

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

**BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT  
AND  
SHRI SOUNDARARAJAN K., JUDICIAL MEMBER**

<b>ITA No. 1912/Bang/2025</b>
<b>Assessment Year :2017-18</b>

Sri Suhas Ramesh Rao Rangadhol, Seetharama Sadana, Beside Adhichunchanagiri Samudaya Bhavana, Sharavathi Nagar, Shivamogga, Karnataka – 577 201. <b>PAN: AGOPR8445C</b>	<b>Vs.</b>	The Income Tax Officer, Ward-4, Shimoga.
<b>APPELLANT</b>		<b>RESPONDENT</b>

Assessee by	:	Shri Narendra Sharma, Advocate
Revenue by	:	Shri Ganesh R Ghale, Advocate - Standing Counsel for Revenue

Date of Hearing	:	26-11-2025
Date of Pronouncement	:	09-02-2026

**ORDER**

**PER PRASHANT MAHARISHI, VICE – PRESIDENT**

1. ITA No. 1912/Bang/2025 is filed by Sri Suhas Ramesh Rao Rangadhol (the Assessee/Appellant) for Assessment Year 2017-18 against the Appellate Order passed by the National Faceless Appeal Centre, Delhi (the Ld. CIT(A)) dated 17.06.2025 wherein the Appeal filed by the Assessee against the Assessment Order passed u/s. 143(3) of the Income Tax Act, 1961 by the Income Tax Officer, Ward-4, Shivamogga (the Assessing Officer), is dismissed.

2. The Assessee is in appeal wherein the Assessee is challenging the addition of Rs. 32,20,000/- made u/s. 68 of the Act and thereby levying a tax u/s. 115BBE. Another issue was the addition of Rs. 94,903/- being the alleged shortfall in the gross profit of the business.
3. The briefly stated the facts show that the Assessee is an individual carrying on the business, filed his return of income for Assessment Year 2017-18 on 27.10.2017 at a total income of Rs. 10,77,890/-. The return of income was picked up for scrutiny.
4. It was found that Assessee has deposited cash in his bank account and that needs to be verified. As per the information, the Assessee has deposited a total cash of Rs. 2,57,69,144/- and cash deposit during demonetization period is Rs. 38,65,800/-. The Assessee has deposited cash in Specified Bank Notes of Rs. 33,20,000/-.
5. The Assessee was asked to furnish the details which were partly furnished. The Ld. Assessing Officer found that Assessee has claimed that the receipt from his three proprietary concerns, the money is generated and deposited. Assessee stated that his total turnover is Rs. 2,57,69,144/- and deposits made during the year is Rs. 2,68,18,440/-. The cash deposit is out of normal business transactions.
6. The Ld. Assessing Officer did not agree with the contention of the Assessee and held that a sum of Rs. 33,20,000/- should be treated as unexplained cash and required to be audited u/s. 68 of the Act and tax is required to be charged u/s. 115BBE of the Act. He further found that there is minor addition with respect to Rs. 1,353/- being difference in bank account was also to be added.

7. He further found that the gross profit admitted by the Assessee is Rs. 17,65,210/- with respect to his proprietary concern of M/s. Gavi Siddeshwara Bar & Restaurant against the total turnover of Rs. 1,86,01,134/- which is merely 9.48% of the total sales. The Ld. Assessing Officer was of the view that Karnataka State Beverages Corporation allows a margin to the retailers at the rate of 10% and therefore, the balance gross profit of Rs. 94,903/- was also brought to tax.
8. The Assessee objected this for the reason that because of the stiff competition, the Assessee is forced to sell liquor at a lower margin.
9. The Ld. Assessing Officer passed Assessment Order u/s. 143(3) of the Act on 19.11.2019 at a total income of Rs. 44,94,150/-.
10. Aggrieved with the Assessment Order, the Assessee preferred an Appeal before the Ld. CIT(A). Assessee submitted the written submission and stated that Assessee has already offered the cash deposit in the bank account as turnover of the Assessee and appropriate gross profit has also been shown as an income. Further, the deposit of Rs. 33,20,000/- is merely the sales consideration already disclosed in the credit side of the profit and loss account. The Assessee also submitted the reconciliation of the cash. The Assessee also submitted that all the three proprietary concerns had a huge cash balance on hand as on 09.11.2016 and therefore the addition is incorrectly made. With respect to addition of gross profit, it was submitted that Assessee is selling goods at a lesser margin only because of stiff competition. He further relied upon the several judicial precedents.
11. The Ld. CIT(A) confirmed the action of the Ld. Assessing Officer as nothing beyond what is stated before the Ld. Assessing Officer was

submitted. With respect to the lesser gross profit also, the addition of Rs. 94,903/- was confirmed. The Assessee is in Appeal before us.

12. The Ld. Authorized Representative Shri Narendra Sharma, Advocate on behalf of the Assessee and Shri Ganesh R Ghale, Advocate, Standing Counsel for Revenue were heard and orders of the Ld. lower authorities were perused.
13. With respect to the addition of Rs. 33,20,000/-, we find that the Assessee carries on the business in the name of three concerns namely M/s. Gavi Siddeswara Bar & Restaurant (hotel), M/s. Seetharam Medicals (medical store) and M/s. Gangaram Sweets at Shimoga. During the demonetization period, the Assessee has deposited a cash of Rs. 33,20,000/- which was audited by the Ld. Assessing Officer u/s. 68 of the Act applying the tax rate as per section 115BBE of the Act. The fact shows that Assessee has three proprietary concerns where the combined turnover is Rs. 2,57,69,144/- and during the demonetization period the Assessee has deposited a sum of Rs. 33,20,000/- in the bank account in Specified Banking Notes. As per the explanation given by the Assessee, the Assessee has cash on hand in M/s. Seetharam Medicals of Rs. 5,16,080/-, M/s. Gangaram Sweets of Rs. 11,72,275/- and in M/s. Gavi Siddeswar Bar of Rs. 12,05,800/-. Therefore, prior to demonetization the Assessee has enough cash balance on hand for his business concern. Assessee has also stated that in his books of accounts which are maintained as personal books, the Assessee has cash on hand of Rs. 5,16,441/-. Thus, the cash balance of Rs. 34,10,596/- as on 09.11.2016 prior to demonetization in Specified Banking Notes was available with the Assessee. This fact was stated before the Ld. lower authorities. But, without considering the same that the cash balance shown by the Assessee is not genuine or factitious, it cannot be said that the amount deposited by the

Assessee subsequent to that date of Rs. 33,20,000/- is unexplained. When the source of such cash is available with the Assessee prior to demonetization as per regular books of accounts which are not disputed by the Ld. lower authorities, subsequently out of same balance, cash deposit by the Assessee in the bank account cannot be said to be unexplained. It is the claim of the Assessee that sum as on 09.11.2016, exactly prior to the demonetization was available with the Assessee, amount deposited subsequent days in the bank account is available with the Assessee naturally in Specified Bank Notes. Even otherwise, the Assessee does not have any option but to deposit such cash on hand available at time of demonetization in the bank account, which Assessee has done. Unless, the Ld. lower authorities prove that Assessee did not have the cash on hand as on 09.11.2016 as shown as per its books of accounts, and same is fictitious, the amount of deposit of such cash in the bank account subsequently in Specified Banking Notes, unless contrary proved, could not be added in the hands of the Assessee u/s. 68 of the Act.

14. Even otherwise, the Assessee has offered such cash deposit as gross sales credited to the profit and loss account. It is not the case of the Ld. AO that any of the expenditure debited by the Assessee on the debit side of the profit and loss account is bogus, there is no reason to believe that the amount deposited by the Assessee which is duly disclosed in the books of the account of the Assessee as sales and as well as bank deposit is unaccounted income of the Assessee.
15. Accordingly, we find that lower authorities have confirmed the addition of Rs. 33,20,000/- incorrectly. Accordingly, we direct the Ld. Assessing Officer to delete the addition of Rs. 32,20,000/- made u/s. 68 of the Act in respect of cash deposit in bank account in Specified Bank Notes during demonetization period. Accordingly, ground no. 2 of the Appeal is allowed.

16. Now coming to second ground of addition of Rs. 94,903/- by the Ld. Assessing Officer on the basis of the difference between the gross profit shown by the Assessee and alleged margin allowed by the Karnataka State Beverages Corporation Limited is concerned, we find that the gross profit earned by the Assessee is Rs. 17,65,210/- against turnover of Rs. 1,86,01,134/- resulting in the gross profit at the rate of 9.48% of the total sales. We find that the books of accounts of the Assessee are audited and are also subject to strict stock control, cannot be taken lightly. Even otherwise, the Ld. Assessing Officer has not brought on record any authentic evidence that the Karnataka State Beverages Corporation allows 10% of gross profit to the wholesaler. There is also no evidence available with what kind of expenses are allowed. On reading of the order, we find that the Ld. Assessing Officer has compared the margin allowed by the Karnataka State Beverages Corporation Limited between purchase and sale price. Further, there is no evidence that charges such as storage, handling etc., are also to be considered in 10% of the margin. There is no evidence submitted that the books of accounts maintained by the Assessee suffer from any defect. In absence of any defect, the book results cannot be rejected. Even otherwise, the books results are required to be rejected only when latent, patent, glaring defect is found in the books of accounts. In the present case, no such evidence is found or allegations are made. Merely, on the basis of the margin between the purchase price and sale price, the Ld. Assessing Officer made the addition of Rs. 94,903/-. The Ld. CIT(A) also confirmed the same. As the books of accounts are accepted, without pointing out any defect therein, without disturbing the quantitative details, no addition could have been made. In the result, we direct the Ld. Assessing Officer to delete the addition of Rs. 94,903/- on this account. Thus, ground no. 3 of the Appeal of the Assessee is allowed.

17. Ground No. 1, 4 and 5 are general in nature and hence dismissed.

18. The Appeal of the Assessee is partly allowed.

Order pronounced in the open court on 09<sup>th</sup> February, 2026.

Sd/-  
(SOUNDARARAJAN K.)  
JUDICIAL MEMBER

Sd/-  
(PRASHANT MAHARISHI)  
VICE-PRESIDENT

Bangalore,  
Dated, the 09<sup>th</sup> February, 2026.

\*TNTS\*

Copy to:

1. Appellant
2. Respondent
3. CIT
4. DR, ITAT, Bangalore
5. CIT(A)

By order

Assistant Registrar,  
ITAT, Bangalore