

**आयकर अपीलीय अधिकरण, इंदौर न्यायपीठ, इंदौर**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**INDORE BENCH, INDORE**  
**BEFORE SHRI B.M. BIYANI, ACCOUNTANT MEMBER**  
**AND**  
**SHRI PARESH M. JOSHI, JUDICIAL MEMBER**

ITA No.297/Ind/2025  
Assessment Year:2017-18

Manish Dubey, Ward No.14, Deendayal Colony, Near Old Kanji House, Obedullaganj	<b><u>बनाम/</u></b> Vs.	ITO, Raisen
(Assessee/Appellant)		(Revenue/Respondent)
<b>PAN: ANWPD6897K</b>		
Assessee by	Shri Ashutosh Loya, AR	
Revenue by	Shri Ashish Porwal, Sr. DR	
Date of Hearing	09.04.2026	
Date of Pronouncement	17.04.2026	

**आदेश / O R D E R**

**Per B.M. Biyani, A.M.:**

Feeling aggrieved by order of the first appeal dated 24.01.2025 passed by the learned Addl/JCIT(A)-1, Ludhiana ["CIT(A)"], which in turn arises out of the assessment order dated 23.12.2019 passed by the learned Income Tax Officer, Raisen ["AO"] u/s 143(3) for Assessment Year 2017-18 ["AY"] of Income-tax Act, 1961 ["the Act"], the assessee has filed this appeal on the grounds as mentioned in Form No. 36 (Appeal Memo).

2. The background facts leading to present appeal are such that the assessee, an individual, is engaged in the business of stamp vending. The assessee filed return of income for AY 2017-18 declaring total income of Rs. 2,88,210/- (including business income of stamp vending activity). The case was selected for scrutiny under CASS to examine "large cash deposits compared to returned income" during previous year 2016-17 and the AO issued notices u/s 143(2)/142(1). In response to notices, the assessee made submissions to AO. On examination of statements of bank accounts of assessee, the AO extracted details of deposits made by assessee in three bank a/cs, one with State Bank of India ["SBI"] and two with Madhya Pradesh Gramin Bank ["MPGB"], and details of sale transactions of stamps done by assessee, during previous year 2016-17 for three periods, namely (i) 01.04.2016 to 08.11.2016 (pre-demonetisation), (ii) 09.11.2016 to 30.12.2016 (demonetization) and (iii) 31.12.2016 to 31.03.2017 (post-demonetisation). These data are given by AO in a tabular format in Para 5 of assessment-order. Thereafter, in later part of very same para 5, the Ld. AO noted that the assessee had deposited an aggregate sum of Rs. 2,65,500/- in Demonetised Currency Notes/Specified Bank Notes ("SBNs") during the demonetization period in accounts with SBI and MPGB. The details of such deposits in SBNs, as noted by AO, are as under:

<b>Account No. &amp; Bank</b>	<b>Date</b>	<b>Amount in SBNs</b>
30388993026; SBI	03.12.2016	Rs. 11,500/-
201211330001862; MPGB	17.11.2016	Rs. 46,000/-
201211330001862; MPGB	03.12.2016	Rs. 1,08,000/-
201211130000490; MPGB	17.11.2016	Rs. 1,00,000/-
<b>Total</b>		<b>Rs. 2,65,500/-</b>

3. The Ld. AO excluded Rs. 11,500/- deposited in SBI on 03.12.2016 by treating the same as personal past savings and held that the remaining sum of Rs. 2,54,000/- [46,000 + 1,08,000 + 100,000] constituted undisclosed money u/s 69A on the premise that the assessee, being a stamp vendor, was not an authorized person to receive SBNs after 09.11.2016 (commencement of demonetization) when they ceased to be legal tender. The total income was accordingly assessed at Rs. 5,42,210/- against the returned income of Rs. 2,88,210/-. Aggrieved, the assessee preferred an appeal before Ld. CIT(A). The Ld. CIT(A), vide impugned order of first appeal, confirmed AO's action holding that no substantial evidence was furnished by assessee to establish that the SBNs deposits constituted business receipts and also that the transactions in SBNs during demonetization period were not valid for the business of stamp vending carried by assessee. Now, the assessee has filed present appeal.

4. Presently, the short issue for our consideration is whether the addition of Rs. 2,54,000/- made u/s 69A on account of deposits in SBNs during demonetization period is sustainable?

5. Ld. AR for assessee made following submissions:

- (i) The assessee is engaged in stamp vending business where cash collections from constituents towards sale of stamps are inherent to the nature of business. The assessee has deposited such business collections in bank accounts from time to time.
- (ii) With regard to the deposit of Rs. 46,000/- made on 17.11.2016 in MPGB account (A/c No. 201211330001862), the Ld. AR successfully demonstrated, from bank statements of both SBI and MPGB placed in Paper-Book, that the assessee had made a cash withdrawal of Rs. 50,000/- from SBI account on the preceding day i.e. 16.11.2016, out of which Rs. 46,000/- was re-deposited in MPGB account on 17.11.2016. The Ld. AR submitted that the MPGB account is an Overdraft A/c carrying a debit balance on which the bank was charging interest, and the purpose of withdrawal from SBI and re-deposit in MPGB by assessee was to reduce interest burden. This inter-account movement of funds is explained with the support of entries in bank statements placed in Paper-Book.

- (iii) With regard to the remaining deposits of Rs. 1,00,000/- on 17.11.2016 (MPGB A/c No. 201211130000490) and Rs. 1,08,000/- on 03.12.2016 (MPGB A/c No. 201211330001862), the Ld. AR submitted that these amounts were received from constituents in SBNs prior to declaration of demonetization for the purpose of purchase of stamps. Since the assessee was already having a Credit balance in his A/c with Stamps Department (this fact is demonstrated by Ld. AR by drawing our attention to the the Copy of assessee's A/c with Stamps Department filed in Paper-Book), there was no immediate necessity to deposit such collections in bank a/c. When the Bench raised a query seeking the names of the constituents from whom the impugned amounts were received, Ld. AR candidly submitted that the assessee serves multiple constituents and maintains a running account with the Stamps Department in which lump sum deposits are made routinely from time to time for the business of stamp vending, therefore it is not feasible to correlate each receipt with a specific constituent. He, however, submitted forcefully that the deposits in assessee's Bank a/cs as well as transfers from Bank a/cs to running A/c of Stamps Department from time to time, are referrable to genuine business transactions made in the ordinary course of stamp vending business carried on assessee and so is the case of impugned deposits of Rs. 1,00,000/- and Rs. 1,08,000/-.

(iv) Ld. AR also submitted that the aggregate of the deposits that remain to be explained (after excluding the deposit of Rs. 46,000/- which stands fully explained from cash withdrawal from SBI A/c) amounts to Rs. 2,08,000/- only, which is commensurate with the volume of business as reflected in the records before the AO, extracted by AO in tabular format in Para 5 of assessment-order. Therefore also, the deposit of just Rs. 2,08,000/- should not be adversely viewed.

6. Per contra, Ld. DR for revenue supported the orders of the lower authorities and submitted that the assessee has failed to furnish satisfactory evidence to establish the source of deposits and that the receipt of SBNs during the demonetization period was not permissible for a stamp vendor. He, however, left the matter for the wisdom of bench in view of the fact that the quantum of addition is very less.

7. We have considered rival submissions of both sides and perused the material on record. The dispute between assessee and revenue authorities relates to the source of deposit of Rs. 2,54,000/- made by assessee in SBNs during the demonetization period. The disputed deposits are of Rs. 46,000 + 1,08,000 + 100,000.

8. We first examine the deposit of Rs. 46,000/- on 17.11.2016 in the MPGB Overdraft A/c. The Ld. AR has demonstrated, from bank statements of both SBI and MPGB placed in Paper-Book, that a cash withdrawal of Rs. 50,000/- was made by the assessee from his own SBI account on

16.11.2016 and Rs. 46,000/- was deposited in the MPGB account on the very next day of 17.11.2016. This establishes a direct and verifiable nexus between the withdrawal and deposit. The explanation that such re-deposit was made in Overdraft A/c with MGPB to reduce interest burden is commercially plausible and remains uncontroverted by Revenue. Accordingly, the addition to the extent of Rs. 46,000/- is not sustainable and is directed to be deleted.

9. We now turn to the remaining deposits aggregating to Rs. 2,08,000/- viz., Rs. 1,00,000/- on 17.11.2016 and Rs. 1,08,000/- on 03.12.2016. The explanation of assessee is that these amounts represent cash received from constituents prior to demonetization for purchase of stamps, in the course of stamp vending business. After a careful consideration, we give our mindful and judicious understanding as under:

- (i) It is an undisputed fact that the assessee is a stamp vendor conducting business predominantly in cash, and that the Ld. AO had himself accepted, without any addition, the cash deposits made in the very same bank accounts for the period other than demonetization (i.e. 01.04.2016 to 08.11.2016 and 31.12.2016 to 31.03.2017) by reference to the same records of stamp vending activity [Para 5 of assessment-order]. The sole basis for treating the SBNs deposits differently is only the notification of demonetization, without any

independent finding that the underlying business transactions or records were not reliable.

- (ii) The total sales of the assessee for the period 01.04.2016 to 08.11.2016 alone stood at Rs. 76,13,391/- as noted by AO in Para 5 of assessment order itself. Given the cash-intensive nature of the stamp vending business, the existence of accumulated cash collection from constituents as on 09.11.2016 is plausible and probable.
- (iii) The aggregate amount in question, viz., Rs. 2,08,000/-, is relatively small in the context of the overall business turnover of assessee. The CBDT had, vide Para 6 of Annexure to the Instruction No. 3/2017 dated 21.02.2017 (SOP to be followed by Assessing Officers in verification of Cash Transactions relating to demonetization), instructed that cash deposits made during the demonetization window should be assessed in the context of the nature, volume and pattern of business activity of assessee. The guidance given by CBDT shows that the deposits of business are not to be treated as unexplained. The amount of Rs. 2,08,000/-, having regard to the nature and scale of business, adequately passes the tests laid down by CBDT.
- (iv) The Revenue has brought no positive material on record to demonstrate that the impugned deposits represent income from any source other than the business of stamp vending or to rebut the assessee's explanation.

10. Upon judicious consideration of the facts as noted above and the legal position, we are of the view that the section 69A can be invoked only where the explanation offered by assessee is found to be unsatisfactory based on material on record. In present case, the assessee has offered an explanation that is consistent with the nature of the business and corroborated by surrounding circumstances, namely, the volume of sales, the cash-intensive nature of stamp vending, the running account with the Stamps Department, and the Ld. AO's own acceptance of similar deposits for other periods. No contrary material has been placed on record by the Revenue to establish the existence of unexplained income held by assessee.

11. Accordingly, we hold that the addition of Rs. 2,54,000/- made by Ld. AO u/s 69A and sustained by Ld. CIT(A) is not justified and is directed to be deleted in its entirety.

**12. Resultantly, this appeal is allowed.**

Order pronounced in open court on 17/04/2026
--

Sd/-

(PARESH M. JOSHI)  
JUDICIAL MEMBER

Sd/-

(B.M. BIYANI)  
ACCOUNTANT MEMBER

**Indore**

दिनांक /Dated : 17/04/2026

Patel/Sr. PS

Copies to: (1) The appellant  
(2) The respondent  
(3) CIT  
(4) CIT(A)  
(5) Departmental Representative  
(6) Guard File

By order  
Assistant Registrar  
Income Tax Appellate Tribunal  
Indore Bench, Indore