



आयकरअपीलीयअधिकरण,राजकोट न्यायपीठ,राजकोट।
**IN THE INCOME TAX APPELLATE TRIBUNAL, "SMC"
RAJKOT BENCH, RAJKOT**

BEFORE DR. ARJUN LAL SAINI, ACCOUNTANT MEMBER

आयकरअपील सं. /ITA No.182/RJT/2024
निर्धारण वर्ष/Assessment Year : 2017-18

Shri Jamnadas Virjibhai Bhalodia B-602, Pentagon Tower, Opp. Speedwell Party Plot, Behind Govani Chhatralay, Rajkot, Gujarat - 360005	बनाम/ Vs	Income Tax Officer Ward – 1(1)(2), Rajkot
स्थायीलेखासं./जीआइआरसं./PAN/GIR No.: AFZPB6922N		
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)

निर्धारिती की ओर से/Assessee by : Shri Mehul Ranpura, Ld. AR
राजस्वकी ओर से / Revenue by : Shri Abhimanyu Singh Yadav, Ld. Sr. DR

सुनवाई की तारीख/**Date of Hearing** : **22/01/2026**

घोषणा की तारीख/**Date of Pronouncement** : **09/02/2026**

आदेश/ORDER

Per, Dr. Arjun Lal Saini, A.M:

Captioned appeal filed by the assessee, pertaining to Assessment Year 2017-18, is directed against the order passed under section 250 of the Income Tax Act, 1961 (hereinafter referred to as "the Act") by Learned Commissioner of Income-tax (Appeals), dated 07.02.2024, which in turn arises out of an assessment order passed by the Assessing Officer u/s 143(3) of the Act, on 20.12.2019.

2.Grounds of appeal raised by the assessee are as under:

"1.The grounds of appeal mentioned hereunder are without prejudice to one another.

2.The ld. Commissioner of Income-tax (Appeals), National Faceless Appeal Centre, Delhi (hereinafter referred to as the "CIT(A)") erred on facts as also in law in confirming addition of Rs.8,46,500/-made on the alleged ground that the assessee failed to explain



sources of cash deposit in the bank accounts held with State Bank of India during demonetization period. The addition confirmed is unjustified and uncalled for, which deserves to be deleted, may kindly be deleted.

3. Your Honour's assessee craves leave to add, to amend, alter, or withdraw any or more grounds of appeal on or before the hearing of appeal.”

3. Succinctly, the factual panorama of the case is that assessee before us is an Individual and e-filed return of income on 19.07.2017, declaring total income of Rs.56,190/-. The return of income was processed u/s 143(1) of the Act and later on, the assessee's case was selected for scrutiny through CASS under Limited Scrutiny. Accordingly, notice u/s 143(2) of the Act was issued on 09.08.2018 and the same was duly served upon the assessee. Notice u/s. 142(1) r.w.s. 129 of the Act, is issued on 06.09.2019 and served upon the assessee along with questionnaire for further proceedings of the case and submission of details. In response to this notice, the assessee filed e-submission/s as called for during the course of assessment proceedings. The assessee earned agricultural income and income from other sources during the year under consideration. As per the SFT account summary details, the assessee has deposited cash of Rs. 10,46,500/- into his bank account no. 10045835558, maintained with State Bank of India, Rajkot during demonetisation period. The assessee was requested to explain the source of cash deposits. In response to this, the assessee submitted that his source of cash deposits is out of cash withdrawals made in earlier years and current year, cash on hand and loans received and agricultural income. However, the contention of the assessee did not appear acceptable by the assessing officer, therefore, a show -cause notice dated 10.12.2019 was issued to the assessee.

4. In response to this, the assessee furnished his reply dated 04.11.2019. The assessee submitted that he was doing cash withdrawals at frequent occasions from



his bank account during financial year (FY) 2014-15 & 2015-16. The assessee further submitted that he received back loans into his bank account and the cash deposits made by him were out of cash withdrawals made during the year. The assessee further submitted last six years books of account to substantiate that he regularly maintains books of account.

5. Considering the above evidences submitted by the assessee, the assessing officer agreed to give part relief and benefit of peak credit, and the cash balance before demonetization was assessed at Rs.2,00,000/-. Therefore, after giving the benefit of assessed cash in hand, the remaining amount of cash deposits of Rs. 8,46,500/- (Rs. 10,46,500-Rs.2,00,000) was treated by the assessing officer as unexplained money within the meaning of section 69A of the Income Tax Act, 1961 and the same was added to the total income of the assessee.

6. Aggrieved by the order of the assessing officer, the assessee carried the matter in appeal before the Ld. CIT(A), who has confirmed the action of the assessing officer. Before the learned CIT(A), the assessee submitted books of accounts, balance sheet and Profit and loss accounts from 01-03-2014 onwards to prove source for the cash deposits. The Capital balance as on 31-03-2014 is Rs. 64,61,800 and the capital balance as on 31-03-2017 is Rs. 86,93,485. The net income returned from 01-04-2015 to 31-03-2015 is Rs. 3,54,800/-and after very minimum personal expenses the net increase in capital is Rs 2.31,685/-. The claim of the assessee was that he has an opening capital of Rs. 64,61,800/- on 31-03-2014 and has received back some of the loans advanced from the capital account before 01-04-2014 and this was deposited in the bank account in AY 2017-18 after demonetisation. The assessee claimed that once he filed accounts, then the assessing officer has to point out specific defect in



the books of accounts, and has to reject it by invoking provisions of section 145 of the Act. The assessee has quoted case laws in his support. The assessee further claims that ITR-2 do not contain any schedule for furnishing of balance sheet, profit and loss account nor the assessee can furnish it of his own in e-filing return of income, hence it was not filed. The assessee admitted that books were produced before the assessing officer. However, ld.CIT(A) rejected the above contention of the assessee and held that the circumstantial evidences and records support the assumptions of the assessing officer. Hence, the grounds raised by the assessee were dismissed and the addition made by the assessing officer was upheld, by learned CIT(A).

7. Aggrieved by the order of the Ld. CIT(A), the assessee is in appeal before this Tribunal.

8. Shri Mehul Ranpura, Learned Counsel for the assessee, argued that the assessee started a proprietary business in the name and style, as Star Plastic in around financial year 1992-93. Before that the assessee was deriving income from other sources and from agricultural operations and filing the return of income with the ITO Ward VIII(H), Ahmedabad till A.Y. 1987-88. The ACIT, Investigation Circle 1(2) Rajkot and subsequently the ITO, Ward-1(2) Rajkot initiated assessment proceedings for assessment year (AY) 1991-92 and AY 1992-93. The assessment proceedings for A.Ys. 1991-92 and 1992-93 were finalized on 23.11.1993. Copies of the assessment order and submission made before ACIT was submitted in Annexure-1. Thus, the assessee is assessed to tax since for more than 25 years. However, the assessee had made cash deposits of Rs. 10,46,500/- during demonetization period, his case was selected for scrutiny. In the course of assessment proceedings, the assessee in response to notice u/s 142(1) of the Act



dated 06.09.2019, vide para 6 of letter dated 23.09.2019 has explained that the deposits are made from cash on hand, cash withdrawals and the loans returned by debtors. Copies of return of income (ROI), bank statement, balance sheet, profit and loss account, capital account, cash book of financial year (FY) 2014-15, 2015-16 and 2016-17 and the debtors' ledgers were made available vide paper book page no. 103. Therefore, learned counsel contended that addition made by the assessing officer may be deleted.

9. On the other hand, the Ld. DR for the Revenue has primarily reiterated the stand taken by the Assessing Officer, which we have already noted in our earlier para and is not being repeated for the sake of brevity.

10. I have carefully considered the facts of the case, the submission of the Learned Counsel for the assessee and Id DR for the Revenue and evidences on record. Before me, the assessee has submitted following documents and evidences:

(i) Copy of reply dated 23.09.2019 filed before the assessing officer – Paper Book Page Nos.15 & 16

(ii) Copies of acknowledgement of return of income, ITR computation of income, financial statements for the assessment year under consideration. - Paper Book Page Nos. 17 to 40

(iii) Copies of Financial Statements for A.Y 2015-16 & AY 2016-17 - Paper Book Page Nos. 41 to 48.

(iv) Copies of Bank Books and Bank Statements of (1) State Bank of India (2) Bank of India (3) Bank of Baroda and (4) Axis Bank for the period from 01.04.2014 to 31.03.2017 - vide Paper Book Page Nos.49 to 92.

(v) Cash book for the period from 01.04 2014 to 31.03.2017 – vide Paper Book Page Nos. 93 to 101.

(vii) Copies of account and contra accounts of parties following parties from whom loan given were received back during the year under consideration.



- (a) *K.D.R. Industries - Paper Book Page Nos.102 to 104*
- (b) *Paresh Metal Udhyog - Paper Book Page Nos. 105 to 107*
- (c) *Allied Bearings - Paper Book Page Nos.108 to 113*
- (d) *Elegant Ploy - Paper Book Page Nos. 114 to 118*
- (e) *Chhaganlal M Patel - Paper Book Page No. 119*

11. I have gone through the above documents and evidences submitted by the assessee before the lower authorities, and I find that the assessee has filed substantial documents and evidences to prove his claim before the lower authorities. However, despite of this, the assessing officer made addition to the tune of Rs.8,46,520/- u/s.69A of the Act. Therefore, I note that assessing officer proceeded on entirely on incorrect proposition. Once the assessee has produced the day-to-day cash book supported by bank statement etc, there is no room to make any presumption. The assessing officer did not find any entry in the cash book, as incorrect, as such assessing officer's allegation on this ground is misplaced. It may be observed from the balance sheet and entries in cash book for last three years made available (supra) that the assessee has made various investments and various transactions are made in the bank account itself. Further, the facts on record clearly shows that the assessee maintains regular books of accounts since for more than three decades and as such without bringing any contrary material on record to presume that there is room for manipulation of accounts is rather misplaced. However, I also find that some of the documents and evidences filed by the assessee before the lower authorities are self-servicing documents, hence should not be relied on, fully, and I have noted that there are some inconsistencies in these documents and evidences. Considering these facts and circumstances, I am of the view that it is fair and reasonable to disallow 10% of Rs.8,46,500/-, which comes to Rs.84,650/-, which would take care of inconsistencies, if any, in the documents and evidences filed by the assessee, before the assessing officer. Therefore, I direct the assessing officer to tax the amount of Rs.84,650/-, in the hands of the assessee, by following the normal rate of income



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tax. It is also made clear that instant adjudication shall not be treated as a precedent in any preceding or succeeding assessment year.

12. In the result, appeal of the assessee is partly allowed in above terms.

Order pronounced in the open court on 09/02/2026.

Sd/-
(Dr. Arjun Lal Saini)
लेखा सदस्य/Accountant Member

राजकोट/Rajkot

दिनांक/ Date: 09/02/2026

Copy of the order forwarded to :

1. The assessee
2. The Respondent
3. CIT
4. The CIT(A)
5. DR, ITAT, RAJKOT
6. Guard File

//True Copy//

By order
Assistant Registrar/Sr. PS/PS
ITAT, Rajkot