

आयकर अपीलिय अधिकरण, 'सी' न्यायपीठ, चेन्नई।  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**'C' BENCH: CHENNAI**

श्री एबी टी. वर्की, न्यायिक सदस्य एवं  
श्री एस. आर. रघुनाथा, लेखा सदस्य के समक्ष

**BEFORE SHRI ABY T. VARKEY, JUDICIAL MEMBER AND**  
**SHRI S.R.RAGHUNATHA, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No.1990/Chny/2025  
निर्धारण वर्ष/Assessment Year: 2017-18

Mr. Mookkan Nagappan, No.1, Muthupudayanpatty, Kannuduyanpatty, Tiruchirappalli-621 306. [PAN: ADOPN 3974 B]	v.	The DCIT, Circle-1(1), Tiruchirappalli.
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)
अपीलार्थी की ओर से/ Appellant by	:	Mr.A.G. Sudharshan, Advocate
प्रत्यर्थी की ओर से /Respondent by	:	Ms. R. Anitha, Addl.CIT
सुनवाईकीतारीख/Date of Hearing	:	29.01.2026
घोषणाकीतारीख /Date of Pronouncement	:	13.03.2026

**आदेश / ORDER**

**PER ABY T. VARKEY, JM:**

This is an appeal preferred by the assessee against the order of the Learned Commissioner of Income Tax (Appeals)/NFAC, (hereinafter referred to as "the Ld.CIT(A)"), Delhi, dated 21.04.2025 for the Assessment Year (hereinafter referred to as "AY") 2017-18.

2. The main grievance of the assessee is against the action of the Ld.CIT(A) confirming the addition to the extent of ₹22,40,560/-.



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**3.** At the outset, it is noted that there is a delay of '16' days in filing of the appeal. The Ld. Counsel for the assessee has explained the cause for the delay which we notice to be excusable. Therefore, the delay in filing of appeal for '16' days is excused; and proceed to hear the appeal on merits.

**4.** The brief facts of the case are that the assessee is an individual running a Rice Mill along with trading of rice, has filed his return of income (RoI/ITR) for AY 2017-18 on 09.08.2017 declaring total income at ₹14,47,040/-. The ITR was selected for complete scrutiny under CASS. The AO is noted to have, inter-alia, asked the assessee to explain the *nature and source* of the Specified Bank Notes (SBNs) deposited during demonetization period to the tune of ₹49,16,000/- [ ₹30 lakhs in Indian Bank & ₹27,10,000/- in IDBI bank]. Before the AO, the assessee submitted the nature and source of the SBN deposit of ₹30 lakhs in the Indian Bank that it was out of his withdrawals viz that he has withdrawn the said amount on 31.08.2016 vide cheque No.553800 for the purpose of paying '*Capitation Fees*' to his son for securing medical seat. Meanwhile, demonetization was announced and therefore, the assessee deposited the same in the bank account. Regarding the cash deposit in IDBI Bank, he stated that the cash has been withdrawn from Indian Bank on various dates during September & October, 2016, which if accumulated is approximately ₹23 lakhs, which was withdrawn for the various purposes like repayment of warehouse receipts, loan availed



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from IDBI Bank etc. The AO didn't accept the assessee's explanation of the payments to be made for admission of the assessee's son because his son got admission and payments were made on 05.09.2017 amounting to ₹22,61,000/- & ₹2,10,000/- on 08.09.2017. Thus, the AO was of the view that the assessee failed to give satisfactory explanation regarding the *nature and source* of the SBN deposits and was pleased to add ₹49,16,000/- u/s.69 of the Income Tax Act, 1961 (hereinafter referred to as "the Act") by passing the assessment order on 31.12.2019.

**5.** Aggrieved, the assessee preferred an appeal before the Ld.CIT(A) who gave partial relief to the assessee by deleting ₹26,75,440/- and confirmed the balance of ₹22,40,560/- by holding as under:

6.2 I have perused the assessment order, grounds of appeal, and submission filed by the appellant carefully. I find from the assessment order that the case was selected for scrutiny under CASS to verify the abnormal increase in cash deposits during demonetization period. During the course of assessment proceedings, it was noticed by the AO that the appellant had deposited cash of Rs.49,16,000/- during demonetization period. During the course of assessment proceedings, the appellant submitted that he had withdrawn cash for the admission of his son for medical studies but the admission was delayed, therefore the cash was re-deposited in bank account. The explanation submitted by the appellant was not accepted by the AO since the admission fee for the son of the appellant was made on 05/09/2017 & 08/09/2017. Therefore, the AO made addition of Rs.49,16,000/- u/s 69 of the Act r.w.s. 115BBE of the Act.

During appellate proceedings, the appellant submitted that the cash of Rs.53,00,000/- was withdrawn from Indian Bank OCC and Indian Bank and deposited Rs.49,16,000/- during demonetization period. It was submitted that the cash balance as on 8/11/2016 was Rs.26,75,440/- and remaining cash was deposited out of sales realization. The appellant further submitted that AO has not obtained the prior approval for closure of verification hence the addition is not tenable.

I have considered the facts of the case and submission of the appellant carefully. I find from the appellant's own submission that the cash of



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Rs.53,00,000/- was withdrawn during the period from 31/08/2016 to 07/10/2016 but the cash balance as per the books of accounts as on at the time of demonetization (i.e. 08/11/2016) was Rs.26.75,440/- only. Thus, I find that the source of cash deposits to the extent of Rs.26,75,440/- is explained. This shows that the remaining cash of Rs. 26,24,560/-(Rs.53,00,000/- (-) Rs.26,75,440/-) was spent by the appellant as on 08/11/2016. Thus, I find that the source of remaining cash deposits of Rs. 22,40,560/- (Rs.49,16,000/- (-) Rs.26,75,440/-) is claimed to be out sales realization the same was not explained with supporting evidences during assessment proceedings or during appellate proceedings. Further I find that the no approval was required of the Range head or Pr. CIT, for completing the assessment involving cash deposits during demonetization period. Therefore, the contention of the appellant is not tenable. Further I find that the facts of the case laws relied upon by the appellant are not identical to the facts of the present case, hence the contention of the appellant is not found tenable. In view of the above discussion, the addition to the extent of Rs.22,40,560/- is confirmed and addition of Rs.26,75,440/- is deleted. Thus, the grounds of appeal raised by the appellant are partly allowed. [Emphasis given by us]

**6.** Aggrieved by the aforesaid action of the Ld.CIT(A) confirming ₹22,40,560/- out of ₹49,16,000/- as added by the AO u/s.69A of the Act, the assessee is before us.

**7.** We have heard both the parties and perused the material available on record. We note that the assessee is running a Modern Rice Mill as well as he is trading in rice and has filed his RoI declaring income of ₹14,47,040/-, which return was selected for scrutiny and the AO asked the assessee to prove the *nature and source* of ₹49,16,000/- deposited as SBNs during demonetization period. The assessee is noted to have explained that source was from his withdrawals and in this regard pointed out that he had withdrawn an amount of ₹30 lakhs from the Indian Bank on 31.08.2016 vide cheque No.553800, which was unutilized, so he deposited it back in the Indian Bank when demonetization was



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announced. In respect of the deposit of ₹27,10,000/- in IDBI Bank, the assessee is noted to have explained that it is out of several withdrawals in the month of September & October, 2016, which comes to ₹23 lakhs. The AO didn't accept the explanation of the assessee and added the entire amount u/s.69 of the Act. On appeal, the Ld.CIT(A) noted that the assessee claimed to have withdrawn ₹53 lakhs [from 31.08.2016 to 07.10.2016], but his cash balance [as per the books of accounts of the assessee] as on the date of demonetization i.e. 08.11.2016 was only ₹26,75,440/-. Therefore, he gave credit of the same and deleted ₹26,75,440/-. In respect of the balance amount of ₹22,40,560/-, Ld CIT(A) was of the view that the assessee might have spent the same 'that is why' it is not reflected in the cash book. Further, the Ld.CIT(A), didn't accept the assertion of assessee that source of cash deposits of ₹22,40,560/- was out of the sale realization, since assessee didn't prove the same with supporting evidence. Therefore, he confirmed the addition to the extent of ₹22,40,560/-.

**8.** Before us, the assessee has filed Paper Book running '52' pages and contended that the Ld.CIT(A) erred in holding that the assessee couldn't prove that the cash deposits of ₹22,40,560/- was out of the sale realization. In other words, according to the assessee, the balance amount of ₹22,40,560/- deposited as cash/SBNs was his trade receipt. In order to prove that it is trade receipt, the assessee is noted to have filed



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VAT return which is found placed at Page No.69 of the Paper Book. From perusal of the same, it is noted that the assessee has shown local sales [exempted goods to unregistered dealer] to the tune of ₹15,06,33,540/-. We also note that the assessee has withdrawn an amount of ₹53 lakhs on six (6) occasions details of which are as under:

**DETAILS OF CASH WITHDRAWALS**

DATE	CHEQUE NO	AMOUNT IN RS.
31/08/2016	553800	30000000
14/09/2016	553820	500000
19/09/2016	553831	500000
07/10/2016	595551	700000
07/10/2016	595549	300000
07/10/2016	595547	300000
<b>Total</b>		<b>5300000</b>

**9.** As noted, the Ld.CIT(A) has accepted the closing balance in cash-book as on 08.11.2016 at ₹26,75,440/-, therefore he deleted the same. The balance amount is ₹22,40,560/- which amount, according to the assessee is from his trading activity which is evident from the VAT return filed at Page No.16 of Paper Book. The assessee has presented the books/financials before the AO which has not been rejected by the AO. According to the Ld.AR, ₹22,40,560/- forms part of the turnover of assessee viz Rs 18,06,33,540/-. Therefore, any addition made separately would tantamounts to double addition.

**10.** We note that the assessee is in the business of running Rice Mills and retail trading of rice/paddy. When the AO asked the assessee to prove the nature and source of ₹49,16,000/- which was deposited as



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SBNs during demonetization period, the assessee submitted the same as from withdrawals, but not accepted by AO who made addition of the same u/s 69 of the Act, which has been restricted by Ld CIT(A) to ₹22,40,560/- even though assessee asserted before him that it was sales realization, which was part of the turnover for the relevant year of ₹18.06 Crs.

**11.** The assessee's accounts is noted to be duly audited u/s.44AB of the Act. The assessee's assertion that the SBNs to the tune of ₹22,40,560/- was sales realization and has been duly recorded in the books of accounts of the assessee and reported in the VAT return filed with the concerned authorities has not been disproved. Further it is noted that the AO has neither rejected the books of accounts of the assessee nor had he pointed out any discrepancy or defect in the audited books. Therefore, the Ld.AR rightly submitted that in the absence of rejection of books, the business receipts shown in the audited books of accounts, can't be tinkered with. The assessee rightly submitted that the SBNs could be legally deposited in the banks, up to 30.12.2016; and further brought to our notice that many of the customers of the assessee had made the payments during the demonetization period, and the assessee had no other alternative but to collect the same or he couldn't have recovered the outstanding balances from such customers/debtors. According to the assessee, due to the business exigencies, the assessee was compelled to receive SBNs which were deposited in the bank. The assessee is noted to have relied on



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several decisions of this Tribunal, wherein in on similar facts, the Tribunal has accepted the nature and source of SBNs and deleted the additions made as unexplained. When the Ld CIT(A) asked the assessee to prove the nature and source of ₹22,40,560/- [out of Rs 49,16,000/-] which was deposited as SBNs during demonetization period, the assessee is noted to have asserted based on relevant material that it was sales realization which was part of the turnover for the relevant year of ₹18.06 Crs; and the AO is noted to have accepted the returned income from the turnover; and accepted the audited books; hence, any separate addition of Rs 22,40,560/- should be preceded by a finding that assessee has any other source of income other than what is shown in its book which assessee has suppressed/undisclosed. No material is found to have been relied by AO to draw adverse view against assessee to saddle addition u/s 69 of the Act. Moreover, when the AO having accepted the returned income from the turnover shown by the assessee, separate addition as unexplained u/s 69 of the Act would tantamount to double addition, which is not permissible as held by the Hon'ble Gujarat High Court in the case of CIT v. Vishal Exports Overseas Ltd., (Tax Appeal No.2471 of 2009) [Gujarat High Court] and also the decision of the Hon'ble Delhi High Court in the case of CIT v. Kailash Jewelry House [Appeal No.613/2010] (Delhi High Court) (refer decision of ITAT Indore Bench in the case of DEWAS SOYA LTD, UJJAIN in ITA No 336/Jnd/2012). Hence, we are inclined to allow



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Mr. Mookkan Nagappan

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the appeal of assessee and direct deletion of addition u/s.69 of ₹22,40,560/- sustained by Ld CIT(A).

**10.** In the result, appeal filed by the assessee is allowed.

Order pronounced on the 13<sup>th</sup> day of March, 2026, in Chennai.

**Sd/-**  
(एस. आर. रघुनाथा)  
**(S.R.RAGHUNATHA)**  
लेखा सदस्य/**ACCOUNTANT MEMBER**

**Sd/-**  
(एबी टी. वर्की)  
**(ABY T. VARKEY)**  
न्यायिक सदस्य/**JUDICIAL MEMBER**

चेन्नई/Chennai,  
दिनांक/Dated: 13<sup>th</sup> March, 2026.  
**TLN**

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT, Chennai / Madurai / Salem / Coimbatore.
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF