

**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**“B” BENCH, CHANDIGARH**

**PHYSICAL HEARING**

**BEFORE HON’BLE SHRI RAJPAL YADAV, VICE PRESIDENT**  
**AND**  
**HON’BLE SHRI MANOJ KUMAR AGGARWAL, AM**

**1. आयकर अपील सं. / ITA No.63/CHANDI/2025**  
**(निर्धारण वर्ष / Assessment Year: 2017-18)**

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**2. आयकर अपील सं. / ITA No.362/CHANDI/2025**  
**(निर्धारण वर्ष / Assessment Year: 2017-18)**

<b>Shri Satish Kumar Jain</b> (Prop. of M/s Jain Abhushan Bhandar) C/o Rajiv Goel and Associates (CA) 179 Bank Road, Ambala Cantt. Haryana – 133001	<b>बनाम/ Vs.</b>	<b>ITO Ward-4</b> Ambala, Haryana - 133001
स्थायीलेखासं./जीआइआरसं./PAN/GIR No. <b>ACGPK-6011-K</b>		
(अपीलार्थी/ <b>Appellant</b> )	:	(प्रत्यर्थी / <b>Respondent</b> )

अपीलार्थीकीओरसे/ <b>Appellant by</b>	:	Sh. Dhruv Goel (CA) – Ld. AR
प्रत्यर्थीकीओरसे/ <b>Respondent by</b>	:	Sh. Dr. Ranjit Kaur (Addl.CIT) – Ld. Sr. DR

सुनवाईकीतारीख/ <b>Date of Hearing</b>	:	12.02.2026
घोषणाकीतारीख / <b>Date of Pronouncement</b>	:	24.02.2026

**आदेश / O R D E R**

**Manoj Kumar Aggarwal (Accountant Member)**

1. In these captioned appeals for Assessment Year (AY) 2017-18, the assessee is aggrieved by confirmation of quantum addition as well as levy of penalty u/s 271AAC for Rs.2,77,868/-. First, we take up quantum appeal ITA No.63/Chandi/2025 which arises out of an order

of Learned Commissioner of Income Tax (Appeals), NFAC [CIT(A)] dated 12-11-2024 in the matter of an assessment framed by Ld. Assessing Officer [AO] 143(3) of the Act on 27-12-2019 making twin addition aggregating to Rs.22 Lacs. The Ld. CIT(A) made enhancement against which the assessee is in further appeal before us. The Ld. AR advanced arguments and filed written submissions. Reference has been made to various case laws. The Ld. Sr. DR also advanced arguments supporting the impugned order. Having heard rival submissions and upon perusal of case records, the appeal is disposed-off as under.

### **Assessment Proceedings**

2. The assessee is stated to be engaged in trading of gold and silver jewellery under his proprietorship concern namely *M/s Jain Abhushan Bhandar*. To verify the source of cash deposit of Rs.55.97 Lacs in two bank accounts during demonetization period, the assessee's case was scrutinized. The details of deposits have been tabulated by Ld. AO at para-2 of the order. These deposits were made during the period from 18-11-2016 to 03-12-2016. The assessee stated that cash was deposited out of sale proceeds and out of available cash balance. However, Ld. AO noted that deposit in this year increased substantially in comparison to deposit made by the assessee in FY 2015-16 and therefore, the assessee's submissions were rejected. A comparison of month-wise cash sales was tabulated by Ld. AO for FY 2015-16 as well as for this year at para-5 of the order. It was noted that out of cash sales for Rs.53.25 Lacs during this

year, sales during October, 2016 and November, 2016 was Rs.35.77 Lacs. Further, in November, 2016, cash sales was only for 8 days i.e., before demonetization. The assessee stated that increase in sales was due to festival season. Finally, Ld. AO partially accepted explanation to the extent of Rs.35.97 Lacs and confirmed the addition of Rs.20 Lacs as income from unexplained sources. The Ld. AO also made adhoc addition of Rs.2 Lacs for fall in Gross Profit & Net Profit during this year.

### **Appellate Proceedings**

3.1 During appellate proceedings, the assessee assailed the findings of Ld. AO and tabulated that the sales in this year was at much higher levels of Rs.656.23 Lacs as against sales of Rs.286.55 Lacs in the immediately preceding AY 2016-17. There was substantial increase in sales. The cash sales for this year constitute approx. 8% of total sales whereas in AY 2016-17, it was approx. 13%. Thus, cash sales component as a percentage of total sales, in fact, has reduced during this year. The assessee maintained complete quantitative details and regular books of accounts. The assessee had sufficient cash balance in the books to make the impugned deposits. The assessee duly furnished sales and purchase ledger, cash book and bank book, summary of monthly purchase, monthly cash sales and cash deposit. The copies of sales invoices for the period October, 2016 to December, 2016 as well as party-wise ledger account for purchases was also furnished. The assessee paid job work charges to Shri Ashok Kumar after deduction of tax at source. The copy of Form 16A

as issued to Shri Ashok Kumar along with stock register with day-to-day details of opening stock, purchase, sales and closing stock of gold jewellery, gold bullion and silver ornaments was also furnished.

3.2 Upon perusal of stock register, Ld. CIT(A) noted that the assessee brought stock of gold ornaments on 29-10-2016, 30-11-2016 and 31-12-2016 for 807.530 grams, 4200.060 grams and 1521.830 grams respectively. These quantities aggregated to 6529.420 grams. The same represent receipt of gold ornaments from Shri Ashok Kumar (goldsmith) which was manufactured out of gold bullion given to him. Upon perusal of ledger of Shri Ashok Kumar, it was noted that the assessee made payment of Rs.2 Lacs on 23-06-2016 and no other payment was paid to him subsequently. The Ld. AO was directed to conduct enquiry at the premises of Shri Ashok Kumar. His statement was recorded on oath. The copy of his reply has been extracted in the impugned order. He confirmed manufacturing of gold ornaments for the assessee and also explained the process of manufacturing. The bullion received by him and jewellery delivered by him during these three days was also confirmed by him. The remand report was confronted to the assessee. The assessee objected to the same.

3.3 In the background of above facts, Ld. CIT(A) issued enhancement notice to the assessee doubting the receipt of gold ornaments of 6529.393 grams in these three days and show-caused the assessee. Though the assessee filed a detailed reply, the same was not accepted by Ld. CIT(A). It was doubted that Shri Ashok

Kumar could not have manufactured that much of ornaments on the same day of receipt of gold bullion. He did not have sufficient labor and machinery to manufacture such high quantity of gold ornaments. The Ld. CIT(A) also questioned the huge purchases and cash sales made by the assessee. Finally, Ld. CIT(A) held that all the cash sales could not be considered to be genuine. The assessee manipulated purchases and sales and increased the stock of gold ornaments. By inflating the stock, the assessee booked cash sales by computer-generated self-serving sales invoices which were not having the full details of customers. The purchases invoices were also held to be deficient. Therefore, the books of accounts were rejected and the deposit of Rs.55.97 Lacs was directed to be added u/s 68 of the Act. The estimated profit addition of Rs.2 Lacs was also confirmed. Aggrieved, the assessee is in further appeal before us.

#### **Our findings and Adjudication**

4. From the fact, it emerges that the assessee is engaged in jewellery business since past many years. The assessee has reflected sales of Rs.656.23 Lacs in this year which is much higher than the sales of Rs.286.55 Lacs in the immediately preceding AY 2016-17. There is substantial increase in sales. The cash sales for this year constitute approx. 8% of total sales whereas in AY 2016-17, it was approx. 13%. Thus, cash sales component, in fact, has reduced during this year. The assessee duly furnished VAT assessment order wherein sales and purchases have been accepted by the VAT department. The VAT returns for the relevant period has not been

revised by the assessee. The assessee has duly maintained regular books of accounts which are subjected to Tax Audit. The assessee has also maintained quantitative details of the stock. No deficiency has been pointed out by Tax Auditor in the quantitative details of trading items. In fact, the sales turnover, in the final analysis, has not been disputed. The assessee has deposited cash of Rs.55.97 Lacs during demonetization period which is stated to be sourced out of cash balance as available with the assessee in the cash book. The same has been accumulated out of cash sales, receipt from debtors etc. The same has not been accepted by Ld. CIT(A) on the allegation that the assessee manipulated books by inflating purchases and booking sales without details of buyers. However, the assessee has duly maintained day-wise manual stock register which was also furnished before lower authorities. A mere doubt has been raised on purchases without any enquiries from the suppliers. It is trite law that no addition could be made merely on the basis of suspicion, conjectures or surmises.

5. It could further be seen that Ld. CIT(A) has doubted the receipt of gold jewellery in different quantities aggregating to 6529.42 grams stated to be received in October, 2016 (807.53 gms.), November, 2016 (4200.06 gms) and December, 2016 (1521.873 gms) upon conversion of bullion of 5985.90 gms by Shri Ashok Kumar. Another point of doubt was that such receipts were entered on a single date on last date of respective months in Tally books. Accordingly, Ld. CIT(A) issued enhancement notice to the assessee on 16-10-2024. The

assessee responded to the same, inter-alia, by stating that it maintained separate manual day-wise stock register where all day-wise issue of bullion and receipt of finished gold ornament / jewellery were entered. The entries in the Tally software were done on cumulative basis at the end of every month. A copy of such stock register was also filed along with receipts issued at the time of sending bullion and receiving back jewellery. No shortage of stock was ever reported in the stock register. Therefore, the conclusion of Ld. CIT(A) could not be accepted. In fact, field enquiries were also conducted from Shri Ashok Kumar who has admitted the transactions with the assessee. The payment to the job worker is subjected to TDS by the assessee. The filed enquiries have amply demonstrated that Shri Ashok Kumar carried out job work for the assessee and there is no adverse field finding against the assessee. All these facts duly support the case of the assessee.

6. Considering the facts and circumstances of the case, we delete the impugned addition of Rs.55.97 Lacs in *toto*. The addition of Rs.2 Lacs could also not be sustained since the books are subjected to tax audit and there is no material to indicate any inflation of expenditure or suppression of sales. The addition of Rs.2 Lacs also stands deleted. No other ground has been urged in the appeal. The appeal stand partly allowed.

7. Against enhanced quantum addition of Rs.35.97 Lacs, Ld. CIT(A) has levied penalty of Rs.2,77,868/- u/s 271AAC(1) vide order dated 21-01-2025 which is subject matter of ITA No.

362/Chandi/2025. Since we have deleted the quantum addition, this penalty would not survive. We order so. This appeal stand allowed.

8. ITA No.63/Chandi/2025 stand partly allowed. ITA No.362/Chandi/2025 stands allowed.

Order pronounced on 24<sup>th</sup> February, 2026.

-Sd-  
(RAJPAL YADAV)  
VICE PRESIDENT

-Sd-  
(MANOJ KUMAR AGGARWAL)  
ACCOUNTANT MEMBER

Dated:24.02.2026

**आदेश की प्रतिलिपि अग्रेषित /Copy of the Order forwarded to :**

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF

ASSISTANT REGISTRAR

ITAT CHANDIGARH