

IN THE INCOME TAX APPELLATE TRIBUNAL "SMC" BENCH, KOLKATA

BEFORE SHRI RAJESH KUMAR, AM

**ITA No.3022/KOL/2025
(Assessment Year: 2017-18)**

Sanhati Infocom Services

Private Limited

2, Devi Choudhurani Path, SAIL
Co-operative Housing Colony,
City Centre, Durgapur-713216,
West Bengal

(Appellant)

Vs.

ITO, Ward 2(4), Durgapur
Aaykar Bhawan, City Centre
Durgapur-734101, West Bengal

(Respondent)

PAN No. AAICS7843J

Assessee by : Shri Manish Rastogi, AR

Revenue by : Shri Susanta Saha, DR

Date of hearing: 29.01.2026

Date of pronouncement: 15.04.2026

ORDER

Per Rajesh Kumar, AM:

This is an appeal preferred by the assessee against the order of the National Faceless Appeal Centre, Delhi (hereinafter referred to as the "Ld. CIT(A)") dated 10.10.2025 for the AY 2017-18.

2. The only issue raised by the assessee is against the confirmation of addition of ₹26,96,730/- by the Id. CIT (A) as made by the Id. AO on account of cash deposited during the demonetization period.
3. The facts in brief are that the assessee is engaged in the business of providing internet services to commercial as well as residential users besides, doing other activities. The assessee did not file any return of

income during the year u/s 139(1) of the Act nor did respond to notice u/s 142(1) of the Act dated 28.11.2017. Thereafter, the notice u/s 148 of the act was issued and the assessee complied with the notices by filing the return of income 11.08.2008, declaring the total income at ₹ nil. Thereafter, statutory notices along with questionnaire were issued which were not complied with by the assessee. The Id. AO issued notices u/s 133(6) of the Act to Allahabad Bank, city branch, Indinet Service Private Limited, Siti cable Network Private Limited, Dr. B.C. Roy Engineering College, Durgapur Medical Centre private Limited, S.K.S. Education and social trust on 04.11.201, which were duly replied by these parties however when the assessee failed to reply to the various notices the Id. AO on the basis of information available issued a show cause notice to the assessee. Finally, the Id. AO treated the cash deposited during the demonetization period as undisclosed income u/s 69A of the Act by not treating the same as part of the turnover besides, making other additions of ₹10,91,205/- by applying a rate of 8% on the difference between the deposits in the bank and the turnover of the assessee and second, ₹10,95,531/- expenditure claimed under the head of repair and maintenance.

4. In the appellate proceedings, the Id. CIT (A) partly allowed the appeal of the assessee by sustaining the addition in respect of cash deposited during the demonetization period and hence, the assessee is in appeal before us.
5. After hearing the rival contentions and perusing the materials available on record, I find that the assessee is in the business of providing internet services to commercial and residential users. I

have even examined the books of account as well as the bank account of the assessee and find that the assessee has been consistently being doing business of sale and purchase of items concerning the internet services and sales are also regularly accounted for in the books of accounts and so were the purchases. I note that the assessee deposited into the bank account by way of cash regularly and consistently which is done by the assessee throughout the year out of sale proceeds which is duly accounted for in the books of account. The Id. CIT (A) has rejected the contention of the assessee on the ground that assessee furnished a very short reply by submitting that the money was collected through cash, cheques or NEFTs for the internet service charges and source of cash deposits was not explained. Whereas, on the basis of records available before me, I observe that the assessee has completely and adequately explained the source of cash deposited during the demonetization period to be out of sales proceeds of the assessee. Therefore, the order passed by the Id. CIT (A) cannot be sustained. The case of the assessee is squarely covered by the decision of the co-ordinate Bench in case of Jayanta Fanzen Lighting Industries (P.) Ltd. vs. ACIT [2025] 180 taxmann.com 814 (Kolkata - Trib.) [19-11-2025], wherein it has been held as under:-

"3. *The facts in brief are that the assessee filed the return of income on 26.10.2017, declaring income of Rs. 9,17,340/-. The case of the assessee was selected for complete scrutiny through Computer Assisted Scrutiny Selection (CASS) on account of large cash deposits and abnormal increase in sales with decrease in profitability. Accordingly, notice u/s 143(2) and 143(1) of the Act along with questionnaire were issued calling for various documents/ evidences from the assessee to prove the source of cash deposits. The Id. AO noted that during the course of assessment proceedings, the assessee has deposited of Rs. 1,70,60,000/- in two bank accounts namely Axis Bank, Ballbharh of Rs. 99,80,000 and Karur VyasyaBank, Merrut Br. of Rs. 70,83,000/-. The Id. AO noted that the deposits made in the Axis bank account,*

Balbharh were inclusive of Rs. 35,80,000/- deposited into the bank during demonetization period. The assessee when did not respond to the various notices issued by the Id. AO, the amount of cash deposited into the bank account was treated as unexplained money u/s 69A of the Act and added to the income of the assessee in the assessment framed.

4. Thereafter, the assessee challenged the order before the Id. CIT (A), who also dismissed the appeal of the assessee after taking into consideration the contention/submissions along with evidences and also the remand report called for by the Id. CIT (A) during the appellate proceedings.

5. After hearing the rival contentions and perusing the materials available on record, we find that undisputedly the assessee was non-compliant during the assessment proceedings by not responding to the various notices issued to the assessee and therefore, the cash deposited during the year including the cash deposited of Rs. 35,80,000/- during demonetization period was treated by the Id. AO as unexplained money u/s 69A of the Act. We note that during the appellate proceedings, the assessee furnished before the Id. CIT (A) all the evidences explaining the cash deposited into the two bank accounts by way of additional evidences filing including the bank account statement showing the withdrawals of cash made from the bank account and also audited financial statements, ITR, tax audited report, summary of data wise cash withdrawals from the bank account and explanation of cash deposited into the bank accounts by explaining the source out of cash in hand, which was accumulated out of cash withdrawals. The Id. CIT (A) referred the matter to the Id. AO for examination and verification by calling of remand report which was submitted on 07.03.2025. The Id. CIT (A) after taking into account the remand report dismissed the appeal of the assessee by ignoring the fact that JAO has accepted the source of cash deposits into the bank accounts as duly explained by the assessee. The Id. CIT (A) noted in Para no.5.3.3. of the appellate order that JAO has accepted the assessee stance of withdrawal of cash amounting to Rs. 1,30,83,000/- from its banks on various dates during pre demonetization and Rs. 1,00,000/- during post-demonetization period as available source of money of cash deposited of Rs. 1,33,33,000/- and Rs 1,50,000/-. However, the Id. CIT (A) rejected the remand report on the ground that JAO has not raised any query about the purpose of withdrawals and assessee again depositing the money into the bank accounts and thus confirmed the addition. In our opinion, when the Id. AO has accepted the explanation of the assessee on the basis of evidences explain the source of cash by the assessee to be out of withdrawals from the bank accounts of the assessee made during predemonetization and post-demonetization period, the action of the Id. CIT (A) in dismissing the remand report without assigning any reason is wrong and cannot be sustained. In our opinion, the assessee has duly explained the money by referring to the withdrawals from the banks accounts, cash book and statement showing withdrawals and deposits into the bank accounts. The assessee also submitted before us the details of summary of cash withdrawals and deposits to corroborate the fact that the deposits of cash were out of assessee's own withdrawals and not from any outside sources. Id. AR in support of his arguments relied on a series of decisions as under:

- (i) *Joginder Kaur v. ITO [2024] 169 taxmann.com 90 (Amritsar - Trib.)*
- (ii) *Jaspal Singh Sehgal v. Income-tax Officer [2017] 83 taxmann.com 246 (Mum)*
- (iii) *Ajaya Data v. ACIT [2025] 171 taxmann.com 308/ 211 ITD 701 (Jaipur - Trib.)*

6. *In the case of Joginder Kaur (supra), the Co-ordinate Bench has held that where the assessee has submitted the details of cash summary showing inflow and outflow cash in the relevant year to show that cash has been withdrawn and redeposited, then the assessee was to be allowed the benefit of redeposit and the impugned addition deserved to be deleted. For the sake of brevity, the relevant findings of the Tribunal are reproduced as under:*

"12. We have heard both the counsels at length and considered all the materials on record including the paper book and synopsis filed by the assessee and the various judicial citations referred to by the assessee.

12. 1 We proceed to decide the issue on the merits of the case as contained in ground no 6 of the memorandum.

12. 2 We find that the dispute regarding sale of land vide an agreement of sale dated 10/04/2008, executed by the assessee and her family members and consequent receipt of sale proceeds by cash and cheque, on various dates during the FY 2008-09 as narrated by the AO in the assessment order (page -2 and 3 / para - 2), and also narrated by the Ld. CIT (A) in his appeal order, are factual events that has occurred in the FY 2008-09 (relevant to the A.Y. 200910), and are issues to which we are not concerned at the moment, because it does not relate to the year under appeal. 12.3 We only focus on the financial transactions in the bank account of the assessee in PNB Gramin Bank, for the financial year 2009-10 (Asst year 2010-11) the relevant year under appeal. We find on reading of the bank statement, that the opening balance brought forward on 1st April 2009 is 20. 30 lakhs, and there has been subsequent credit in the said account vide bank transfers (other than cash), to which neither the AO nor the Ld CIT(A) has raised any queries at any stage. Subsequently, the assessee has withdrawn cash from the said bank account on various dates within the financial year, as date wise reflected in the cash flow statement furnished by the assessee, and it is seen that sufficient cash balance are available with the assessee on the date of deposit of cash in the bank account in the month of March 2010 and as per contention of the assessee it is the same cash that has been redeposited. We also agree with the argument of the Ld AR, that it is not the case of the department that cash withdrawn by the assessee from PNB Gramin bank, during the period April 2009 till January 2010, (as reflected in bank account) has been invested or spent somewhere

else or has been utilized elsewhere. In absence of any such adverse finding, the benefit of cash availability cannot be denied to the assessee.

13. As such considering all factual circumstances, and considering the transactions of cash withdrawn from the same bank account by the assessee during the same financial year we allow the assessee the benefit of redeposit, in absence of any findings regarding the utilization of the said cash drawn elsewhere, and we direct the addition of Rs. 62,18,200/- to be deleted.

13.1 Since we have already decided the issue on merits of the case, in favour of the assessee, the other legal grounds taken by the assessee becomes academic and as such we are not adjudicating on the same.

14. In the result, the appeal of the assessee."

7. *Similarly, in the case of Ajaya Data (supra), the Co-ordinate Bench has held as under:*

6. We have considered the rival submissions as well as the relevant material on record. We note that the only issue in this ground is whether the Ld. CIT(A) is justified in not allowing set off of cash considered unexplained by him against the cash withdrawal of Rs.4,72,000/- made from M/s Vijay Industries between 05.04.2014 to 20.04.2015. We note that no document is found in search to come to a conclusion that the amount withdrawn by the assessee from M/s Vijay Industries has been utilized elsewhere. There is no law which prohibits an assessee to keep cash in hand and therefore only because assessee has not given explanation as to why the cash was withdrawn, when he has withdrawn the cash earlier also cannot be a ground to reject the explanation of assessee. In various cases referred above, it has been held that where no evidence is brought on record that cash withdrawal has been utilized elsewhere, such cash should be considered as available with the assessee. Considering all these facts, we direct the AO to delete the addition of Rs.4,28,830/- made by him."

8. *Considering the facts of the assessee in the light of the aforesaid decisions, we are inclined to set aside the order of Id. CIT (A) and direct the Id. AO to delete the addition, after holding that assessee has duly explained the source of cash deposit.*

9. *In the result, the appeal of the assessee is allowed."*

6. Similarly, Hon'ble Jurisdictional High Court in case of Lakshmi Rice Mills Vs. CIT [1974] 97 ITR 258 (Patna)[15-04-1974] has held that where the deposit of high value of demonization notes has been made out of cash available in the books of account no adverse view can be taken. The matter before the Hon'ble High Court was in relation to cash deposited during the earlier year demonetization.

Similarly, the co-ordinate bench in case of ITO Vs. Senco Alankar [2022] 142 taxmann.com 578 (Kolkata - Trib.)/[2023] 202 ITD 278 (Kolkata - Trib.)[27-06-2022], held that where the purchases were accepted and no specific defect has been pointed out in the books of account no addition u/s 69A can be made in respect of cash deposited during the demonetization period. Consequently, I inclined to set aside the order of Id. CIT (A) and direct the Id. AO to delete the addition on this issue.

7. In the result, the appeal of the assessee is allowed.

Order pronounced on 15.04.2026.

Sd/-
(RAJESH KUMAR)
(ACCOUNTANT MEMBER)

Kolkata, Dated: 15.04.2026

Sudip Sarkar, Sr.PS

Copy of the Order forwarded to:

1. The Appellant
2. The Respondent
3. CIT
4. DR, ITAT,
5. Guard file.

BY ORDER,

True Copy//

Asst. Registrar
Income Tax Appellate Tribunal, Kolkata