

IN THE INCOME TAX APPELLATE TRIBUNAL
"G" BENCH, MUMBAI
BEFORE SHRI SAKTIJIT DEY, VICE PRESIDENT AND
SHRI JAGADISH, ACCOUNTANT MEMBER

I.T.A. No. 5704/Mum/2025
ASSESSMENT YEAR: 2017-18

DCIT Circle 2.3.1, Mumbai 552, 5th Floor, Aaykar Bhawan MK Road, Mumbai-400020	Vs.	STG Refractory Services Private Limited 2ST Floor Hijri Baught TJ Road Sewri(W), Mumbai-400023 PAN: [AAACV1399L]
(Appellant)		(Respondent)

Assessee by	Shri Biren Gabhawala
Department by	Shri Swapnil Choudhary- SR. AR

Date of Hearing	14.01.2026
Date of Pronouncement	06.02.2026

ORDER

Per: SHRI JAGADISH, A.M.:

1. This appeal by the Revenue is directed against the order of the Commissioner of Income-tax (Appeals), NFAC, Delhi dated 02.07.2025 passed under section 250 of the Income-tax Act, 1961 for the assessment year 2017-18.
2. The assessee is a company engaged in service-oriented activities and labour job work for refractory installation, repair and maintenance.

The return of income for the year under consideration was filed on 05.10.2017 declaring total income of ₹3,97,46,200/-. The case was selected for scrutiny and assessment was completed under section 143(3) on 16.12.2019 determining total income at ₹7,83,75,802/- after making additions aggregating to ₹3,86,29,602/- on account of interest on income-tax refund, cash deposits during demonetisation treated as unexplained under section 68, interest income from M/s Insulref Technologies Pvt. Ltd. treated as capitalised, and reimbursement receipts treated as revenue income.

3. On appeal, the Ld. CIT(A) deleted the additions relating to cash deposits of ₹30,32,500/-, interest income of ₹67,88,096/- and reimbursement of ₹2,87,77,937/-. Aggrieved by the said deletions, the Revenue is in appeal before the Tribunal.
4. The Ld. Departmental Representative relied on the assessment order and supported the grounds of appeal. It was submitted that the assessee had failed to file submissions during the assessment proceedings and had not discharged the onus cast upon it under section 68 in respect of cash deposits. It was further contended that the Ld. CIT(A) erred in accepting the explanation regarding availability of cash without proper verification. With regard to interest income, the Ld. DR submitted that the Assessing Officer was justified in making the addition as the interest income was capitalised in the books instead of being offered to tax. As regards reimbursement, it was submitted that the assessee had not produced documentary evidence during assessment proceedings to substantiate the nature of the receipts and that the Ld. CIT(A) erred in deleting the addition merely on the basis of submissions made at the appellate stage.
5. The Ld. Authorised Representative, on the other hand, relied on the order of the Ld. CIT(A) and submitted that all additions were made

on presumptions without appreciating the material already available on record and that the Ld. CIT(A) had correctly examined the facts and deleted the unsustainable additions.

6. We have considered the rival submissions and perused the material available on record. The order of the Ld. CIT(A) shows that the facts have been examined issue-wise on the basis of assessment records and supporting documents. No perversity in the findings has been demonstrated by the Revenue.
7. With regard to the addition of ₹30,32,500/- made under section 68, the Assessing Officer treated the cash deposits during the demonetisation period as unexplained primarily on the ground that no submission was filed by the assessee. The Ld. CIT(A), after examining the bank accounts forming part of the assessment record, recorded a finding that the assessee had made cash withdrawals aggregating to ₹46,35,000/- during October and early November 2016, prior to demonetisation, and that sufficient cash balance was available for redeposit. This is a factual finding based on record. The Revenue has not brought any material to rebut the availability of cash. In these circumstances, the addition under section 68 was rightly deleted.
8. As regards the addition of ₹67,88,096/- being interest income from M/s Insulref Technologies Pvt. Ltd., the Assessing Officer proceeded on the assumption that the interest income was capitalised and not offered to tax. The Ld. CIT(A), after examination of the return of income, computation and Form 26AS, recorded that the gross interest income of ₹75,42,329/- had already been offered to tax under the head "Income from Other Sources" and that the impugned addition resulted in double taxation of the same income. The Revenue has not controverted this finding by bringing any contrary material on record. The deletion of the addition is therefore justified.

9. With respect to the addition of ₹2,87,77,937/- treated by the Assessing Officer as revenue receipt, the Ld. CIT(A) recorded that the amounts represented reimbursement of expenditure incurred on behalf of related parties. The Assessing Officer has not recorded any finding that the corresponding expenditure was claimed as deduction in the profit and loss account either in the year under consideration or in any earlier year. In the absence of such a finding, reimbursement does not assume the character of income. Mere disclosure of the transactions as related party transactions in the audit report does not alter their tax character. The deletion of the addition is thus in accordance with law.
10. In view of the above facts and findings, we find no merit in the grounds raised by the revenue. The order of the Ld. CIT(A) does not call for any interference. Accordingly, the appeal filed by the revenue is dismissed.
11. In the result, the appeal filed by the revenue is dismissed.

Order pronounced in the open court on 06/02/2026 at Mumbai.

Sd/-

**(SAKTIJIT DEY)
VICE PRESIDENT**

Sd/-

**(JAGADISH)
ACCOUNTANT MEMBER**

Mumbai, Dated: 06/02/2026.

*Ashwani Rao
Sr. Private Secretary*

Copy of the order forwarded to:

1. Appellant
2. Respondent
3. The CIT
4. The CIT (Appeals)
5. The DR, I.T.A.T.

By order

(Assistant Registrar)
ITAT, Mumbai