

IN THE INCOME TAX APPELLATE TRIBUNAL  
PUNE "A" BENCH : PUNE

BEFORE DR. MANISH BORAD, ACCOUNTANT MEMBER &  
SHRI VINAY BHAMORE, JUDICIAL MEMBER

I.T.A.No.1654/PUN/2025  
(Assessment Year 2017-2018)

Jitendra Ashoklal Katariya, 13, Nisarga, Salisbury Park, Pune, Maharashtra  PAN : ABUPK 7559 D  (Appellant)	vs.	ITO, Ward-6(2), Pune        (Respondent)
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For Assessee	:	Shri Sharad A Vaze, CA
For Revenue	:	Shri R.Y. Balawade, Addl.CIT

Date of Hearing	:	29.01.2026
Date of Pronouncement	:	17.02.2026

**ORDER**

**PER : MANISH BORAD, AM**

This appeal at the instance of the assessee is directed against the order of Ld. Commissioner of Income Tax (Appeals)/NFAC, Delhi [**"CIT(A)"**] dated 24/06/2025 passed under section 250 of the Income Tax Act, 1961 (**"Act"**) which is arising out of assessment order dated 09.12.2019 passed u/s. 143(3) by the ITO, Ward-6(2), Pune for the Assessment Year (**AY**) 2017-18.

2. The assessee has raised the following grounds of appeal:-

*“1. The lower authorities have erred in law as well as in facts in rejecting the explanation for holding the cash and its deposit into bank account for ₹ 69,46,500/- on 10.11.2016  
(₹ 72,12,334/-)*

*2. Without prejudice to Ground No.1 above, the law have erred, in law as well as in fact, in taking a biased / prejudiced view that the cash deposit of Rs 69,46,500/- in to bank account by assessee is nothing but his unaccounted money.*

*3. Without prejudice to Ground No 1 and 2 above, the lower authorities have erred in law as well as in fact, in ignoring the fact that the alleged unaccounted (?) cash is generated from business operations only. The source stands proved by the assessee. Addition, therefore, u/s 69A is unwarranted hence be deleted.*

*4 Without prejudice to Ground No 1 to 3 above, the assessing officer has erred in law as well as in fact in applying sec 69A of the Income Tax Act 1961 when in fact the said money is very much included in the bank account of the assessee used for the daily operations of his business. Thus, the deposit of Rs 69,46,500/- is very much recorded in the books of account of the assessee. Sec 69A is not applicable as such addition u/s 69A is not warranted hence needs to be deleted.*

*5. Without prejudice to Ground No 1 to 4 above, the assessee prays to restrict the addition in the income to a reasonable amount taking into account the facts and circumstance of the case.*

*6. The appellant craves leave to add, alter, omit or substitute any of the grounds at the time of hearing of the appeal.”*

3. The sole grievance of the assessee is against the finding of Ld.CIT(A) in confirming the addition made by the Ld.AO u/s. 69A of the Act for the alleged unexplained cash deposits of ₹69,46,500/-.

4. Facts of the case, in brief, are that assessee is an individual and carries on the business of wholesale dealer in

diamonds and jewellery in the name under sole proprietorship concerned "M/s. Veer Diamonds and Jewellers". Income of ₹25,49,910/- declared in the return of income for A.Y. 2017-18 furnished on 25.10.2017. The case being selected for scrutiny under CASS followed by validly serving notice u/s. 143(2) & 142(1) of the Act. Audited report, financial statements along with cash book, cash flow statement, capital account documentary proof of opening cash in hand, month-wise closing cash in hand and details of withdrawals called for, to which necessary compliance was made. Ld.AO observed that during demonetization period from 09.11.2016 to 30.12.2016, assessee has deposited cash totaling to ₹69,46,500/-. The assessee furnished cash sales made during the period 27.10.2016 to 03.11.2016, totaling to ₹ 56,34,470/- along with opening cash in hand, which was utilized for making the alleged cash deposits. Details were also filed about cash withdrawals prior to announcement of demonetization scheme. However, Ld.AO was not satisfied with these submissions and observed that cash sales made for the similar period for the preceding financial year is much less and that the assessee in order to cover up the unexplained money has shown cash sales and each such sale cash being below the transaction limit of ₹ 2,00,000/- and therefore, no details of the buyers of the goods sold by the assessee are available on record. Ld.AO thus, concluded the proceedings

making addition u/s. 69A of the Act at ₹ 69,46,500/- and assessed the income at ₹ 94,96,410/-.

5. Aggrieved, assessee preferred appeal before the Ld.CIT(A) and furnished the details of cash sales, total sales, percentage of total sales and cash in hand on 31<sup>st</sup> March for F.Ys. 2015-16 to 2018-19 stating that assessee is mainly engaged in the wholesale business and only on festival occasions mainly *Diwali*, assessee makes cash sales consistently for the past many years. However, Ld.CIT(A) was not satisfied with the submissions of the assessee and upheld the addition made by the Ld.AO. Now the assessee preferred this appeal before this Tribunal.

6. Learned counsel for the assessee referring to the written submissions placed in paper book at page Nos. 1 to 10 and all other details about financial statements, stock register of Cut & Polish Diamond, VAT returns, bank statement and submissions filed before the Ld.CIT(A) which are placed in paper book at page Nos. 11 to 167 stated that cash sales are mainly effected by the assessee during *Diwali* period and that the percentage of cash sales is ranging from 5%-12% and that too only on festival occasions. Books of accounts are regularly maintained along with stock register and the Ld.AO has not taken into consideration that the alleged cash deposit is also duly accounted for in the regular books of account and, therefore, one of the conditions for applying section 69A of the

Act is not fulfilled. He also stated that so far as other two conditions are concerned, firstly the assessee accepted that he is the owner of alleged cash and also explained about the nature and source of alleged cash deposits. He, therefore, submitted that since Ld.AO has not rejected the book results and that the cash deposited by the assessee is in the regular course of business, therefore, the impugned addition is uncalled for.

7. On the other hand, Ld. Departmental Representative (**DR**) vehemently argued supporting the order of Ld. CIT(A).

8. We have heard rival contentions and perused the records placed before us. We observe that assessee is engaged in the business of manufacturing and trading of diamonds and jewellery under the name and style of "M/s. Veer Diamonds and Jewellers". Admittedly, books of accounts of the assessee are duly audited and tax audit report stands submitted along with return of income. We also note that during the demonetization period declared during the year, assessee has deposited cash in the bank account to the tune of ₹ 69,46,500/-, to which Ld.AO called for necessary explanation. It has been consistently claimed by the assessee that the source of alleged cash deposit is the cash in hand and cash sales made by the assessee prior to the announcement of demonetization period and such cash sales are duly accounted for in the accounts and also shown in the VAT returns and

that the goods have been sold out of stock-in-trade held by the assessee.

9. We note that the assessee has filed the details of cash sales and total sales from F.Y. 2015-16 to 2018-19 and the same is reproduced below:-

F.Y.	Cash Sales	Total Sales	% of total sales	Cash as at 31 <sup>st</sup> March
2015-16	23,83,345	3,98,79,940	5.98%	1,61,969
2016-17	49,84,470	5,57,97,515	8.93%	15,16,329
2017-18	94,28,030	7,79,54,638	12.09%	15,31,517
2018-19	50,57,356	6,86,03,874	7.37%	18,94,872

Now, in the above details of cash sales, we note that during the F.Y. 2015-16, cash sales are approximate 6% of the total sales, but have increased to 8,93% during the F.Y. 2016-17 and has further increased to 12.09% during F.Y. 2017-18. The assessee has also filed the details of books for the year under consideration as well as preceding years which clearly exhibit that the major amount of cash sales are made during *Diwali* season. For the year under appeal, demonetization scheme was announced after *Diwali* festival. The assessee has recorded the sales in its books and each transaction is less than ₹ 2,00,000/- and, therefore, was not required to be maintained the details of the buyers and their PAN nos. The quantitative records of the Cut & Polish Diamond are regularly maintained and are appearing in the paper book at page Nos. 78-84. The book results of the assessee has not been disputed

by the Ld.AO and on one hand, the alleged cash which is part of the gross sales and net profit being arrived at from such gross sales appearing in the audited balance sheet has been accepted by the Ld.AO, but simultaneously for the part of cash sales which is claimed to be the source of alleged cash deposit during the demonetization scheme has not been accepted by the Assessing Officer. The main reason for not accepting the cash sales stated by the Ld.AO that the sales having increased drastically during this year in comparison to preceding year and he has also taken some dates of the instant year with that of the preceding year and thereafter observed that since for the very same period in the preceding year, the cash deposits/cash sales is much less in compare to the present year and he has doubted the genuineness, nature and source of cash deposits stated by the assessee.

10. We fail to find any merit in such observation of the Ld.AO and the finding given by the Ld.CIT(A) affirming the observation of the Ld.AO mainly because the cash sales reflected by the assessee during *Diwali* festival week and as the date of *Diwali* is not same every year, therefore analyzing the cash deposits keeping the same dates for previous financial years is incorrect. The assessee has demonstrated with the details of dates of the *Diwali* festival and the cash sales made during F.Y. 2015-16 with that of F.Y. 2016-17 and

he has been able to prove that cash sales are mainly affected during the month of *Diwali*. In the year under consideration *Diwali* festival concluded just few days before the announcement of demonetization scheme and that the assessee is having cash in hand from the cash sales as well as cash withdrawals made in the period prior to announcement of demonetization scheme

11. We further note that gross sales of the assessee has increased from 3.99 Cr. to 5.58 Cr. which means that there is increase in sales of 40% and certainly when the total sales is increased by 40%, certainly the cash sales have also been in a increasing trend. Even though, increase in cash sales is much higher with increase in gross sales, but still considering the fact that assessee is maintaining proper books of accounts along with the quantitative details and that the gross sales of the assessee has been accepted by the Ld.AO and that the assessee has successfully explained the details of cash sales along with copy of VAT returns, we are of the considered view that Ld.CIT(A) erred in affirming the action of the Ld.AO invoking section 69A of the Act. Accordingly, finding of Ld.CIT(A) is set aside and the impugned addition is deleted. Effective grounds of appeal raised by the assessee are allowed.

12. In the result, appeal of the Assessee is allowed.

Order pronounced in the open Court on 17.02.2026

Sd/-  
[VINAY BHAMORE]  
JUDICIAL MEMBER

Sd/-  
[MANISH BORAD]  
ACCOUNTANT MEMBER

Pune, Dated 17<sup>th</sup> February, 2026

vr/-

Copy to

1.	The appellant
2.	The respondent
3.	The Ld. PCIT concerned.
4.	D.R. ITAT, "A" Bench, Pune.
5.	Guard File.

//True Copy //

By Order

Assistant Registrar,  
ITAT, Pune.