

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

श्री एबी टी. वर्की, न्यायिक सदस्य एवं  
श्री एस. आर. रघुनाथा, लेखा सदस्य के समक्ष

**BEFORE SHRI ABY T. VARKEY, JUDICIAL MEMBER AND  
SHRI S.R.RAGHUNATHA, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No.2604/Chny/2025  
निर्धारण वर्ष/Assessment Year: 2017-18

Mrs. A. Suganthi, New.D.No.118, A.V. Iyer Street, Shevapet, Salem-636 002. [PAN: AVOPS 6102 Q]	v.	The DCIT, Circle-1, Salem.
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)
अपीलार्थी की ओर से/ Appellant by	:	Mr.S. Sridhar (Erode), Advocate
प्रत्यर्थी की ओर से /Respondent by	:	Ms.Gouthami Manivasagam, JCIT
सुनवाईकीतारीख/Date of Hearing	:	10.12.2025
घोषणाकीतारीख /Date of Pronouncement	:	28.01.2026

**आदेश / ORDER**

**PER ABY T. VARKEY, JM:**

This is an appeal preferred by the assessee against the order of the Learned Commissioner of Income Tax (Appeals)/NFAC, (hereinafter referred to as "the Ld.CIT(A)"), Delhi, dated 25.07.2025 for the Assessment Year (hereinafter referred to as "AY") 2017-18.

2. The brief facts of the case are that, the assessee claims to be a regular filer of ITR; and stated to be engaged in the business of job work of manufacturing silver leg chains and also claims to derive rental income



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and has shown bank balance in her savings bank accounts as follows (i) Tamil Nadu Mercantile Bank [TMB] SB a/c – ₹20,50,796/- & (ii) City Union Bank - ₹30,07,730/- [total ₹50,58,526/-]. The assessee filed her return of income for the assessment year 2017-18 on 20.06.2017, declaring taxable income of ₹10,77,660/-. During the course of assessment proceedings, the AO noticed that the assessee had made total cash deposits of Rs.44,80,000/- after demonetization in Specified Bank Notes (SBNs) in her bank account maintained with Tamil Nadu Mercantile Bank (TMB) to the tune of ₹11 lakhs & with City Union Bank ₹33,80,000/-. The AO asked the assessee to explain nature & source of SBNs, for which the assessee filed a written submission and submitted that source of cash deposits of Rs 37,80,000/- was out of realization of sundry advances/receivables of earlier years and Rs 7 lakhs was out of current year income, for which the assessee has filed evidences including financial statements along with ITR filed for earlier financial years. The AO, however didn't accept the explanation given by the assessee. According to the AO, the assessee could not satisfactorily explain source for cash deposits, although claims to have realized sundry advances appearing in the balance sheet. And the AO cited the decision of Hon'ble Supreme Court in the case of Sudhir Kumar Sharma (HUF) v. CIT [2016] 69 taxman.com 317 and was of the view that assessee didn't file the details of person who returned the advances given to them and failed to file



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confirmation from them. So, he made addition of ₹44,80,000/- u/s.68 of the Income Tax Act, 1961 (hereinafter referred to as 'the Act'). On appeal, the Ld.CIT(A) is noted to have confirmed the action of the AO though assessee reiterated the aforesaid explanation/facts to explain the nature and source of SBNs deposited in her bank account. According to the Ld.CIT(A), when the Government has withdrawn legal tender of SBNs of ₹500/- & ₹1,000/-, then the assessee accepting said notes/SBNs from his customers and depositing into her bank account is in violation of guidelines issued by the RBI and thus, rejected the explanation of the assessee and confirmed the addition of ₹44,80,000/- u/s. 69A of the Act. Aggrieved, the assessee is before us.

**3.** We have heard both the parties and perused the material available on record. From a perusal of the Paper Book and return filed by the assessee, it is noted that the assessee has been regularly filing return of income (RoI) admitting income from her property, income from other sources i.e. interest on advances. From a perusal of the ITRs filed by the assessee for the earlier two assessment years and especially that of AY 2015-16, it is noted that the assessee had filed her return on 23.07.2015 returning income of ₹6,11,330/- wherein the assessee had shown advances outstanding at ₹31,55,000/-. Likewise, in AY 2016-17, the assessee is noted to have filed RoI on 30.07.2016 returning an income of ₹8,54,780/- and advance outstanding at ₹37,80,000/-. In the relevant



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AY 2017-18, the assessee has admitted total income at ₹10,67,660/- in her ITR dated 20.06.2017 which was selected for scrutiny to scrutinize the source & nature of ₹44,80,000/- cash deposited in Specified Bank Notes (SBNs) in her bank-account during the demonetization period. Pursuant to the query, the assessee filed reply explaining the source of the deposits of SBNs to the tune of ₹37,80,000/- as realized from the persons/borrowers to whom she had earlier advanced amounts to the tune of ₹37,80,000/-, [which was shown as sundry-advances in her balance-sheet as on 31.03.2016], and the balance amount of ₹7 lakhs as from the current year earning. However, the AO didn't accept the explanation/claim of the assessee by taking note that the assessee didn't give the list of persons who had returned back the advances given by her in the earlier years, was pleased to take an adverse view and made addition of ₹44,80,000/-. On appeal, the assessee is noted to have reiterated the source & nature of SBNs and brought to the notice of the Ld.CIT(A) that the assessee had given advances to borrowers to the tune of ₹37,80,000/- [as on 31.03.2016] and after demonetization was declared in November, 2016, the borrowers had returned back the borrowed amount of ₹37,80,000/- and the balance amount of ₹7 lakhs was from her current year earning. The Ld.CIT(A) however didn't accept the explanation of the assessee and confirmed the action of the AO. Hence, the assessee is before us; and in order to prove the genuineness



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of the fact that borrowers owned her ₹37,80,000/- as on 31.03.2016 i.e. closing balance as on AY 2016-17 [of earlier year], the assessee has furnished copy of ITR for earlier assessment years along with ITR of the relevant assessment year 2017-18. From a perusal of the same, it is noted that assessee had been regularly filing the ITR for earlier years and the sundry debtors available as on 31.03.2016 is at an extent of ₹37,80,000/-, which explains the nature & source of ₹37,80,000/-and the balance amount of Rs 7 lakhs as realized/earned during the current year, which has been deposited by the assessee in the form of SBNs in her bank account during demonetization is plausible explanation. In this regard, it is noted that assessee is maintaining regular books of accounts and has duly shown the sundry debtors in her books of accounts and has filed her return for AY 2016-17 on 30.07.2016, well before demonetization, so the assessee's explanation about the source & nature of SBNs as realized from sundry debtors can't be termed as an afterthought. The assessee is noted to have discharged the burden of proof cast on her to prove the nature and source of SBNs, by filing her ITRs for three earlier years, P&L a/c, balance-sheet, cash-book, etc. The cash-book reveals date-wise receipts from borrowers, which were deposited in her bank account. Considering the relevant facts supra, we find that assessee's explanation about the nature and source of SBNs deposited out of realization of sundry-debtors is believable. In such



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circumstances, unless the AO disproves the explanation given by the assessee on the source of SBNs was from 'sundry debtors'; in the given facts the AO erred in making addition of ₹37,80,000/- merely on suspicion or conjectures; and the Ld.CIT(A) erred in confirming the same. Coming to the balance amount of ₹7 lakhs, the same is noted to be realized/earned from the current year earnings, source of which has been substantiated by production of cash-book and it has not been disproved by the AO/Ld.CIT(A). Therefore, in such a back ground, we are of the view that SBNs deposited to the bank account of the assessee stands explained and therefore, we are of the view that the AO/Ld.CIT(A) erred in making addition towards cash deposits in the bank account to the tune of ₹44,80,000/-. Therefore, we direct the AO to delete the addition of ₹44,80,000/-. Further, it was brought to our notice that similar additions were made in the case of husband of the assessee [Shri Paramakudi Thulasiraman Ananthan] in whose hands ₹37,34,000/- was made u/s.69A of the Act for AY 2017-18 and the Tribunal vide order dated 22.02.2023 in ITA No.280/Chny/2022 for AY 2017-18 have accepted the explanation and deleted the addition by holding as under:

7. We have heard both the parties, perused materials available on record and gone through orders of the authorities below. In so far as legal proportion is concerned, as per the specified bank notes (Cessation of liability) Act, 2017, it comes into effect from 31.12.2016, on or from the appointed date, no person shall knowingly or voluntarily hold, transfer or receive any specified bank notes. From the above it is clear that up to 31.12.2016, person can deposit specified bank notes into bank accounts and this proportion is supported by the decision of ITAT Vishakhapatnam Benches in the case of Sri Tatiparti Satyanarayana in ITA No. 76/Viz/2021.

8. Having said so, let us come back to the facts of the present case. As per the explanation of the assessee source for cash deposits is out of realization of sundry



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advances shown in the balance sheet as on 31.03.2016. We have gone through various evidences filed by the assessee including ITR filed for earlier three years and financial statements of the assessee and we find that the assessee has declared substantial income for earlier years and also maintained books of accounts. The assessee has shown sundry debtors in his books of accounts and said return have been filed before demonetization. From the above explanation of the assessee it is very clear that source for cash deposits is out of realization of sundry debtors appears to be genuine and bonafide. In fact, the assessee has filed cash book explaining date wise receipts from various parties and deposited into bank account. Therefore, we are of the considered view that the AO is completely erred in making additions towards cash deposits into bank account as unexplained money u/s. 69A of the Act and levied tax u/s. 115BBE of the Act, when the assessee has explained source for said cash deposits. The Id. CIT(A), without considering relevant facts simply sustained additions made by the AO. Thus, we direct the AO to delete additions made towards cash deposits u/s. 69A of the Act.

**4.** In the light of the aforesaid discussion and also taking note of the reasons given in the decision of this Tribunal in the case of Tamil Nadu State Marketing Corporation Ltd. v. ACIT [in ITA No.431/Chny/2023 for AY 2017-18 order dated 07.10.2024], we direct the AO to delete the addition of ₹44,80,000/-.

**5.** In the result, appeal filed by the assessee is allowed.

Order pronounced on the 28<sup>th</sup> day of January, 2026, in Chennai.

**Sd/-**

(एस. आर. रघुनाथा)

**(S.R.RAGHUNATHA)**

लेखा सदस्य/**ACCOUNTANT MEMBER**

**Sd/-**

(एबी टी. वर्की)

**(ABY T. VARKEY)**

न्यायिक सदस्य/**JUDICIAL MEMBER**

चेन्नई/Chennai,

दिनांक/Dated: 28<sup>th</sup> January, 2026.

**TLN**

आदेश की प्रतिलिपि अग्रेषित/Copy to:

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