

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

**BEFORE SHRI WASEEM AHMED, ACCOUNTANT MEMBER AND  
SHRI KESHAV DUBEY, JUDICIAL MEMBER**

ITA No.2235/Bang/2025
Assessment Year: 2017-18

M/s Karnataka Ginger Trading Company, Koodulur Village, Kudige Road, Kushalnagar – 571234.  <b>PAN – AAMFK 3277 H</b>	Vs.	The Income Tax Officer Ward , Madikeri.
APPELLANT		RESPONDENT

Assessee by	:	Shri Siddesh Nagaraj Gaddi, CA
Revenue by	:	Shri Ganesh R Ghale, Advocate – Standing Counsel for Revenue

Date of hearing	:	24.02.2026
Date of Pronouncement	:	05.03.2026

**ORDER**

**PER WASEEM AHMED, ACCOUNTANT MEMBER:**

The present appeal is filed by the assessee against the order of the Ld. Commissioner of Income-tax (Appeals) passed under section 250 of the Income-tax Act, 1961 dated 01.08.2025.

2. The assessee in the memo of appeal has raised 16 grounds, which we for the sake of brevity and convenience are not inclined to reproduce here.

3. The grounds of appeal are interconnected and relate to the addition made by the AO under section 69A of the Act amounting to Rs.

16,16,400 treating the cash deposits made during the demonetisation period as unexplained.

4. During assessment proceedings, the assessee before AO submitted that no cash has been deposited in the bank account during the period under consideration. However, the AO found that the assessee did not furnish copies of the bank statements for verification of the assessee's claim. The AO observed that the assessee failed to substantiate that the cash deposits made during the demonetisation period were out of normal business receipts. In the absence of satisfactory explanation regarding the nature and source of the cash deposits, the AO invoked the provisions of section 69A of the Act and treated the sum of Rs. 16,16,400 as unexplained cash deposits, thereby making an addition of the said amount to the total income of the assessee.

5. Aggrieved by the order of AO, assessee preferred an appeal before Ld. CIT(A)

6. Before the Ld. CIT(A), the assessee submitted that the cash was not deposited by him but by one of the customers and submitted a certificate in this regard obtained from the bank manager certifying that no cash was deposited by the assessee.

6.1 The Ld. CIT(A) observed that the cash deposit of Rs. 16,16,400 was found in the bank account of the assessee during the demonetisation period. The explanation of the assessee that the cash was deposited by a customer, Shri Kanhiyalal Jesaram from Ajmer,

Rajasthan, was not accepted as no documentary evidence was furnished to establish the identity, creditworthiness, and genuineness of the alleged depositor. The confirmation from the bank manager merely showed that the amount was deposited in the assessee's account and did not prove the source of the cash. Since the assessee failed to discharge the burden of explaining the source of the cash deposit, the CIT(A) held that the provisions of section 69A of the Act were rightly invoked by the AO and accordingly confirmed the addition.

7. Being aggrieved by the order of the Id. CIT-A, the assessee preferred an appeal before us.

8. The Ld. AR before us has submitted a paper book running from pages from 1 to 50, containing the written submissions, bank certificate, ledger extract of customer, sales ledger, ITR & Financials and order of lower authorities.

8.1 The Ld. AR submitted that the assessee has been carrying on regular business transactions with the customer, Shri Kanhiyalal Jesaram of Ajmer, Rajasthan. It was contended that the impugned cash deposit in the Axis Bank account was made by the said customer towards sale proceeds arising from genuine business transactions with the assessee. The Ld. AR further submitted that the said amount has been duly recorded in the regular books of account of the assessee and the same has been offered to tax as part of the business income in the return of income filed for the relevant assessment year.

8.2 The Ld. AR invited attention to the customer ledger account and submitted that the ledger extract clearly reflects the transactions with the aforesaid customer along with the corresponding bank entries appearing in the Axis Bank account. It was argued that the ledger account corroborates the deposits made in the bank and establishes that the transactions were part of the regular course of business.

8.3 The Ld. AR therefore submitted that the source and nature of the cash deposits stand duly explained through supporting documents such as the bank confirmation, customer ledger extract and entries recorded in the books of account. It was contended that once the deposits are duly recorded in the books and represent business receipts from a known party, the same cannot be treated as unexplained money under section 69A of the Act. The assessee also placed reliance on the following judicial precedents in this regard:

- (a) Deputy Commissioner of Income-tax vs. Viswa and Devji Diamonds (P.) Ltd. [2025] reported in 171 taxmann.com 474 (Chennai - Trib.) [10-01-2025]
- (b) S. Balaji Mech-Tech (P.) Ltd. Vs Income-tax Officer in [2024] 116 ITR(T) 31 (Delhi - Trib.) [25-09-2024]
- (c) Digvijay Chemicals Ltd. vs. Commissioner of Income-tax (A)-3 reported in [2025] 175 taxmann.com 159 (Delhi - Trib.) [13-05-2025]
- (d) Godwin Tourism Pvt. Ltd. v. DCIT in [IT Appeal No. 2786 (Del) of 2019, dated 21-8-2024]
- (e) Income-tax Officer vs. J.K. Wood India (P.) Ltd. reported in [2024] 158 taxmann.com 208 (Delhi - Trib.)/[2024] 205 ITD 10 (Delhi - Trib.) [03-01-2024]

- (f) JCIT Vs. M/s Pari Agencies Pvt. Ltd. in ITA No. 2006/Del/2023 dated 14.12.2023
- (g) Mohit Sukhija vs. NFA reported in [2025] 175 taxmann.com 94 (Delhi - Trib.)/[2025] 213 ITD 251 (Delhi - Trib.)[30-05-2025]
- (h) DSA Motors vs. Income-tax Officer reported in [2025] 175 taxmann.com 161 (Chennai - Trib.)[26-05-2025]

9. On the contrary, the Ld. DR vehemently supported the orders of the AO and the Ld. CIT(A). It was submitted that the assessee failed to substantiate the claim that the cash deposits made during the demonetisation period represented genuine business receipts. The contention that the amount was deposited by a customer, Shri Kanhiyalal Jesaram of Ajmer, Rajasthan, was not supported by credible documentary evidence. The Ld. DR submitted that the assessee did not establish the identity, creditworthiness and genuineness of the alleged depositor. Merely producing a ledger extract in the books of account does not prove the source of the cash deposit. In the absence of proper corroborative evidence such as confirmation from the depositor or supporting transaction records, the explanation of the assessee remains unverified. Therefore, the assessee failed to discharge the burden cast under section 69A of the Act. Accordingly, the addition made by the AO and confirmed by the Ld. CIT(A) deserves to be sustained.

10. We have heard the rival submissions of both the parties and perused the materials available on record. We note that as per section 69A of the Income-tax Act, 1961, in any financial year if the assessee is found to be the owner of any money, bullion, jewellery or other valuable article and such money, bullion, jewellery or other valuable article, not recorded in the books of account, maintained by him

for any source of income, and the assessee offers no explanation about the nature and source of acquisition of such money, bullion, jewellery or other valuable article, or the explanation offered is not satisfactory in the opinion of the AO, then the money and the value of the bullion, jewellery or other valuable article may be deemed to be the income of the assessee of such financial year.

10.1 As per plain reading following condition must be fulfilled for applicability of section 69A of the Act:

1. Assessee is found to be owner of any money, Bullion, Jewellery etc.
2. Such Money is not recorded in the books of accounts, if any maintained by him for any source of income, AND
3. Assessee offers no explanation or explanation is found not satisfactory by AO.

10.2 In the present case, we note that the cash deposits in question are duly reflected in the bank account of the assessee and the assessee has also placed on record the ledger account of the concerned customer showing that the amount represents sale proceeds arising from business transactions. Thus, the deposits form part of the regular business receipts recorded in the books of account. Once the amount is found recorded in the books and explained as business receipts, the very foundation for invoking the provisions of section 69A of the Act does not survive.

10.3 As per language of section 69A of the Act, it can be invoked only when the assessee has not recorded such money in the books of accounts and offers no explanation or unsatisfactory explanation. Both

the condition given in point no. 2 and 3 are cumulative and satisfaction of either of condition does not automatically triggers rigours of section 69A of the Act.

10.4 We also find support from the decision of the Hon'ble ITAT Delhi in the case of Digvijay Chemicals Ltd. vs. Commissioner of Income-tax (Appeals)-3 reported in [2025] 175 taxmann.com 159 (Delhi - Trib.) dated 13.05.2025, wherein the Tribunal, while relying upon the decision of the ITAT Visakhapatnam in the case of ACIT v. Hirapanna Jewellers [2021] 128 taxmann.com 29 / 189 ITD 608 held that the provisions of section 69A can be invoked only when the money found with the assessee is not recorded in the books of accounts and the assessee fails to offer a satisfactory explanation regarding its source. The relevant portion is reproduced below for sake of reference:

*"17. Further reliance in this regard is being placed on the Judgment of ITAT Visakhapatnam in the case of Assistant Commissioner of Income Tax v. Hirapanna Jewellers [2021] 128 taxmann.com 29/189 ITD 608 (Visakhapatnam - Trib.)/2021 (5) TMI 447, dated: 12-5-2021 held as under:-*

*"9. In view of the foregoing discussion and taking into consideration of all the facts and the circumstances of the case, we have no hesitation to hold that the cash receipts represent the sales which the assessee has rightly offered for taxation. We have gone through the trading account and find that there was sufficient stock to the sales and we do not find any defect in ccount effect the stock as well as the sales. Since, the assessee has already admitted the sales as revenue receipt, there is no case for making the addition u/s 68 or tax the same u/s 115BBE again. This view is also supported by the decision of Hon'ble Delhi High Court in the case of Kailash Jewellery House (supra) and the Hon'ble Gujarat High Court in the case of Vishel Exports Overseas Ltd. (supra), Hence, we do not see any reason to interfere with the order of the Ld. CIT(A) and the same is upheld."*

*"18. In view of these facts and looking to the facts and circumstances that the profits declared on cash sales have already been subjected to tax, the entire cash deposit in SBN cannot be brought total. However, the facts remained that the assessee has not been able to furnish all the cash sales bills before the lower authorities therefore, an addition of INR 5 Lakhs is hereby, sustained and remaining addition of INR 45 Lakhs is deleted. As observed above, the provision of section 69A of the Act are not applicable in the instant case, thus, provision of section 115BBE are not applicable to the addition of INR 5 Lakhs."*

10.5 In the light of the above judicial precedents and considering the facts of the present case, we find that the cash deposits in question are stated to be arising out of business receipts duly recorded in the regular books of account maintained by the assessee. The AO has not brought any material on record to establish that the said deposits represent unaccounted money of the assessee or that the explanation furnished by the assessee is false or untenable. Once the deposits are explained as business receipts and the same are reflected in the books of account, the essential conditions for invoking the provisions of section 69A of the Act do not stand satisfied.

10.6 Accordingly, in the facts and circumstances of the case, the addition made by the AO and sustained by the Ld. CIT(A) under section 69A of the Act is not sustainable. The AO is directed to delete the addition. The grounds raised by the assessee are allowed.

11. In the result, the appeal of assessee is hereby allowed.

Order pronounced in court on 5<sup>th</sup> day of March, 2026

Sd/-

**(KESHAV DUBEY)**  
Judicial Member

Sd/-

**(WASEEM AHMED)**  
Accountant Member

Bangalore  
Dated, 5<sup>th</sup> March, 2026

/ vms /

Copy to:

1. The Applicant
2. The Respondent
3. The CIT
4. The CIT(A)
5. The DR, ITAT, Bangalore.
6. Guard file

By order

Asst. Registrar, ITAT, Bangalore