

आयकर अपीलीय अधिकरण, चण्डीगढ़ न्यायपीठ, चण्डीगढ़
IN THE INCOME TAX APPELLATE TRIBUNAL
DIVISION BENCH, 'B' CHANDIGARH

**BEFORE SHRI RAJPAL YADAV, VICE PRESIDENT AND
SHRI MANOJ KUMAR AGGARWAL, ACCOUNTANT MEMBER**

आयकरअपीलसं./ ITA No. 404/CHD/2025

निर्धारणवर्ष / Assessment Year: 2019-20

The ITO, Dharamshala (HP).	Vs	The Rainkh Co-operative Agriculture Service Society Ltd., VPO-Sehorpain, Tehsil-Jwalamukhi Distt. Kangra (HP).
स्थायीलेखासं./PAN NO: AADAT4807C		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

Assessee by : Shri Sudhir Sehgal, Advocate
Revenue by : Shri Vinod Kumar Chaudhary, Sr. DR

Date of Hearing : 12.11.2025
Date of Pronouncement : 27.01.2026

PHYSICAL HEARING

ORDER

PER RAJPAL YADAV, VP

The Revenue is in appeal before the Tribunal against the order of the Id. Commissioner of Income Tax (Appeals) [in short 'the CIT (A)'] dated 05.02.2025 passed for assessment year 2019-20.

2. The Revenue has taken six grounds of appeal, however, its grievance revolves around a single issue, namely, CIT

(Appeals) has erred in deleting addition of Rs.1,03,75,000/- which was added by the AO with the aid of Section 69A of the Income Tax Act.

3. The brief facts of the case are that assessee is a Co-operative Agricultural Society Ltd. It has been accepting deposits from its members and also gives credit to its members which is repaid by them on year to year basis. The cash received from the members was deposited by the Society in its bank account. In other words, the deposits received from the members as well as repayment of loan by the members is being deposited in the bank account of the society. The ld. AO confronted the assessee to explain the source of such deposits. The assessee has submitted its audited accounts, list of members and how these monies have been received from each member but ld. AO did not accept the contention of the assessee and made an addition of unexplained investment in the bank deposits.

4. Dissatisfied with the order, the assessee carried the matter in appeal before ld.CIT (Appeals). The ld.CIT (Appeals)

has deleted the addition by recording an elaborate finding which reads as under :

“6. I have considered the facts of the case, assessment order, submission made by the appellant and case laws relied upon. In the present appeal, appellant has raised 7 grounds of appeal and all are against the action of the AO in making addition of cash deposit of Rs. 1,03,75,000/- made in the account held with Kangra Central Co-op. Bank. The facts of the case are that the appellant had not filed its return of income for the year under consideration. It was noticed by the AO that appellant had huge cash deposits during the year and therefore, action u/s.147 of the Act was initiated and notice u/s 148 of the Act dated 27/02/2023. Thereafter, statutory notices were also issued by the AO on various dates. The AO has stated in the assessment order that society did not file speaking reply in compliance of notices issued u/s. 142(1) of the IT Act, 1961 and though appellant furnished its submission, it has failed to submit any explanation during the assessment proceedings to the pointed questions asked by AO. The appellant had failed to prove the sources of cash deposits made as above. The appellant submitted that it is a cooperative agriculture service society ltd registered with the Registrar of Himachal Pradesh Co-op. Society. It provides services of goods item and financial assistance like advance given to its members as well as those people who are covered under notified area as per its bye-laws. The members of the society are the farmers. The society purchase ration from government making payments and thereafter it sale to the farmers / members on government specified rates. Further, appellant had also filed before the AO (i) details of activity (ii) Copy of ITR (iii) P & L account (hand-made) (iv) Bye-laws. The AO found that the income is earned from Savings account, current account, loan & interest. Since appellant failed to file return of income u/s. 139 of the IT Act and also failed to disclose cash deposited in its bank account amounting to Rs. 1,03,75,000/- in the account held with Kangra Central Co-op. Bank is added to the total income of the appellant.

During the appellate proceedings, the appellant submitted that the cash deposit in bank account was related with the society daily transactions. Society provided the financial services only to its members as specified in its bye-laws. The members of the society has deposited their money in tune of repayment of loans, small saving amounts deposited with the society as FDR, RD and in their savings account. Thereafter, society deposited the excess cash with their savings bank account with The Kangra Central Co-op. Bank Ltd. The appellant contended that AO made addition of such whole deposit as income from other sources without considering the facts that it is only business receipts which were deposited. AO rejected the financial statements furnished by the appellant stating that it was handwritten in a haphazard manner and did not comply with prescribed norms for preparation of financial statements. The appellant further

submitted that the society works under the supervision and directions of the Registrar of the Societies. The Society maintains its books of account manually and after the end of the financial year its accounts audited by the auditors appointed by the Registrar of Co-operative Societies. The AO rejected books of account which were already audited under the Other Act i.e. H.P. Co-op. Society Act. The appellant also challenged that copy of the reasons recorded were not supplied to the appellant and notice u/s. 148 and approval obtained u/s. 151 were not received. It further relied upon judgment of the Hon'ble ITAT, Chandigarh Bench ITA No.170/Chd/2024 dtd. 4/9/2024 where it was held that since notices were issued through ITBA portal only, it cannot be treated as valid service of notice and quashed the proceedings initiated u/s. 147/148 of the IT Act. Appellant further submitted various case laws in support of its contention and requested to quash the assessment order passed by the AO. The appellant also submitted bye-law of the society and registration certificate, bank account statements, cash book with reconciliation of cash deposited and source of receipts, audited balance sheet and P&L account, complete long form audit report as certified by the auditor of the Registrar of the Co-op. Society.

6.1 I have considered the submissions made by the appellant as well as observations made by the AO in the assessment order. AO mentioned in his order that the society earned income from various heads like savings account, current account, loan, interest etc., that means AO prima facie in agreement with the activities of the appellant. The main observation of the AO is the appellant failed to show the sources of cash deposits made in Kangra Central Co-op. Bank Ltd during the year and not filed the return of income inspite of having such huge income. Since the appellant contending that whatever the cash deposits made by it in its savings bank account belong to the members of the co-op. society and not its income, AO could have verified the genuineness of the claim made by the appellant. He could have verified with the members of the co-op. society by issuance of notice u/s. 133(6)/131 of the IT Act and could have established the source of cash deposit as claimed by the appellant. However, for the reasons best known to AO, he simply negated the financial statements and audit report submitted by the appellant stating that they are hand-written which is not a justifiable preposition. However, finally AO has observed that on examination of the source of income, it is found that income is received from various heads like savings a/c, current a/c, loan, interest which is reasonable with the banking business. However, AO failed to make any findings with respect to identity, creditworthiness, genuineness of the transaction which are essential for making any addition of cash deposit. Whereas on other hand, appellant has submitted before the AO balance sheet, P&L account, handwritten cash book, reconciliation of cash deposit with cash book. AO has not pointed out any specific deficiencies in these submissions made by the appellant and not made any enquiries related to source of cash deposit as claimed by the appellant in its cash book. If appellant has not filed the return that should not be a sole cause of making addition of cash deposits. Instead AO could have verified the nature of that

cash deposits and whether they constitute income of the appellant or business receipt of the appellant for quantifying the total income of the appellant. However, AO has not made any such exercise to prove his point. In view of that the decision of the AO is not correct by making addition of cash deposits without any specific reasons and findings holding the same as undisclosed income of the appellant. Therefore, the addition made by the AO of Rs.1,03,75,000/- on account of cash deposits is hereby deleted. The grounds of appeal raised in the present appeal are allowed.

5. With the assistance of ld. Representative, we have gone through the record carefully. The ld. AO has miserably failed to appreciate the fact that it is an agricultural services society situated in a rural area of Himachal Pradesh. It has been catering the needs of its members by providing credit facilities as well as accepting deposits from them. Independently, the society was not doing any other business which could have generated this much huge cash to it which can be termed as an unexplained cash. On the other hand, ld. First Appellate Authority has appreciated the facts and circumstances in right perspective and duly recorded that accounts of the assessee are audited. It has been maintaining register of members and other details which can duly demonstrate the cash received from the members and thereafter deposited in the bank account. After going through the well reasoned

finding of the Id.CIT (Appeals), we do not find any error in it.
Accordingly, this appeal is dismissed.

6. In the result, appeal of the Revenue is dismissed.

Order pronounced on 27.01.2026.

Sd/-

(MANOJ KUMAR AGGARWAL)
ACCOUNTANT MEMBER

Sd/-

(RAJPAL YADAV)
VICE PRESIDENT

“Poonam”

आदेश की प्रतिलिपि अग्रेषित/ Copy of the order forwarded to :

1. अपीलार्थी/ The Appellant
2. प्रत्यर्थी/ The Respondent
3. आयकरआयुक्त/ CIT
4. विभागीय प्रतिनिधि, आयकर अपीलीय आधिकरण, चण्डीगढ़/ DR, ITAT, CHANDIGARH
5. गार्डफाईल/ Guard File

आदेशानुसार/ By order,
सहायकपंजीकार/ Assistant Registrar