

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

**BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT
AND
SHRI KESHAV DUBEY, JUDICIAL MEMBER**

ITA No. 2174/Bang/2025
Assessment Year : 2017-18

Shri Prashanth Basavaraju, 15, 6 th Main, 7 th Cross, Saraswathipuram, Mysuru, Karnataka – 570 009. PAN: BJIPP0753K	Vs.	The Income Tax Officer, Ward 1(4), Mysuru.
APPELLANT		RESPONDENT

Assessee by	:	Shri Vageesh Hegde, CA
Revenue by	:	Shri Ganesh R Ghale – Advocate, Standing Counsel for Revenue

Date of Hearing	:	17-12-2025
Date of Pronouncement	:	-02-2026

ORDER

PER PRASHANT MAHARISHI, VICE – PRESIDENT

1. Captioned appeal is filed by Mr. Prashanth Basavaraju [assessee/appellant] for assessment year 2017 – 18 against the appellate order passed by The Commissioner Of Income Tax (Appeals) (NFAC) New Delhi wherein the appeal filed by the assessee against the assessment order passed under section 143 (3) of the Income Tax Act [The Act] dated 27/12/2019 by The Income Tax Officer Ward – 1 (4), Mysore (The Learned AO), was dismissed.
2. The assessee is aggrieved against the addition of ₹ 13 lakhs made under section 69A of the income tax act by the learned assessing officer confirmed by the learned CIT – A.

3. Briefly stated the facts of the case shows that the assessee is an individual having the rental income, interest income and agricultural income. He filed his return of income declaring rental income of ₹ 684,068, interest on bank fixed deposits and saving account of ₹ 83,166/- and agricultural income of ₹ 450,000 on 26 July 2017. The case of the assessee was selected for the scrutiny under the limited scrutiny for the reason of cash deposited during demonetization period and therefore the notices under section 143 (2) and notices under section 142 (1) were issued.
4. The learned assessing officer noted that assessee has deposited cash of ₹ 18.50 Lacs in Punjab National Bank account No. 485 of the assessee during demonetization period, the assessee was asked to explain the reasons and the sources of the above fund.
5. The assessee explained that the above cash is deposited out of savings from rental and interest income declared in his return of income filed over the previous assessment years. He submitted that he has preserved the amount to purchase site and construct the house and the same was deposited during demonetization period. The learned assessing officer was also furnished the statement of income of the assessee along with statement of affairs from assessment year 2011 – 12 to assessment year 2015 – 16 to show that how the above cash is accumulated over the years out of the declared income.
6. The learned assessing officer verified the same and found that the cash deposit of ₹ 18 Lacs in the bank account with the Punjab National Bank, Mysore was deposited in the specified banknotes during demonetization period. The assessee has declared agricultural income in the impugned assessment year only and no agricultural income was shown in the earlier years. The reason given for accumulation was to purchase site and to construct house. Therefore, the claim of the assessee cannot be accepted. It was further noted that the assessee has claimed to have opening cash of ₹ 1,850,000

on 1 April 2016 without any proof. Accordingly, the learned assessing officer considered that a sum of ₹ 5 lakhs may be considered as reasonable, and the balance sum of ₹ 13 lakhs deposited in the Punjab National Bank account during demonetization period is not satisfactory explained by the assessee and therefore he made the addition under section 69A of the act determining the total income of the assessee at ₹ 1,987,860 as per assessment order dated 27/12/2019.

7. Aggrieved, assessee preferred an appeal before the learned CIT – A wherein the assessee submitted the receipt and payment account from 31st of March 2011 to 31st of March 2017 and submitted that the assessee has opening cash on hand on 1 April 2016 of ₹ 1,850,000 out of which the above sum was deposited in the bank account during demonetization period.
8. The learned CIT – A on examination of the facts held that the assessee's claim that the cash out of the savings in previous years and reserved Cash available in hand is a source for cash deposited which is not based on any material on record and we found any human probabilities and hence the claim of the assessee is not acceptable. Accordingly, he confirmed the addition of ₹ 13 lakhs under section 69A of the act dismissing the appeal of the assessee.
9. The assessee aggrieved with the appellate order preferred appeal before us. The learned authorized representative referred to return of income with receipts and payments account and balance sheet for assessment year 2017 – 18 submitting that the assessee had the cash on hand available with him prior to the demonetization period which is deposited in the bank account but the learned lower authorities have not accepted the same. He submitted that there is no evidence that the above cash in hand has been invested by the assessee somewhere else. It was further stated that the cash deposited during the demonetization period also mainly pertains to the cash deposited from savings made by the appellant out of income

declared by him in his earlier returns of income for which the assessee has produced the copy of the return of income, receipt and payments account and statement of affairs. However, neither the impugned assessment order nor the order of the first appellate authority have considered these documents. Therefore, it was submitted that the addition made by the learned lower authorities is not correct.

10. The learned advocate standing counsel for the revenue Shri Ganesh vehemently supported the orders of the learned lower authorities and submitted that the learned assessing officer has granted him the deduction of ₹ 5 lakhs out of the sum of ₹ 18,50,000 deposited in the Punjab National Bank. The assessee could not show source for the balance of the amount available with him in cash and therefore the orders of the learned lower authority deserves to be upheld.
11. We have carefully considered the rival contention and perused the orders of the learned lower authorities. The assessee has made a cash deposit of ₹ 18 Lacs during demonetization period on 11/11/2016 being ₹ 8 lakhs on that date and on 14/11/2016 of ₹ 10 lakhs. In respect of the source of cash deposit the assessee has explained that same is savings out of the rental and interest income declared in the return of income. The assessee has submitted that that amount was for purchase of site and construction of house. The learned assessing officer has considered a sum of ₹ 5 lakhs as reasonable amount of savings and accordingly the balance sum of ₹ 13 lakhs was added under section 69A of the act. The assessee has submitted the receipt and payment account for the year from 31st of March 2011 to 31st of March 2017 wherein the assessee has shown cash on hand and cash and bank as an opening balance and further the sum so received during the year and sum is paid during the year are deducted. Based on this cash flow statement for seven years the assessee has stated that as on 1 April 2016 the assessee was having an opening cash balance of ₹ 1,850,000 as cash on hand and out of

which he has deposited a sum of ₹ 1,850,000 in the Punjab National Bank account and therefore there is no reason for making an addition under section 69A of the act. When the same was placed before the learned CIT – A, the learned CIT – A held that it is seen that the all the receipts, rental income, fixed deposit interest, bank interest, insurance are all through banking channels hence it is evident that there was no receipt through cash and further on examination the payments details furnished by the assessee it was shown that the drawings are meagre to match with the cash on hand as on 31st of March every year. Therefore, the assessee could not have the above sum of cash on hand.

12. On careful examination of the order of the learned CIT – A we find that assessee has prepared the fund flow statement which shows that assessee has cash on hand as on 31st of March 2011 of ₹ 30,000 which swelled up to ₹ 1,850,000 as on 31st of March 2016, therefore the assessee is duty-bound to explain the balance of cash available with him ₹ 1,850,000 out of the generation of the cash as well as deposit of the cash. The assessee is duty-bound to explain that the assessee has cash balance available with him of ₹ 18,50,000 as on 31st of March 2016. We have also perused the receipt and payment account stated by the assessee which is placed at page No. six of the order of the learned CIT – A. The assessee has matched the amount of receipts of ₹ 3,265,333 for the year ended on 31st of March 2016 with the payments and balance of the equivalent amount. He has similarly matched the receipt and payment for each of the above seven years. Therefore, it is the duty of the assessee to explain that he was having the cash on hand of ₹ 1,850,000 available with him to be deposited in the bank account. From the above statement it is not clarified that the assessee has withdrawn any sum from the bank account in cash in earlier as well as the receipts shown by the assessee whether is also received in cash. This receipt and payment account is a combined receipt and payment account of cash

and bank balances i.e fund flow statement. Therefore, it is more like a fund flow statement and not like a cash flow statement. Therefore, we restore the whole issue back to the file of the learned assessing officer with a direction to the assessee to substantiate the availability of cash on hand of ₹ 18,00,000 out of which ₹ 5 lakhs has already been accepted by the learned assessing officer and therefore with respect to ₹ 13 lakhs the learned assessing officer must verify the claim of the assessee. The assessee is also directed to submit complete details of the cash available on hand producing the cash flow statement. The learned assessing officer there after may decide the issue in accordance with the law afresh.

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

Order pronounced in the open court on 9th February, 2026.

Sd/-
(KESHAV DUBEY)
JUDICIAL MEMBER

Sd/-
(PRASHANT MAHARISHI)
VICE-PRESIDENT

Bangalore,
Dated, the 09th February, 2026.

TNTS

Copy to:

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

By order

Assistant Registrar,
ITAT, Bangalore