

**IN THE INCOME TAX APPELLATE TRIBUNAL
DEHRADUN “DB” BENCH: DEHRADUN**

**BEFORE SHRI YOGESH KUMAR U.S, JUDICIAL MEMBER &
SHRI MANISH AGARWAL, ACCOUNTANT MEMBER**

[THROUGH VIRTUAL MODE]

ITA No.33/DDN/2025

[Assessment Year : 2017-18]

JCIT (OSD) Aaykar Bhawan, 13 A, Subhhash Road, Uttarakhand	vs	Windlass Constructions 53-R, Rajpur Road Uttarakhand-248001 PAN-AABFW4972E
APPELLANT		RESPONDENT
Revenue by		Shri A.S.Rana, Sr.DR
Assessee by		Shri Varendra Kalra, CA
Date of Hearing		10.12.2025
Date of Pronouncement		18.02.2026

ORDER

PER MANISH AGARWAL, AM :

The present appeal is filed by the Revenue against the order dated 19.12.2024 by Ld. Commissioner of Income Tax (A), National Faceless Appeal Centre (“NFAC”), Delhi [“Ld.CIT(A)”] in Appeal No. CIT(A), Dehradun/10687/2019-20 passed u/s 250 of the Income Tax Act, 1961 [“the Act”] arising from the assessment order dated 20.12.2019 passed u/s 143(3) of the Act pertaining to Assessment Year 2017-18.

2. Brief facts of the case are that the assessee is a partnership firm and e-filed its return of income on 31.10.2017, declaring loss of INR

4,61,33,210/- . The case was selected for scrutiny under CASS for various reasons where one of the reasons was that large cash was deposited during demonetization period. The assessee has deposited cash of INR 2,40,32,000/- during the demonetization period for which it was explained that the immediate source was out of the withdrawals made prior to the deposits. AO observed that cash was withdrawn for business activities and were spent and therefore, the source of the cash remained unexplained and made the addition u/s 69A as unexplained money and invoked the provision of section 115BB of the Act.

3. Against the said order, the assessee preferred appeal before Ld.CIT(A) who vide impugned order dated 19.12.2024, allowed the appeal of the assessee.

4. Aggrieved by the order of the Ld.CIT(A), the Revenue is in appeal before us by taking grounds of appeal:-

1. *“On facts and circumstances of the case and in law, whether the CIT (A) is justified in deleting the addition of Rs. 2,26,50,000/- made on account of unexplained money accrued to the assessee.*
2. *On facts and circumstances of the case and in law, whether the CIT (A) while allowing relief to the assessee is correct in placing reliance on the cash flow statement and cash book furnished by the assessee whereas it can be seen from the cash flow statement that, the assessee through the cash withdrawals had artificially augmented cash in hand as no rationale could be found in continuous withdrawals of cash by the assessee despite it having no need to do so.*

3. *That, the appellant craves leave to add or amend any other more ground of appeal as stated above as and when needs for doing so may arise.”*

5. During the course of hearing, Ld. Sr. DR for the Revenue submits that assessee has failed to explain the source of cash deposits during demonetization period and simply stated that the immediate source is the cash withdrawn from the bank account. Ld. Sr. DR further submits that assessee has failed to provide explanation for the purposes of cash withdrawn from time to time and therefore, the order of AO making addition by holding the said cash as unexplained deserves to be restored. He prayed accordingly.

6. On the other hand, Ld.AR for the assessee submits that immediate source of cash was explained as receipts from the customers as well as well as withdrawn from bank accounts for which he drew our attention to the table is reproduced at para 14 of the appellate order wherein month-wise position of cash available with assessee is tabulated. As per the said table, assessee was having sufficient cash balance on the closing hours of 08.11.2016 when the demonetization was announced by the Hon'ble Prime Minister. Ld. AT thus, prayed that ld. CIT(A) after considering these facts, has rightly deleted the additions which order deserves to be upheld. He prayed accordingly.

7. Heard the contentions of both the parties at length and perused the material available on record. The solitary issue in this case is with

respect to the source of cash deposit during demonetization period for which claim of the assessee is that it had received 15,65,756/- as advance from customers and further made cash withdrawal from the bank account of INR 2,73,50,000/-. All these receipts are duly recorded in the books of accounts maintained in the regular course of business out of which cash of INR 49,92,372/- were utilized for business activities and 65,67,700/- were redeposited in the bank leaving a balance of INR 2,38,07,821/- as on the closing hours of 08.11.2016. It is observed that AO has not doubted the books of accounts and other records produced before him wherein such cash was recorded in the cash book. Ld. CIT(A) had appreciated these facts and deleted the additions by making following observations:-

1. *“It is pertinent that in order to decide this appeal in a timely manner a number of notices/communications through ITBA portal were sent to the appellant, viz. system enabled notice dated 08.01.2021 and 19.11.2024, communication dated 04.11.2022 on the registered email id available on the system and the email provided by appellant for communication in Form No.35. The appellant in response to the notices issued and delivered, filed its detailed paperbook response along with the supporting documents and several judicial precedents of the higher authorities along with the cash book, cash flow statements and comparative statements for AY 2016-17 and AY 2017-18 which have duly been verified by me.*
1. *I have read the rival submissions, perused the material available on record and gone through the order of the authority below as well as the judgements relied upon by the Id. counsel for the assessee. There is no dispute with regard to the fact that the assessee had deposited the cash of Rs. 2,40,32,000 during demonetization starting from 08/11/2016 to 31/12/2016 (though the assessing officer had made addition of Rs. 2,26,50,000 only). Further, the said cash was deposited from the cash withdrawn only, fact which was proved by the learned counsel of the assessee from the said table along with the cash book for the year.*

Windlass Constructions

AY 2017-18

Details regarding cash deposit

Particulars	Cash in hand		Cash Receipts [B]	Cash deposited [C]	Other Cash Outflow [D]	Cash withdraw [E]	Closing Cash in hand	
	Date	[A]					Date	Amount [A]+[B]-[C]- [D]+[E]
April	01.04.2016	6,452,137	-	4,000,000	350,000	5,150,000	30.04.2016	7,252,137
May	01.05.2016	7,252,137	11,000	200,000	600,000	5,400,000	31.05.2016	11,863,137
June	01.06.2016	11,863,137	407,489	967,700	1,133,525	400,000	30.06.2016	10,569,401
July	01.07.2016	10,569,401	353,170	-	596,270	600,000	31.07.2016	10,926,301
August	01.08.2016	10,926,301	57,970	-	460,318	2,800,000	31.08.2016	13,323,953
September	01.09.2016	13,323,953	4,860	-	549,542	8,500,000	30.09.2016	21,279,271
October	01.10.2016	21,279,271	731,267	-	1,165,267	1,700,000	31.10.2016	22,545,271
November (upto 08.11.16)	01.11.2016	22,545,271	-	1,400,000	137,450	2,800,000	08.11.2016	23,807,821
Total			1,565,756	6,567,700	4,992,372	27,350,000		

Particulars	Cash in hand		Cash Receipts [B]	Cash deposited [C]	Other Cash Outflow [D]	Cash withdraw [E]	Closing Cash in hand	
	Date	[A]					Date	Amount [A]+[B]-[C]- [D]+[E]
November (From 09.11.2016 to 30.11.2016)	09.11.2016	23,807,821	575,000	24,032,000	900,000	600,000	30.11.2016	50,
December	01.12.2016	50,821	-	-	800,395	850,000	31.12.2016	100,426
January	01.01.2017	100,426	-	-	1,100,000	1,050,000	31.01.2017	50,426
February	01.02.2017	50,426	-	-	200,000	200,000	28.02.2017	50,426
March	01.03.2017	50,426	-	-	200,000	200,000	31.03.2017	50,426
Total			575,000	24,032,000	3,200,395	2,900,000		

Grand Total			2,140,756	30,599,700	8,192,767	30,250,000		-
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This table clearly proves beyond the doubt that the cash deposited during demonetization was sourced from cash withdrawn for future exigencies.

1. *I find that the contention of the assessee has not been found to be incorrect that the assessee was in continuous practice of maintaining heavy cash balance in hand owing to its day-to-day business expediencies. Though the Id. AO during the assessment proceedings had doubted the explanation furnished by the assessee, however there is no finding by the learned AO that the cash withdrawn by the assessee was utilized for any other purpose.*

1. *On perusal of the supporting documents along with the explanation, as well as the citations placed on records by the assessee, I find merit into the contention of the Id. counsel for the assessee that there is no dispute that the amount which was withdrawn by the assessee on various dates during the year 2016 was available with him for making deposits. In the absence of finding that the amount which was previously withdrawn by the assessee had been utilized for any other*

purpose merely based on conjecture that the amount might have been utilized for any other purpose and was not available with the assessee for making the deposits, I am unable to accept the reasoning of the departmental representative. In my considered view, when the assessee has demonstrated that he had withdrawn cash from the bank and there is no finding by the Id.AO that this cash available with the assessee was invested or utilized for any other purpose, in that event, it is not open to the authority to make the addition on the basis that the assessee failed to explain the source of deposits and treating the same as unexplained income. Moreover, the Id.AO below has not disputed the fact that the assessee had withdrawn amount of Rs.2,73,50,000/- before the deposits made on various dates during the FY. Therefore, the order of the Id.AO is set aside.

1. In the present case also, the learned assessing officer did not show that above cash was not available in the hands of the assessee or have been spent on any other purposes. Further the coordinate bench in ACIT vs Baldev Raj Charla 121 TTJ 366 (Delhi) also held that merely because there was a time gap between withdrawal of cash and cash deposits explanation of the assessee could not be rejected and addition on account of cash deposit could not be made particularly when there was no finding recorded by the assessing officer or the Commissioner that apart from depositing this cash into bank as explained by the assessee, there was any other purposes it is used by the assessee of these amounts.

1. In the facts and circumstances of the case, I am in complete agreement with the learned counsel of the assessee and hold that the entire cash deposits during the demonetization was from the cash withdrawal and thereby delete the entire addition of Rs.2,26,50,000. Thus, ground raised in the assessee's appeal is allowed.”

8. Before us, Revenue has failed to controvert the findings given by Ld. CIT(A) who had reached to the conclusion after due appreciation of the facts and the submissions made by the assessee and further analyzing the availability of the cash with the assessee. Further, the AO has not doubted the trading results declared by the assessee as well as the availability of the goods as and when the sales

have been made. Further, it is not the case of the AO that the parties from whom advances were claimed to have been received were non-existent nor had brought on record the evidences that the cash withdrawn was used elsewhere. Under these circumstances, we find no error in the order of Ld. CIT(A) in deleting the addition made by AO towards cash deposited during the demonetization period which order is hereby upheld. Accordingly, all the Grounds of appeal raised by the Revenue are dismissed.

9. In the result, appeal of the Revenue is dismissed.

Order pronounced in the open Court on 18.02.2026.

Sd/-

Sd/-

(YOGESH KUMAR U.S)
JUDICIAL MEMBER

(MANISH AGARWAL)
ACCOUNTANT MEMBER

Date:- 18.02.2026

Amit Kumar, Sr.P.S

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