

IN THE INCOME TAX APPELLATE TRIBUNAL  
MUMBAI "C" BENCH : MUMBAI

BEFORE SHRI VIKRAM SINGH YADAV, ACCOUNTANT MEMBER  
AND  
SHRI ANIKESH BANERJEE, JUDICIAL MEMBER

<b>ITA No.</b>	<b>A.Y.</b>	<b>Appellant</b>	<b>Respondent</b>
5036/Mum/2025	2017-18	P.V. Media Vision Pvt. Ltd., Building No. A-1, Unit No. 19, Shah N Nahar, Industrial Estate, Sitaram Jadhav Marg, Lower Parel West, Mumbai-400013 [PAN: AAACP6508R]	ACIT, Circle-7(3)(2), Room No. 128A, 1 <sup>st</sup> Floor, Aayakar Bhavan, Maharshi Karve Road, Mumbai-400020.
5337/Mum/2025	2017-18	ACIT-8(2)(1), Room No. 621A, Aayakar Bhavan, Maharshi Karve Road, Mumbai-400020.	P.V. Media Vision Pvt. Ltd., Building No. A-1, Unit No. 19, Shah N Nahar, Industrial Estate, Sitaram Jadhav Marg, Lower Parel West, Mumbai-400013 [PAN: AAACP6508R]

For Assessee :	Shri Tanmay Phadke
For Revenue :	Shri Virabhadra Mahajan, Sr.DR

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

**ORDER**

**PER VIKRAM SINGH YADAV, A.M :**

These are cross appeals filed by the Assessee and the Revenue against the respective orders of the Learned Commissioner of Income Tax (Appeals)-51, Mumbai ['Ld.CIT(A)'], dated 02-06-2025, pertaining to

Assessment Year (AY) 2017-18, wherein the Assessee and the Revenue have raised the following grounds of appeal:

Grounds of appeal by the assessee:

*"1. On the facts and in the circumstances of the case and as per the law, learned Commissioner of Income Tax (Appeals)-51, Mumbai erred in confirming the addition of cash deposits to the extent of Rs. 68,61,386/- as unexplained cash credit under Section 68 of the Act. Thus, the said addition being untenable and bad in law may be deleted.*

*2. The Appellant craves leave to add, delete, alter, modify any ground before the conclusion of the present appellate proceeding."*

Grounds of appeal by the Revenue:

*"1. Ground No. 1. Whether on the fact and circumstances of the case and in law, the Ld. CIT(A) erred in law and facts to note the improbability of holding such a high amount of cash in hand of Rs. 2.18 crores on 06.11.2016 (just 2 few days prior to demonetisation) which is almost half of the total cash deposit during the entire year amounting to Rs. 4.74 crore?"*

*2. Ground No. 2. "Whether on the fact and circumstances of the case and in law, the Ld. CIT(A) failed to appreciate that the assessee which is a company which is having cash sales in substantial manner is bound to maintain the cash book on the daily basis at all branches and the assessee failed to substantiate the cash sales with such evidence?"*

*3. Ground No. 3. "Whether on the fact and circumstances of the case and in law, the Ld. CIT(A) failed to appreciate that the business of the assessee did not fall in the category to accept the Specified Bank Notes which were declared illegal tender notes after the declaration of demonetization on 08.11.2016 and consequently the cash receipts from such sales is not beyond suspicion?"*

*4. Ground No. 4. " Whether on the fact and circumstances of the case and in law, the Ld. CIT(A) failed to appreciate is it possible that there would be so many debtors who had not done any single transaction with the assessee in the earlier years before the concerned year in question?"*

2. Briefly the facts of the case are that the assessee is a private limited company, engaged in the business of trading of digital media products. It filed its return of income declaring total income of Rs. 1,15,10,750/- which was subsequently revised at Rs. 1,13,12,520/-. The case of the assessee was selected for complete scrutiny. Notices u/s. 143(2) and 142(1) of the

Income Tax Act, 1961 ('the Act') were issued calling for necessary information and documentation. The AO observed that the assessee has deposited a sum of Rs. 2,20,28,551/- during the course of demonetization period and thereafter, a survey was also conducted at the premises of the assessee on 03-03-2017. During the course of assessment proceedings, necessary information/documentation and submissions of the assessee were called for in respect of source of the cash so deposited. Considering the submissions of the assessee, but not finding the same acceptable, the AO held that the entire cash deposited during the whole of the financial year amounting to Rs. 4,74,91,252/- as unaccounted cash of the assessee and the same was brought to tax u/s. 68 of the Act. The relevant findings of the AO read as under:

*"13 From the submissions of the assessee it is found that the assessee company submitted that the first statement with respect to source of cash deposit, that was prepared by the junior assistant which was erroneously submitted. In this regard it is to state that the same is prepared from the cash book and submitted as the source of cash deposit in the bank. But when it is pointed out that how cash withdrawal from Mumbai Branch of Cosmos Bank deposited in other far away places of ICICI bank Branch. Then it was realized that the said statement will not solve the purpose of proof of the source of cash deposit. Then it was submitted that the source of cash deposit is advance from customer (Sales recorded when goods delivered at later date). That means the same cash advance will not recorded in cash book on the date on which it is received by the company. In view of the above the assessee company is not at all following the basic fundamentals of accounting system. When the cash is not recorded in cash book how the same will be accepted as source of cash deposit. In view of the above both the statement submitted by the assessee which are entirely different cannot be accepted as authentic and genuine. Hence the same is not acceptable.*

*14. Further the cash sale and entry on the last of the month from April to Oct, 2016, the assessee company submitted that the cash sales of the assessee company range from small amounts of Rs.50/- to huge amounts and hence it is practically not possible to pass entry of every single cash sales in the books of accounts. Hence the assessee maintains the list of cash sales on monthly basis and same is on the last date of each month. In this regard it is to state that this practice starts from the month of May 2016 to the month of Oct, 2016, prior to the month demonetization. This is not a practice for the entire year. Hence it is created to put the cash sales to the extent of Rs. 11638636/- to match the source of cash deposit in demonization period as well as prior to*

that. That is why that practice was stopped after Oct, 10 and even after demonetization period there is hardly any cash deposit in bank. Further the cash vouchers prepared for cash sales, lacks the name, address and contact number of the party to whom the sale is effected. In view of the above the entire entry of cash deposit in end of the month is a deliberately created to match the source. Hence the same is unaccounted cash of the company.

15. Further in the submissions the company admitted that as regards the cash transactions in the case of certain debtors being effected in the particular year, it is stated that as the demonetization was declared during the year, it was normal tendency of the debtors whose collections were doubtful and delayed to forcefully pay off their debt with specified prohibited notes. The assessee had to accept the same with no option left and the same were deposited to bank accounts.

16. In this regard it is to state that the govt had banned the notes and it was declared as illegal currency. With this aspect keeping in mind how the company has accepted the prohibited specified notes. This submission of the assessee cannot be taken on face value. It is purely the untendered cash /unaccounted cash of the company which was deposited in Bank account. If the same statement of the assessee is accepted this transaction between the company and debtors will not be accepted as a legal transaction, as this is in prohibited specified currency. In view of the above facts the source of deposit in demonetization period is also clarified that, it is from unaccounted source.

17 Further more from the cash book it is found that the cash balance as on 01.04.2016 is Rs. 137475.00. From the cash book it is also found that the assessee company is having regular cash sale and cash expenses are also not huge, In spite of the said fact the cash sales in cash book increased on regular pace from the month of April and reached to its peak on 06.11.2019 of Rs.21843638/-. From the same it is surprising that why the company is keeping so much cash with it, when it claims there is regular cash sale and cash expenditure is not much. The reason behind is that the said cash on hand is deliberately created through bogus cash sale and advance from debtors to create the source of cash deposit in demonetization period as well as prior to that.

18. From the details of submissions regarding the ledger account of some of the debtors which was submitted by the assessee company for earlier years it is found that the debtors from whom the cash receipt is shown which are source of deposit in bank are no cash receipts in earlier year. The details of some of the debtors are as below:

1. In the case of M/s. Swans Digital Kolhapur, the total cash receipt in F.Y.2016- 17 is Rs.204027/- The other receipts are through bank. But in earlier year F.Y.2014-15, there is not cash receipt.

2 in the case of M/s. Omkar Graphics the total cash receipts in the year F.Y.2016-17 is Rs. 155500/-. The rest of the trading receipts are through bank. In earlier year F.Y. 2015-16, there is no cash transaction.

3 In the case of M/s. Shivam Print Solutions, the total cash receipt in the F.Y.2016-17 is of Rs 48,703/-, The rest of the transactions are through bank. However in the earlier year F.Y.2015-16 and F.Y.2014-15, there were no cash transactions.

4 In the case of M/s. Sai Vibhuti Arts, the total cash receipts in the year F.Y.2016- 17 is of Rs. 78530/-, The rest of the transactions are through bank. However in the earlier year F.Y.2015-16, there is no cash transactions but in F.Y.2014-15 the cash transaction is of Rs.2000/- only.

5. In the case of M/s. Ravechi Print, the total cash receipts in the year FY.2016-17 is of Rs. 60,000/-. The rest of the transactions are through bank. In the earlier year F.Y.2015-16, there is no cash receipt.

6. In the case of M/s Navrang Advertising, the total cash receipts in the year F. Y.2016-17 is of Rs 300115/- The rest of the transactions are through bank. In the earlier year F.Y.2015-16 and F.Y.2014-15, there is no cash receipts.

7. In the case of M/s New Bharat, the total cash receipts in the year F.Y.2016-17 is of Rs 41033/- The rest of the transactions are through bank. In the earlier year F.Y.2015-16 there is no cash receipts.

8. In the case of M/s. Creative Dope, the total cash receipts in the year F.Y.2016- 17 is of Rs.265645/-. In the said year there is no transaction in bank. However in the earlier year, there is no cash receipts.

9. In the case of M/s.Lasting Impressions, the total cash receipts in the year FY 2016-17 is of Rs.288508/-. In the said year the other receipts are through bank. However in the earlier years F.Y.2015-16, there is no cash receipts.

10. In the case of M/s.I Print Outdoor, the total cash receipts in the subject year F.Y.2016-17 is of Rs. 1269764/- The rest of the receipts are through bank. In the earlier year F.Y.2015-16, there is no cash receipts.

11. In the case of M/s. Hira Print Solution, the total cash receipts in the subject year F.Y.2016-17 is of Rs. 120743/-. The rest of the receipts are through bank. In the earlier year F.Y.2015-16 and F.Y.2014-15, there were no cash receipts.

12 In the case of M/s. Hariom Digital print, the total cash receipts in the subject year F. Y. 2016-17 is of Rs.60000/-. In the earlier year F.Y.2015-16 and F.Y.2014-15, there is no cash receipts.

13. In the case of M/s. Global prints, the total cash receipts in the subject year F.Y.2016-17 is of Rs.450005/-. The rest of the receipts are through bank. In the earlier year F.Y. 2015-16 and F.Y.2014-15, there is no cash receipts.

14 In the case of M/s. Pearl Prints, the total cash receipts in the subject year F.Y.2016-17 is of Rs. 600000/-. The rest of the receipts are through bank. The earlier year ledger accounts were not provided by the assessee.

15. In the case of M/s. Adi Pix Digital Imaging, the total cash receipts in the subject year F.Y.2016-17 is of Rs.34200/-. The rest of the receipts in the year are through bank. In the earlier year F.Y.2014-15, there is no cash receipts.

19. These are the some of the cases whose names are appearing in the source of cash deposits in the bank, particularly in the period of demonetization. On study of the said ledger accounts it is found that most of the cash receipts are below 20,000/- (One time) and some of the cases it is more. The deposits are particularly in the month of Oct 2016 and Nov 2016 also Dec 2016. In all the ledger accounts it is further found that there is no cash receipt in the earlier years. In view of the above it is clear that these cash receipts are created specially to show the source of cash deposit in the bank. In one of the case of M/s. 7 Strokes, it is found that the assessee company has debit of Rs.4,33,645/- from F.Y.2014-15 and in F.Y.2015-16, there is no transaction. In the subject year the assessee company accepted entire debt in cash starting from 04.04.2016 to 07.11.2016, till the period of demonetization.

20. In view of the above discussion made at the earlier paragraph, it is clear that the assessee company had made deliberate cash entry in the cash book in the form of advances from debtors and also cash sales. The assessee company also submitted the details regarding source of cash deposit in different versions. In one submissions the source of cash deposit is from cash withdrawal from the bank, in other submissions it is submitted that it is from the advances from the debtors.

21 From the said details it is found that the assessee claimed the source of cash deposit in the period of demonetization of Rs.220.28,551/-, is from the debtors. In the previous paragraph the analysis of cash source from the debtors is described. In the said analysis it is found that the cash collection from the debtors are upto the end of demonetization period. After that, till the end of the financial year, there is hardly any cash receipt. And also the cash receipt from the debtors are maximum in the period of demonetization. Furthermore the assessee company in the submissions admitted that the cash receipt in the demonetization period is also in specified currency notes, which were banned. In this regard it is evident that when the assessee company knows that the said currency is not a legal tender, then how he has accepted this and shown as collection from debtor. So this sort of submission is not acceptable. The entire currency deposited in the demonetization period, which are specified currency is not at all the collection from the debtors. It is the companies unaccounted money, which is deposited.

22 Furthermore the deposit from 01.04.2016 till the period of demonetization, the assessee company has given two different versions regarding source of the said cash deposit. Later on the assessee company submitted that it was erroneously prepared and also submitted.

23. In this regard it to state that the statement which the assessee company is claiming to be wrong, must be prepared from some source, that is basically cash book If the same is wrong, how the cash book will be accepted as

*genuine. Further in the said statement, which is claimed to be right, show the source of the cash deposit, advances from customers (Sales recorded when sold delivered at later date). This sort of description is beyond the practice of accounting. It directly implies that assessee company has no source of cash to prove the deposits in bank account. Therefore the cash book, its entries, cannot be accepted the real source of the cash deposit. So the entire cash deposit in the four bank accounts to the total of Rs. 474,91,252/- is unaccounted cash of the assessee and the same is added to the total income u/s.68 of I.T.Act.”*

3. Being aggrieved, the assessee thereafter carried the matter in appeal before the Ld.CIT(A) and the Ld.CIT(A) after considering the submissions and the documentation placed on record by the assessee, has returned his findings which are contained in paras No. 6.4.1 to 6.4.6 of the impugned order which read as under:

*“6.4.1. I have carefully considered the facts of the case, findings of the AO and the submissions of the appellant. The issue relates to cash deposited during the demonetization period. The appellant had deposited an amount of Rs.2,20,28,551/- during the demonetization period and Rs.4,74,91,252/- in the entire financial year. The AO has treated the entire cash deposit of Rs.4,74,91,252/- as unexplained cash credit. Before going into the facts of the case and the sources of cash deposited during the demonetization period, it would be necessary to see if the AO is correct in bringing the cash deposited in the entire year to tax as unexplained cash credit. The appellant is a regular business entity, having audited accounts and is in the business of trading of digital media and has explained the cash deposited during the year to be on account of cash sales, recovery from debtors and withdrawal from bank accounts. The appellant has submitted that its branches are spread over at Lower Parel and Goregaon at Mumbai, Pune, Vashi, Kolhapur, Thane and at Goa. The appellant further submits that it has substantial cash sales every year in view of the business catering to both organised and unorganised sector. The appellant has provided a summary of cash sales done by it in the last 3 FYs. The same is as under:*

AY	Cash sales	Credit sales	Total sales
2015-16	5,37,60,160/-	113,96,22,009/-	119,33,82,169/-
2016-17	2,81,44,615/-	156,46,74,083/-	159,28,18,698/-
2017-18	1,47,97,577/-	150,36,09,038/-	151,84,06,615/-

*From the above summary it is apparent that the appellant has a history of cash sales and it is not just restricted to the demonetization year. The appellant has further provided a break up of cash received from Debtors in different FYs. A summary of the same is as under.*

AY	Recovery from debtors
2015-16	2,55,25,047/-
2016-17	1,92,15,719/-
2017-18	2,86,36,816/-

From the above, it is apparent that recovery from debtors is also a regular phenomenon and not just an event during the demonetization period. Therefore, before going into the sources of cash deposited during the demonetisation, it is my considered view that the AO is not correct in treating the entire cash deposit made during the financial year as unexplained cash credit as the nature of business of the appellant is such that some element of cash sale is always there. The appellant has also submitted a summary of cash deposited in the bank accounts for different FYs, the same is as under

AY	Cash deposited
2015-16	14,68,89,476/-
2016-17	11,25,54,560/-
2017-18	4,74,91,251/-

The above summary further emphasizes that the entire cash deposited during the year cannot be taken to be unaccounted as cash sales, cash recovery from debtors and cash deposit is a regular phenomenon for the appellant's business.

6.4.2 Having held that the entire cash deposit cannot be added back as unexplained cash credit, it is essential to shortlist the findings of the AO and also the rebuttal of the appellant with respect to such findings. The AO found that the entire cash deposits amounting to Rs.4.74 crore, including those outside the demonetization period, were unexplained and accordingly added under Section 68. However, the appellant has submitted that only Rs.2.14 crore pertains to the demonetization period, while the remaining deposits were made before or after that timeframe. The cash sales and recoveries from debtors were fully recorded, audited, and supported by stock registers and VAT returns. Moreover, cash deposits had been accepted in scrutiny assessments for earlier years (AY 2015-16 and 2016-17), with amounts even higher than the current year. The AO also observed that two versions were submitted regarding the sources of cash deposits, implying manipulation and after thought. This is rebutted by explaining that the initial statement was prepared by a junior assistant, while the corrected and properly explained version was submitted later. The cash book entries remained consistent and were not altered, with the books audited and no qualifications raised by the auditor. Further, the AO noted that cash receipts were not recorded on the date of the transaction, suggesting backdated entries. It is explained that due to the nature of business and reliance on sales agents, some delay in data entry is inevitable, especially for low-value transactions, which are recorded monthly in bulk on the last day. There is no legal requirement for same-day entry, so this does not imply falsification. The AO claimed that month-end cash

*sales stopped abruptly after October 2016, indicating manipulation following demonetization. In response, it is clarified that month-end sales continued in subsequent months, with figures such as Rs.51,261 in November 2016 and Rs.1.78 lakh in December 2016. VAT returns and audit reconciliations substantiate the sales figures. Regarding the large cash balance of Rs.2.18 crore on 06.11.2016, the AO alleged fabrication of sales and debtor recoveries. It is rebutted that the cash balance reflects cumulative amounts from all branches, with Rs.4.91 crore withdrawn in cash during the year and deposits made from that amount. No evidence was produced to show cash was spent elsewhere. The AO further considered realizations from debtors in Specified Bank Notes (SBNs) during demonetization as invalid and unexplained. However, under the Specified Bank Notes (Cessation of Liabilities) Act, 2017, 31.12.2016 is the cutoff for legal transactions, and multiple Tribunal rulings. have upheld that receipts in SBNs during this window are valid if sources are explained. Rejecting such legally valid cash merely because it was in old currency would be irrational and unsupported by law. The AO observed that invoices for cash sales did not bear customer names. It is explained that recording customer names is not always feasible for petty cash sales similar to departmental stores. Nevertheless, sales were declared in VAT returns and matched with stock registers and invoices verified by the AO himself. The AO also alleged that some debtors from whom cash was received in the current year had no prior cash transactions, suggesting fabrication. The rebuttal shows that cash was received from debtors who had made earlier cash payments, such as Print Outdoor, Sai Vibhuti Arts, and Global Prints, totaling Rs.50 lakh from recurring customers. The AO failed to analyze the historical debtor data provided. Further, the AO claimed the cash book was fabricated to justify deposits. This is refuted by the fact that the books were audited with no adverse remarks or rejection under Section 145. Tribunal decisions such as in R.S. Diamonds and Fine Gujranwala Jewellers establish that audited books with matching deposits cannot be treated as unexplained. Regarding the AO's finding that the pattern of end-of-month cash entries totaling Rs.1.16 crore lacks logic and deviates from accounting norms, it is clarified that these are legitimate month-end consolidated entries consistent with business practice and supported by returns and stock movement. Sales peaks during festive months (August to October) are explained by seasonal demand. Finally, the AO suspected that cash deposits post-demonetization were from unaccounted sources due to their high volume. It is submitted that deposits originated from cash sales, debtor recoveries, and prior cash withdrawals, with no link established by the AO between withdrawals and alternative uses. Jurisprudence, including cases like Vijay Dashrath Gupta and Veena Awasthi, supports a presumption in favor of the assessee when cash availability is established. In summary, the addition of Rs.4.74 crore under Section 68 is based on suspicion rather than evidence, as every aspect of cash receipts, deposits, withdrawals, and business operations is supported by documentary evidence. Legal precedents overwhelmingly support the appellant's explanation when cash is traceable through audited books and consistent business records. I therefore find that the all the grounds taken by the AO to hold that the cash book is fabricated and the entire cash deposit is*

unexplained has been effectively rebutted by the AO and the action of the AO in holding that the entire cash book is fabricated is not justified. I therefore find that that the appellant has been able to give rebuttals to each of the finding of the AO.

6.4.3 I find that the CBDT has issued various guidelines and instructions to the AOs for verifying those cases of cash deposit during demonetization period wherein the assessee's are claiming that the cash deposit is out of cash sales that have been duly entered into the books of accounts. The same primarily relies on comparing historical data to see if there is any abnormal jump in cash sales/cash deposit during the demonetisation period and whether these sales are vouched by way of VAT returns. Before going into the aspect of genuineness of sales, it would be relevant to discuss the aspect of recovery from debtors and deposit out of earlier withdrawals. As for recovery from debtors, it has already been held above that the same is a routine phenomenon in the business of the appellant and moreover the recovery from the debtors have been duly recorded in the party ledger and the books of accounts of the appellant are duly audited. Therefore, no adverse inference can be drawn with respect to cash recovered from debtors. As for deposit out of cash withdrawal, the appellant explains that the huge cash withdrawals during the year, amounting to Rs.4.91 crore were made to meet regular business requirements, such as cash purchases, payments to labor, and other operating expenses, typical for a business that deals significantly in cash. These withdrawals were not unusual given the nature of the business, which involved retail cash sales and decentralized operations across multiple branches. Furthermore, the appellant contends that since a portion of this cash was not ultimately used and remained on hand, it was deposited back into the bank account during the demonetization period. Therefore, the availability of cash on hand was fully explained through the audited books, and the corresponding deposits during demonetization cannot be considered unexplained. The summary of the cash withdrawal vis-à-vis cash deposited and cash sales in the instant AY is as under.

Month	Withdrawal	Deposit	Cash Sales
April 2016	1,21,00,000/-	57,14,370/-	3,29,025/-
May 2016	42,00,000/-	43,40,161/-	11,88,607/-
June 2016	19,75,000/-	51,03,060/-	10,66,041/-
July 2016	15,30,000/-	25,69,462/-	8,82,046/-
August 2016	88,95,000/-	39,59,679/-	23,33,489/-
September 2016		23,63,525/-	38,45,834/-
October 2016	1,13,00,000/-	12,86,045/-	35,70,777/-
November 2016	20,000/-	1,73,50,250/-	77,188/-
December 2016	1,50,000/-	45,14,000/-	2,06,341/-
January 2017	1,00,000/-	17,500/-	7,18,670/-
February 2017	66,62,000/-	32,200/-	5,65,062/-
March 2017	22,30,000/-	2,41,000/-	14,493/-

From the above summary of the cash book and the bank book, it is apparent that the appellant has been regularly withdrawing and depositing cash in its bank account. Infact huge withdrawal has been done by the appellant from the bank in October, 2016 just prior to the demonetization period. All these withdrawals are duly reflected in the bank book of the appellant and therefore cannot be doubted upon. Therefore, the genuinity of deposits made during the demonetization period shall have to be analysed with respect to any abnormal jump in the cash deposit and the genuinity of the cash sale being claimed to have been made by the appellant.

6.4.4 The month wise break up of cash deposit and its comparison with the earlier period is reproduced as under:

Month	2015-16	2016-17	Excess of cash deposit in 2016-17 over 2015-16
April	1,23,58,924/-	57,14,370/-	NA
May	1,07,97,185/-	43,40,161/-	NA
June	1,39,42,613/-	51,03,060/-	NA
July	84,81,184/-	25,69,462/-	NA
August	71,40,811/-	39,59,679/-	NA
September	95,09,841/-	23,63,525/-	NA
October	99,54,200/-	12,86,045/-	NA
November	84,35,704/-	1,73,50,250/-	89,14,546/-
December	99,99,955/-	45,14,000/-	NA
January	75,18,264/-	17,500/-	NA

The above summary from the cash book of the appellant reveals that while the appellant has been regularly depositing cash in its bank account, the same is on a decreasing path as compared to the last year. However, for the month of November, 2016 when demonetization was in operation, the cash deposit in the bank account is Rs.1,73,50,250/- as compared to Rs.84,35,704/- in the same period last year. While the appellant has justified this cash deposit by way of audited books of accounts and submission, the fact remains that there has been an abnormal jump in the cash deposit in the demonetization period.

6.4.5 The next parameter requiring analysis is the cash sale stated to have been done by the appellant in the period. A summary of the cash sale and its comparison vis-a-vis last year is as under:

Month	2015-16	2016-17	Excess of cash sale in 2016-17 over 2015-16
April	60,48,757/-	3,29,025/-	NA
May	71,85,564/-	11,88,607/-	NA
June	25,21,297/-	10,66,041/-	NA
July	16,46,125/-	8,82,046/-	NA
August	8,54,691/-	23,33,489/-	14,78,798/-
September	9,88,662/-	38,45,834/-	28,57,172/-
October	10,45,361/-	35,70,777/-	25,25,416/-
November	7,73,739/-	77,188/-	NA
December	7,67,821/-	2,06,341/-	NA

6.4.6 The appellant has explained that the cash deposited in the demonetization period comprises of recovery from debtors, deposit out of earlier withdrawals and cash sales. As discussed earlier, the withdrawal is vouched by way of bank statements and recovery of debtors is required to be accepted in view of the ledger entries and there not being any independent source of cross verification, the cash sale figures can be cross verified with the VAT returns. The appellant submitted the copies of VAT return and it is seen that the VAT returns have not been filed within the due dates. The date of filing of the VAT returns are as under:

Month	Date of filing
April 2016	20.09.2016
May 2016	05.10.2016
June 2016	24.01.2017
July 2016	24.01.2017
August 2016	30.01.2017
September 2016	02.02.2017
October 2016	13.02.2017
November 2016	19.04.2017
December 2016	27.06.2017
January 2017	20.07.2017

I find that the VAT returns have not been filed within the due date and infact the VAT returns since June 2016 has been filed after the demonetization period. As per the instructions issued by the CBDT, timely filing of VAT returns is an indicator towards genuine sales. However, in the instant case, I find that the VAT returns have been filed after the demonetization period. The authenticity of the cash sales is therefore not vouched and in view of the extraordinary circumstances of demonetization, the possibility of back dating and inflating the cash sales is not ruled out and only such sales are duly vouched for which the VAT returns have been filed before the demonetization period. For the remaining period, I feel that a disallowance of excess cash

*sales as compared to the same period in last year is justified to prevent leakage of revenue. From table in para 6.4.5 above, the excess of cash sale for the months of June 2016 onwards and upto the demonetization period i.e., January 2017, comes to Rs.68,61,386/-. I hold that this excess cash sale done in the instant year for which the VAT returns have been filed after the demonetization period remain unvouched. The appellant has submitted that the delay in filing of VAT returns is on account of human resources problems and not related to the demonetization at all as even the earlier VAT returns have been filed belatedly. It has further submitted that the total cash sales over the years has been declining and there was total cash sales of Rs.5,37,60,160/- in AY 2015-16, Rs.2,81,44,615/- in AY 2016-17 and only Rs. 1,47,97,577/- in the instant AY, inspite of the same being the demonetization year and hence the genuineness of the cash sales cannot be doubted. However as discussed earlier, since this cash sale of Rs.68,61,386/- remain unvouched and because of the extraordinary circumstances of demonetization, I feel that this disallowance is warranted to prevent any leakage of revenue. Thus, out of the total cash deposited of Rs.2,20,28,551/- during the demonetization period, an amount of Rs.68,61,386/- remain unverified as excess of cash sales remaining unvouched. Thus, the addition done by the AO is restricted to Rs.68,61,386/- and the balance amount of Rs.4,06,29,866/- is deleted. The grounds of appeal are partly allowed.”*

4. Against the deletion of addition of Rs. 4,06,29,866/-, the Revenue is in appeal before us and against the sustenance of addition of Rs. 68,61,386/- the assessee is in appeal before us.

5. During the course of hearing, the Ld. DR reiterated the findings of the AO and submitted that the Ld.CIT(A) has failed to appreciate various discrepancies pointed out by the AO, especially in the context of realization from Debtors and thus erred in deleting the addition so made by the AO.

6. In his submissions, the Ld.AR supported the order and the findings of the Ld.CIT(A). It was submitted that the Ld.CIT(A) has exhaustively examined the matter and after taking into consideration the entirety of facts and circumstances of the case, has deleted the addition of Rs. 4,06,29,866/-. It was submitted that the books of accounts have not been rejected by the AO nor the sales so reported have been disputed by the AO.

It was submitted that cash sales are duly reported and form part of the reported turnover and where there is a realization in cash, there cannot be a separate addition as the same will amount to double addition which cannot be permitted under the law. In this regard, reliance was also placed on the following decisions of the Co-ordinate Benches of the Tribunal where similar proposition has been laid down:

- i. ACIT vs. M/s. Mahendra Educational Pvt. Ltd. (ITA No. 433/Lkw/2020);
- ii. Shri Anand Mulky vs. ITO (ITA No. 634/Bang/2025);
- iii. Ayesha Steels (P.) Ltd. vs. ITO – [2025] 175 taxmann.com 1084 (Delhi-Trib.);
- iv. Fine Gujuranwala Jewellers vs. ITO [2023] 151 taxmann.com 340 (Delhi-Trib.);
- v. ACIT vs. Haripanna Jewellers [2021] 128 taxmann.com 291 (Visakhapatnam – Trib.);

7. It was further submitted that though the assessee supported the order and findings of the Ld.CIT(A) to the extent of deletion of addition of Rs. 4,06,29,866/-, at the same time, the assessee is aggrieved with the sustenance of addition of Rs. 68,61,386/-. In this regard, our reference was drawn to the findings of the Ld.CIT(A) and it was submitted that merely because of the fact that the VAT returns have not been filed within the due date, the Ld.CIT(A) has expressed certain apprehension and has held that to prevent leakage of Revenue, the addition of Rs. 68,61,386/- has been sustained. It was submitted merely on account of apprehension, the addition cannot be sustained especially, where the sales are duly reported in the financial statements and offered to tax and have also been reported as part of the VAT returns which are subject to VAT audit and the fact that the VAT returns could not be filed within the due date, cannot be

a basis for not accepting the sales so reported in the VAT returns and it was submitted that for the delayed VAT returns, the assessee may be subject to consequences under the VAT law, however, the addition so sustained by the Ld.CIT(A) be directed to be deleted.

8. We have heard the rival contentions and perused the material available on record. The issue under consideration relates to nature and source of cash deposits by the assessee in its bank accounts during the financial year 2016-17 relevant to assessment year 2017-18 and whether the explanation so offered by the assessee is to be considered satisfactory given the facts and circumstances of the present case. The assessee has explained that cash so deposited during the year was part of its regular business dealings and was on account of cash sales, recovery from debtors and out of earlier withdrawals from its bank account. It has also been explained that these transactions are duly recorded in its books of accounts (which were produced for verification during the assessment proceedings) and have been duly reported as part of assessee's return of income. The explanation so submitted by the assessee have however not favour with the AO and the whole of the cash deposited of Rs 474,91,252/- during the financial year has been brought to tax invoking provisions of Section 68 of the Act. The Ld.CIT(A) has largely accepted the explanation so submitted by the assessee and the addition has been deleted to the extent of Rs 4,06,29,866/- and remaining amount of Rs 68,61,386/- has been sustained and against the said findings, both the parties are in appeal before us.

9. We have carefully gone through the findings of the AO as well as that of the Ld.CIT(A) and find that unlike the AO who has merely scratched the surface of the matter and has recorded certain preliminary findings, the

latter has comprehensively examined the matter taking into consideration the nature of the assessee's business and its operations, books of accounts maintained by the assessee, tax and VAT filings and comparative statistical analysis as per the guidelines laid down by the CBDT for examining the cash deposits during the demonetization and has thereafter arrived at his findings.

10. The Ld.CIT(A) has stated that the assessee is in the business of trading of digital media having its branches spread over various places and cater to the business in both organized and un-organized sectors and has a history of cash sales and has looked at the sales data for the previous two financial years, wherein the assessee has reported cash sales of Rs. 5,37,60,160/- for AY. 2015-16; Rs. 2,81,44,615/- for AY. 2016-17 as compared to Rs. 1,47,97,577/- for the impugned assessment year 2017-18 and has held that the cash sales are thus not restricted to the year under consideration. Further, the Ld.CIT(A) has referred to the cash realization from Debtors in previous two financial years, wherein there is a cash realization of Rs. 2,55,25,047/- for AY. 2015-16 and Rs. 1,92,15,719/- for AY. 2016-17 as compared to Rs. 2,86,36,816/- for AY. 2017-18 and the Ld.CIT(A) accordingly submitted held that cash recovery from Debtors is also a regular phenomenon and not a new phenomenon during the year under consideration. The Ld.CIT(A) further referred to the findings of the AO as well as rebuttal by the assessee and has recorded his finding that the cash sales and recoveries from Debtors were fully recorded in the books of accounts which are duly audited and supported by stock registers and VAT returns. The cash book entries remained consistent and were not altered with the books audited and no qualifications raised by the auditors. The sales were duly recorded, declared in the VAT returns and stock registers are verified by the AO himself and the Books of Account

were audited with no adverse remarks or rejection u/s. 145 of the Act. The Ld.CIT(A) has accordingly held that the addition of Rs. 4,74,91,251/- has been made based on suspicion rather than evidence, as every aspect of cash receipts, deposits, withdrawals and business operations were supported by documentary evidence and legal precedents support the assessee's explanation where cash is traceable through audited books and consistent business records. Therefore, the AO's finding that the cash book is fabricated and the entire cash deposits are unexplained have been held by the Ld.CIT(A) to be effectively rebutted by the assessee and the said findings of the AO were held not justified. Referring to recovery from Debtors, the Ld.CIT(A) has recorded that the same is a routine phenomenon in the business of the assessee and moreover the recovery from the Debtors have been duly recorded in the parties ledger and the Books of Account of the assessee are duly audited. Regarding cash withdrawals amounting to Rs. 4.91 crores, the Ld.CIT(A) has recorded a finding that these were made to meet the regular business requirements such as cash purchases, payment to labour and other operating expenses, typical for a business that deals significantly in cash. These withdrawals were not unusual given the nature of the business, which involved in retail cash sales and decentralized operations across multiple branches. The Ld.CIT(A) has also carried out the analysis in terms of the withdrawals versus cash deposits and cash sales for each of the month and has recorded a finding that the assessee has been regularly withdrawing and depositing cash into its bank accounts and there was huge withdrawal of Rs. 1,13,00,000/- in the month of October, 2016, just prior to the demonetization period and, therefore, the genuineness of the deposits made during demonetization period cannot be doubted. Thereafter, the Ld.CIT(A) has referred to the month-wise deposits for the year under consideration and the preceding year and has held that in the month of

November, 2016, the cash deposit in the bank account was Rs. 1,73,50,250/- as compared to Rs. 84,35,704/- in the same period of last year and, thereafter, he has looked at the monthly cash sales for the year under consideration and the previous year and has held that there were entries of cash sales in the months of August, September and October to the tune of Rs. 68,61,386/-, in respect of which VAT returns have been filed after demonetization period and, therefore, the said sales have been un-vouched and, therefore, given the extraordinary circumstances of demonetization he has held that out of total sales, cash sales amounting to Rs. 68,61,386/- remain un-vouched and the addition was restricted to that extent.

11. We find that the Ld.CIT(A) has followed the right approach in terms of appreciating the broad nature of the assessee's business and its operations and branches located across various locations and has held that the assessee has been regular in dealing in cash sales and cash recoveries from the Debtors and cash deposits in its bank account and which is supported by the historical data, which has been further analysed for the year under consideration and thereafter he has recorded his findings holding that the transactions are duly recorded in the books of accounts and no fault can be found with the cash book and other documentation maintained by the assessee and fact that the books of account have not been rejected and sales are supported by stock register and VAT returns and the invoices and the source of cash so deposited has been found to be satisfactorily explained by the assessee.

12. At the same time, we find that the Ld.CIT(A)'s finding that on account of differential in cash sales vis-à-vis earlier financial year, the excess of the cash sales to the tune of Rs. 68,61,386/- remain unvouched and has been

brought to tax in order to prevent any leakage of revenue is not correct. The findings of the Id CIT(A) that these sales remain unvouched is driven by the fact that there has been delay in reporting and filing of VAT returns for the said period. It is not a case that the sales are not recorded in the books of accounts and not offered to tax. It is also not a case where sales are not reported as part of VAT return filings. The mere fact that the VAT returns have been filed belatedly cannot be a basis for holding the cash sales as unvouched when the same are clearly recorded in the Books of Account. In any case, these sales are part of reported turnover by the assessee in its tax filings and have already been brought to tax and therefore, there cannot be addition of sales realization separately. In light of the same, we are of the considered view that the Ld.CIT(A) has wrongly sustained the addition to the extent of Rs. 68,61,386/- and the whole of the addition therefore deserve to be set-aside and is hereby directed to be deleted.

13. In the result, appeal of the assessee is allowed and the appeal of the Revenue is dismissed.

Order pronounced in the open court on 09-02-2026

Sd/-

[ANIKESH BANERJEE]  
JUDICIAL MEMBER

Mumbai,  
Dated: 09-02-2026

TNMM

Sd/-

[VIKRAM SINGH YADAV]  
ACCOUNTANT MEMBER

Copy to :

- 1) The Appellant
- 2) The Respondent
- 3) The CIT concerned
- 4) The D.R, ITAT, Mumbai
- 5) Guard file

By Order

Dy./Asst. Registrar  
I.T.A.T, Mumbai