,794/-	60,000/-	SBI (7050)
28/11/2016	84,263	0	84,263/-	75,000/-	SBI (7050)
29/11/2016	9,363	36,800/-	46,063/-	39,000/-	SBI (7050)
30/11/2016	7,063	10800+ 71750 Debtors Recovery	89,613/-	54,000/-	Central Bank (650)
01/12/2016	13,393	65,700	79,093	68,000/-	Central Bank (650)
02/12/2016	11,093	1,80,238	1,91,331	1,30,000/-	SBI (7050)
03/12/2016	61,331	1,36,130	1,97,461	50,000/-	SBI (7050)
05/12/2016	2,64,466	77,420	3,41,886	1,00,000/-	SBI (7050)
06/12/2016	2,34,746	1,36,653	3,71,399	1,42,000/-	SBI (7050)
07/12/2016	2,29,399	75,610	3,05,009	1,20,000/-	SBI (7050)
08/12/2016	1,81,915	53,210	2,35,125	50,000/-	SBI (7050)
09/12/2016	1,85,125	10465 +105410 Debtors	3,01,000	50,000/-	SBI (7050)
13/12/2016	4,92,168	1,08,612	6,00,780	2,60,000/-	Central Bank (650)
15/12/2016	4,70,676	2,14,750	6,85,426	4,09,500/-	Central Bank (650)
16/12/2016	2,75,926	1,21,870	3,97,796	1,45,000/-	Central Bank (650)
19/12/2016	4,06,806	1,08,790	5,15,596	1,00,000/-	BOI (002)
26/12/2016	7,77,485	57,633	8,35,118	2,80,000/-	BOI (002)
Total				28,07,500	

7. It is also relevant to re-produced details of Total Cash deposited during the year :-

Month	Total Cash deposited
April	18,70,000
May	18,59,000
June	34,44,500
July	30,96,000
August	29,74,000
September	14,40,000/-
October	27,35,000/-
November	19,43,000/-
December	21,34,500/-
January	7,10,000/-
February	19,48,000/-
March	27,85,000/-

8. That the Appellant is maintaining regular and audited books of account, including the cash book, purchase ledger, Sale ledger, bank book. That the cash deposits during the financial year were duly recorded therein.
9. The cash deposited in the bank accounts was out of genuine sales proceeds from the Appellant's regular business and is duly recorded in the books of account. Therefore, these deposits cannot be treated as unexplained cash credits under Section 68 of the Act. It is further submitted that Ld. NFAC, in Paras 8 and 8.1, has acknowledged that these deposits form part of sales. However, despite this acknowledgment, Ld. NFAC has proceeded to make a finding that, which is contrary to the provision of Section 68 & 69A of the Act and the documentary evidence on record.

“That the Appellant has proved through Daily Cash Summary that he had cash in hand of Rs. 28,07,500/-. If the Appellant has accepted SBNs after demonetization was announced as sale proceeds, the sale is illegal and cannot be treated as part of sale. The Appellant has not given any details of cash in hand as on the date of demonetization. Considering his turnover, the AO is directed to accept the cash in hand at the estimated figure of Rs. 5,00,000/-. The balance amount of cash deposit, even though claimed to be out of sale proceeds, has to be accepted as SBNs even as sale proceeds after demonetization was announced”

10. That the fining of NFAC is illegal and unwarranted on following reasons :---

Cash Deposits from Genuine Sales and cannot be added as unexplained credit u/s 68 of the Act

The cash deposited in the bank accounts arose from genuine sales of the Appellant's regular business and is duly recorded in the books of account. Therefore, such deposits cannot be treated as unexplained cash credits under Section 68 of the Act. Ld. NFAC itself acknowledged in Paras 8 and 8.1 that these deposits form part of sales; however, despite such acknowledgment, it proceeded to record a finding contrary to the provisions of Sections 68 & 69A and the documentary evidence available on record.

The Daily Cash Summary clearly reflects the cash in hand at the time the deposits were made in the banks. NFAC, however, arbitrarily allowed only Rs. 5,00,000/- and treated Rs. 23,07,500/- as unexplained, solely on the assumption that, after 09.11.2016, the Appellant accepted sale proceeds in old demonetized currency. This assumption is wholly unfounded and unsupported by evidence. The Appellant accepted only valid currency notes, which were legally permissible under RBI guidelines post-demonetization. There is no evidence on record to show that any portion of the deposits consisted of invalid or demonetized notes. Even if a negligible amount were alleged to be in old currency, Sections 68 and 69 would still not apply, as all transactions were genuine, duly recorded in the books of account, and formed part of the regular business turnover. Accordingly, the addition sustained by NFAC is arbitrary, illegal, and wholly unsustainable in law.

(Page No. 125 of the Paper Book contains the letter issued by the Central Bank of India in compliance with the notice issued by the AO u/s 133(6), which clearly shows that the total amount deposited during demonetization was Rs. 9,56,500/-, out of which only Rs. 53,500/- was in old currency notes. This letter was forwarded by the AO along with the remand report.)

That a similar notice u/s 133(6) was issued by the AO to other banks, namely SBI and Bank of India; however, no response was received from these banks.

Thus, the Appellant submits that the deposits mainly comprised valid running currency from regular business sales, and only a negligible portion, if any, was old currency. In *Tamil Nadu State Marketing Corporation Ltd. v. ACIT (ITA No. 431/CHNY/2023, order dated 07.10.2024, paras 8 to 8.5)*, the Hon'ble ITAT held that where cash deposits during the demonetization period are explained as sale proceeds and duly recorded in the books of account, an addition under Sections 68/69A is not justified merely because part of the consideration was in demonetized notes, as such deposits cannot be treated as unexplained when the source is explained and accepted.

Illegality of NFAC & Assessment Unit (NaFAC) Finding

NFAC failed to appreciate that the Appellant maintained regular and audited books of account, in which all cash sales were duly recorded. The deposits made during the demonetization period were out of such recorded sales and not from any unexplained

source. Therefore, Section 68 is not applicable, reliance being placed on the following judicial precedents:

- *Piyush Jain v. Income Tax Officer (ITA No. 368/IND/2024)*
- *ACIT, Central Circle-1, Visakhapatnam v. Hirapanna Jewellers [2021] 128 taxmann.com 291 (Visakhapatnam – Trib.)*
- *Mahesh Kumar Gupta v. ACIT [2023] 151 taxmann.com 339 (Jaipur – Trib.)*

Further, RBI guidelines permitted deposit of SBNs in KYC-compliant bank accounts during the demonetization period.

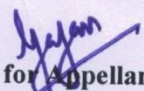
The receipt of SBNs after 09.11.2016 is not illegal, provided the transaction is genuine and duly recorded in the books of account, as held in *Tamil Nadu State Marketing Corporation Ltd. v. ACIT*.

It is also pertinent that the AO never rejected the books of account under Section 145 of the Act. Therefore, deposits recorded as sales cannot be treated as unexplained credits.

Treating the same receipts as unexplained under Section 68, after already considering them as sales, would amount to impermissible double taxation, which is against settled principles of law.

Conclusion

In view of the RBI guidelines, regular books of account, and binding judicial precedents, the addition of Rs. 23,07,500/- under Section 68 of the Act is wholly unjustified and deserves to be deleted.


Counsel for Appellant
Gagan Tiwari

8. We have heard learned Representatives of both sides, considered their rival submissions and carefully perused the orders of lower authorities as well as the documents filed in Paper-Book. After a careful consideration, we find that during assessment-proceedings, although the assessee filed certain details/documents to AO but those documents, as mentioned by AO, were not complete documents to substantiate the sources of deposits made in

bank a/cs. Therefore, the AO treated the deposits in bank a/c as unexplained cash credit u/s 68 and made addition with this conclusion: *"In process of finalisation of assessment proceedings, the assessee was asked to furnish the explanation of the sources of said cash deposits alongwith collaborative supporting document. The assessee failed to furnish the complete details..... In absence of any concrete evidence and details of sources of cash deposits with supporting documents, the sources of cash deposits to the tune of Rs. 28,07,500/- remained unexplained."* The Ld. DR for revenue has placed a very strong reliance on this conclusion made by AO and contended that there was a failure on the part of assessee to substantiate the sources of deposits. He contented very forcefully that when the precise reason of taking assessee's case under the proceeding of section 147 was to examine the cash deposits made by assessee in bank a/cs during demonetization period, the assessee had a strong obligation to explain the sources of deposits with clinching evidences but the assessee has not done so. To demonstrate failure of assessee, Ld. DR took one example. He carried us to the Cash-Book of assessee available at Pages 83-94 of Paper-Book and showed that on 13.11.2016, the assessee has shown aggregate receipts of about Rs. 3,15,000/- from 20 parties (these receipts are also claimed to have been utilized for making deposits) but there was no attempt by assessee to explain those receipts to AO. Furthermore, the assessee has not filed any evidence of sales to AO although the assessee's precise claim is such that the sales made during demonetization period was

the source of impugned deposits. We are in complete agreement with these submissions made by Ld. DR in open court.

9. Going further, we also find that it is a claim of assessee before us [and it was so before CIT(A) also] that once the sales declared by assessee has been accepted/taxed by AO, the AO cannot re-tax the cash deposits made by assessee in bank a/c by utilizing the proceeds of sales since it amounts to double taxation. But, as noted in preceding para, the Ld. DR has successfully shown that on 13.11.2016, the assessee has recorded aggregate receipts of about Rs. 3,15,000/- from 20 parties. There is no evidence from assessee to show that these entries of receipts are relatable to "sales" made during demonetization period. Hence, the theoretical claim of double taxation raised by assessee apparently fails at least for the source of Rs. 3,15,000/-. Furthermore, the application of section 68 by AO is very much correct when there was no explanation from assessee *qua* the nature and source of such receipts.

10. In view of the foregoing discussion and considering the entirety of facts and circumstances of the case, we are of the considered opinion that the issue relating to the addition of Rs. 23,07,500/- sustained by the Ld. CIT(A) cannot be said to have been adjudicated in a complete and conclusive manner. While the assessee admittedly failed to fully substantiate the sources of cash deposits during assessment proceedings, it is equally evident that certain material, including bank statements and responses received during remand proceedings, remained either partly examined or

inconclusively dealt with by the lower authorities. The ad-hoc estimation of cash in hand by the Ld. CIT(A), without correlating the same with verifiable records, further re-inforces the need for a fresh examination. Therefore, in the interest of substantial justice, we deem it appropriate to restore the issue of addition to the file of the AO for de-novo adjudication. The AO shall examine the issue afresh in accordance with law after affording necessary opportunities to assessee. We also direct the assessee to fully cooperate and furnish all relevant evidences in support of the sources of impugned cash deposits to AO. The AO shall also consider entire submission of assessee including the judicial decisions, if any, the assessee may choose to file and thereafter pass a well-reasoned order. **The issue of merit of addition is accordingly allowed for statistical purpose.**

11. Resultantly, this appeal is partly allowed for statistical purpose.

Order pronounced in open court on 22/01/2026
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Sd/-

(PARESH M. JOSHI)
JUDICIAL MEMBER

Sd/-

(B.M. BIYANI)
ACCOUNTANT MEMBER

Indore

दिनांक /Dated : 22/01/2026

Patel/Sr. PS

Copies to: (1) The appellant
(2) The respondent
(3) CIT
(4) CIT(A)
(5) Departmental Representative
(6) Guard File

By order
Senior Private Secretary
Income Tax Appellate Tribunal
Indore Bench, Indore