

**IN THE INCOME TAX APPELLATE TRIBUNAL
'SMC' BENCH, BANGALORE**

**BEFORE SHRI WASEEM AHMED, ACCOUNTANT MEMBER AND
SHRI KESHAV DUBEY, JUDICIAL MEMBER**

ITA No. 1994 & 1995/Bang/2025

Assessment Year: 2017-18

Shri Rajesh Gujjar (ITA No.1994) PAN – ACJPG 2603 A Reshma Ketan Doshi (ITA No.1995) PAN – ARHPD 1514 C 01, VT Gujjar Compound, Station Road, Near Janatha Bazar, Bagalkot – 587 101.	Vs.	The Income Tax Officer, Ward – 1 & TPS, Bagalkot.
APPELLANT		RESPONDENT

Assessee by	:	Shri Prasanna, Advocate
Revenue by	:	Shri Ganesh R Ghale, Advocate – Standing Counsel for Revenue

Date of hearing	:	29.01.2026
Date of Pronouncement	:	03 .02.2026

ORDER

PER WASEEM AHMED, ACCOUNTANT MEMBER:

These are 2 appeals being filed by two different assessee namely Shri Rajesh Gujjar and Smt. Reshma Ketan Doshi pertaining to A.Y. 2017-18 involving common fact. Therefore, we have clubbed both for the sake of convenience and brevity for the purpose of adjudication.

First, we take up ITA No. 1994/Bang/2025 in the case of Shri Rajesh Gujjar.

2. The issue raised by the assessee through grounds of appeal filed in form 36 and additional grounds of appeal are interconnected which pertain to the treatment of cash deposits during the demonetization period.

3. The relevant facts are that the assessee, Shri Rajesh Gujjar, filed his original return for AY 2017-18 declaring income of ₹6,42,200 and later revised it to ₹11,55,530. The case was selected for limited scrutiny and notices under sections 143(2) and 142(1) were issued. During examination of the bank accounts, the AO noticed that the assessee during the demonetization period had deposited a sum of ₹27,50,000/- in cash in his SBI bank account. On question by the AO about the source of cash deposits, the assessee stated that in FY 2008-09 his family had jointly received land acquisition compensation of ₹3,90,46,157/- by cheque and that the amount belonged to himself, two coparceners and two sisters. According to him, part of this compensation was kept in bank accounts and part in cash, and interest earned on bank deposits was regularly offered to tax.

4. He further claimed that as on 31 March 2016 he was holding cash of ₹27,50,000 in ₹500 and ₹1,000 notes out of the said compensation and, after demonetization, he deposited same in one tranche into the SBI account. He asserted that the money was fully explained and accounted and represented old cash balance arising from compensation receipts.

5. The AO rejected the explanation on several grounds. The AO noted that the compensation was stated to have been received in

January 2009, and the AO found it highly improbable that such a large amount of cash would be kept idle for nearly seven years without being spent or invested. Further, no documentary evidence such as court award for compensation or bank statements showing receipt of compensation was produced. The AO noted inconsistency in the assessee's stand, because in earlier submissions, it was claimed that the entire compensation was kept in bank accounts, whereas later it was stated that part was kept in cash. Furthermore, the AO observed that the assessee had made investments in mutual funds, shares and insurance, making it unlikely that he would retain such large cash without deploying it. The assessee could not explain why despite having bank accounts, he kept such a huge amount in cash, particularly when he was not carrying on any business. It was also noted that the cash was deposited on 19-12-2016, nearly 40 days after demonetization began, and no explanation for this delay was given. Further, soon after the deposit, large amounts were transferred out by RTGS/cheques, and the assessee failed to furnish the destination bank statements. No details were produced of either the account where compensation was originally deposited or the accounts to which RTGS transfers were made. On these grounds, the AO held that the explanation furnished by the assessee was not acceptable and treated the cash deposit of ₹27,50,000 as unexplained money under section 69A of the Act, bringing it to tax under section 115BBE of the Act.

6. The aggrieved assessee preferred an appeal before the learned CIT(A).

7. Before the CIT(A), the assessee submitted that he is a regular income-tax assessee and had filed the return for AY 2017-18 and a

revised return declaring total income of ₹11,55,530. He admitted that on 19-12-2016 he deposited ₹27,50,000 in demonetized currency notes in his SBI account, but stated that the said cash was already available with him and was reflected in his financial statements

8. The assessee contended that his family had jointly received compensation of about ₹3.90 crore from the Special Land Acquisition Officer, Upper Krishna Project, Bagalkot, through cheques issued in the joint names of four family members. According to him, part of this compensation was invested under various schemes, and a substantial portion was kept in cash, which was reflected in joint financial statements maintained by the family. He argued that the Assessing Officer rejected the explanation merely on suspicion by stating that it was improbable to keep such large cash, without bringing any contrary materials on record.

8.1 He further submitted that books of account maintained in the regular course carry evidentiary value and that he had discharged the initial burden of explaining the source of cash. He claimed that the onus had therefore shifted to the AO, who failed to bring any evidence to justify invoking section 69A of the Act. It was argued that the addition was based only on guesswork, suspicion and surmises.

8.2 To support his claim, the assessee filed copies of returns and computation of income for AYs 2012-13 to 2017-18, joint financial statements for FYs 2008-09 to 2015-16, and copies of cheques issued by the land acquisition authority in the joint names of family members. In further submissions, he argued that section 69A of the Act could be

invoked only when money is not recorded in books of account, whereas in his case the cash balance was shown in the balance sheets up to 31-03-2016. On these grounds, he prayed for deletion of the addition of ₹27,50,000/-.

9. The learned CIT(A) examined the assessment record, grounds of appeal and submissions and noted that during the demonetization period the assessee had deposited ₹27,50,000/- in his individual SBI account and had claimed that the same came out of family compensation receipts. However, the Id. CIT(A) observed that even at the appellate stage, the assessee failed to produce satisfactory and conclusive evidence to establish a direct nexus between the compensation received and the specific cash deposit made into his bank account.

9.1 The Id. CIT(A) held that the joint financial statements and cheque copies produced by the assessee did not amount to proper books of account maintained in his individual capacity and did not establish continuity of cash from the date of receipt till the date of deposit. It was also emphasised that the deposit was made in the assessee's personal bank account and not in a joint account, and that no contemporaneous evidence was furnished to show that such cash was retained over several years.

9.2 The Id. CIT(A) further explained that section 69A of the Act applies where an assessee is found to be the owner of money not recorded in his books of account, and in the present case the assessee could not demonstrate that the cash deposit was recorded in his individual books or came from a disclosed and traceable source. Mere

reference to old compensation receipts, without an unbroken trail or documentary linkage, was held to be insufficient to discharge the onus.

9.3 On these reasons, the Id. CIT(A) concluded that the AO had followed due process and had given proper reasons for making the addition. The explanation of the assessee was treated as unsubstantiated, and therefore the addition of ₹27,50,000 under section 69A of the Act was upheld and the appeal on this issue was dismissed.

10. Being aggrieved by the order of the learned CIT(A), the assessee is in appeal before us.

11. The learned AR before us filed paper book running from pages 1 to 49 and reiterated that the compensation was received by cheques in the joint names of family members, that part of the amount was retained in cash, and that the cash balances stood reflected in joint financial statements and balance sheets up to 31-03-2016. It was contended that the lower authorities have rejected the explanation merely on probabilities without affording adequate opportunity to the assessee to correlate the alleged cash on hand with the ultimate deposit made during demonetisation.

11.1 On the other hand, the learned Departmental Representative supported the orders of the authorities below and submitted that the assessee has not discharged the burden cast upon him under section 69A of the Act.

12. We have heard the rival contentions of both the parties and perused the materials available on record. The issue before us relates to the addition of ₹27,50,000 made under section 69A of the Act on account of cash deposited by the assessee during the demonetization period, which the assessee claims to have originated from land-acquisition compensation received jointly by family members in earlier years.

12.1 It is an undisputed fact that the assessee deposited ₹27,50,000 in cash in his SBI account on 19-12-2016 and that the explanation consistently offered by him is that the same was out of compensation of ₹3.90 crore received during FY 2008-09 by the family from the Special Land Acquisition Officer. It is also not in dispute that the Assessing Officer rejected the explanation primarily on the ground that the compensation was received several years earlier, that no contemporaneous documentary evidence was produced to establish availability of such cash over the intervening period, and that the assessee failed to demonstrate a clear nexus between the alleged cash balance and the impugned deposit. The learned CIT(A) has affirmed the action of the AO by holding that the joint financial statements and cheque copies do not constitute proper books of account of the assessee in his individual capacity and that no continuous trail of cash was established.

12.2 We find that the core controversy revolves around whether the assessee is able to establish, by cogent documentary evidence, an unbroken chain of availability of cash from the date of receipt of compensation till the date of deposit in December 2016. While the

assessee has produced copies of cheques relating to compensation and certain joint financial statements, the lower authorities have rejected the same on the ground that these do not conclusively demonstrate continuity of cash in the hands of the assessee in his individual capacity. At the same time, it is also evident from the record that a comprehensive year-wise cash flow or cash-book reconciliation tracing the movement and retention of cash from FY 2008-09 onwards has not been furnished by the assessee and therefore the same was not examined in detail either by the AO or by the CIT(A).

12.3 In our considered view, when an assessee claims that cash deposited during demonetization represents old cash balance accumulated over several years, the proper course is to examine such claim on the basis of contemporaneous cash books, year-wise cash flow statements, withdrawals, investments, household drawings and closing cash balances, so as to verify whether sufficient cash was actually available with the assessee immediately prior to the date of deposit. Rejection of the explanation merely on the touchstone of improbability, without carrying out such factual verification, would not meet the ends of justice, particularly when the assessee asserts that documentary records can be produced.

12.4 Considering the totality of facts and in the interest of justice and fair play, we deem it appropriate to set aside the impugned addition and restore the issue to the file of the Assessing Officer for fresh adjudication. The AO shall grant one final opportunity to the assessee to substantiate his claim by producing:

- a complete cash book / cash ledger from the year of receipt of compensation till the date of deposit in December 2016;
- year-wise cash flow statements explaining utilization and retention of cash;
- bank statements showing receipt of compensation and subsequent withdrawals, if any;
- details of investments, household expenses and other outgoings; and
- any other documentary evidence necessary to establish a continuous and unbroken trail of cash availability.

12.5 The AO shall examine the above material objectively and in accordance with law and shall pass a speaking order after affording due opportunity of being heard to the assessee. Needless to say, if the assessee fails to produce cogent evidence establishing such nexus and continuity of cash, the AO shall be at liberty to decide the issue in accordance with law. Accordingly, the issue relating to the addition of ₹27,50,000 under section 69A of the Act is set aside to the file of the Assessing Officer for fresh adjudication in the terms indicated above. Hence, the ground of appeal of the assessee is allowed for statistical purposes.

13. In the result, the appeal of the assessee is allowed for statistical purposes.

Coming to ITA No. 1995/Bang/2025 in the case of Reshma K Dosi.

14. At the outset, we note that the issues raised by the present assessee Smt. Reshma K Dosi in its grounds of appeal are identical to the issues raised by the assessee i.e Shri Rajesh Gujjar in ITA No. 1994/Bang/2025. Therefore, the findings given in ITA No. 1994/Bang/2025 shall also be applicable for the present assessee. The ground of appeal of the assessee, i.e. Shri Rajesh Gujjar has been decided by us vide paragraph No. 12 to 12.5 of this order in favour of the assessee for statistical purposes. The learned AR and the DR also agreed that whatever will be the findings for the assessee i.e. Shri Rajesh Gujjar shall also be applied for present assessee i.e. Smt. Reshma K Dosi. Hence, the ground of appeal filed by the assessee is hereby allowed for statistical purposes.

15. In the result, the appeal of the assessee is allowed for statistical purposes.

16. In the combined result, appeals of both assessees are allowed for statistical purposes.

Order pronounced in court on 3rd day of February, 2026

Sd/-

(KESHAV DUBEY)
Judicial Member

Sd/-

(WASEEM AHMED)
Accountant Member

Bangalore
Dated, 3rd February, 2026

/ vms /

Copy to:

1. The Applicant
2. The Respondent
3. The CIT
4. The CIT(A)
5. The DR, ITAT, Bangalore.
6. Guard file

By order

Asst. Registrar, ITAT, Bangalore