

आयकर अपीलीय अधिकरण, हैदराबाद पीठ
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'B' Bench, Hyderabad
श्री विजय पाल राव, उपाध्यक्ष एवं
श्री मधुसूदन सावडिया, लेखा सदस्य के समक्ष ।
BEFORE SHRI VIJAY PAL RAO, VICE PRESIDENT AND
SHRI MADHUSUDAN SAWDIA, ACCOUNTANT MEMBER

आ.अपी.सं /ITA No.1122/Hyd/2025

(निर्धारण वर्ष/Assessment Year:2017-18)

Shri Suryanarayana Gandla, Anantapur. PAN: ABIPG4005A	VS.	Asst. Commissioner of Income Tax, Circle-1, Anantapur.
(Appellant)		(Respondent)
निर्धारिती द्वारा/Assessee by:	Shri K.A. Sai Prasad, C.A.	
राजस्व द्वारा/Revenue by:	Dr. Sachin Kumar, SR-DR	
सुनवाई की तारीख/Date of hearing:	15/10/2025	
घोषणा की तारीख/Pronouncement:	31/10/2025	

आदेश/ORDER

PER MADHUSUDAN SAWDIA, A.M. :

This appeal is filed by Shri Suryanarayana Gandla ("the assessee"), feeling aggrieved by the order passed by the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi ("Ld. CIT(A)"), dated 24.06.2025 for the A.Y. 2017-18.

2. The assessee has raised the following grounds of appeal :

1. The Order of the learned Commissioner of Income Tax (A) is not correct either on facts or in law and in both.
2. The Ld. CIT(A) erred in law and on facts in upholding the addition of Rs. 96,26,300/- under Section 68 by treating cash deposits during the demonetisation period as unexplained, despite the amounts being duly recorded in regular books and supported by confirmations from sundry debtors, the addition, based merely on suspicion without any cogent evidence or independent inquiry, is unjustified and unsustainable.
3. The Ld. CIT(A) failed to appreciate that the assessee had uploaded 28 confirmations during the assessment proceedings and subsequently submitted 31 more confirmations along with details of cash and credit sales during the appellate proceedings, all of which substantiated that the cash deposits were from identifiable and verifiable sources, and no adverse finding was recorded regarding the genuineness of the debtors.
4. The Ld. CIT(A) failed to appreciate that the cash deposits included Rs. 42,47,000/- in Specified Bank Notes and Rs. 53,79,300/- in other denominations, and erred in treating the entire Rs. 96,26,300/- as unexplained without examining the nature and source separately, making the addition arbitrary and unjust.
5. The Ld. CIT(A) failed to consider that the appellant maintained regular books with sufficient cash balance on the dates of deposit, therefore without rejecting the books or invoking Section 145, the addition under Section 68 was upheld despite the deposits being duly recorded and arising from disclosed sales, making the addition arbitrary and unjustified.
6. The Ld. CIT(A) erred in confirming the disallowance of Rs. 3,35,000/- paid to Shri G. Kristappa in cash under Section 40A(3), without considering the fact that the payments were made under business exigency and covered by exceptions under Rule 6DD of the Income Tax Rules, 1962, and the identity and genuineness of the payee was not disputed, making the disallowance arbitrary and unjustified.

7. The Ld. CIT(A) erred in law and on facts by merely repeating the observations of the Assessing Officer without independent examination or application of mind to the submissions, evidence, and confirmations filed during appellate proceedings, thereby rendering the appellate order non-speaking, mechanical, and unsustainable in law.
8. The appellant craves leave to add, amend, modify, rescind, supplement or alter any or more grounds of appeal stated herein above either before or at the time of hearing of this appeal.

3. The brief facts of the case are that, the assessee is an individual deriving income from pharmaceuticals. The assessee filed his return of income for the Assessment Year 2017-18 on 14.10.2017, declaring total income of Rs.18,78,380/- . The case of the assessee was selected for scrutiny under CASS, and accordingly, notice under section 143(2) of the Income Tax Act, 1961 (“the Act”) was issued by the Learned Assessing Officer (“Ld. AO”). During the course of assessment proceedings, the Ld. AO noticed that the assessee had deposited cash of Rs.96,26,300/- in his bank accounts with IndusInd Bank Ltd. and HDFC Bank Ltd. during the demonetisation period. The assessee was called upon to explain the source of such deposits. However, the Ld. AO, not being convinced with the explanation offered, treated the entire amount as unexplained cash credits under section 68 of the Act and added the same to the income of the assessee. The Ld. AO further made a disallowance of Rs.3,35,000/- under section 40A(3) of the Act. Accordingly, the assessment was completed under section 143(3) of the Act on 19.12.2019, determining the total income of the assessee at Rs.1,18,39,680/-.

4. Aggrieved with the order of Ld. AO, the assessee preferred an appeal before the Ld. CIT(A). The Ld. CIT(A) upheld the addition made by the Ld. AO and dismissed the appeal of the assessee.

5. Aggrieved with the order of Ld. CIT(A), the assessee is in appeal before this Tribunal. At the outset, it was submitted that the assessee is pressing only the sole issue on account of the addition of Rs.96,26,300/- made by the Ld. AO under section 68 of the Act. In this regard, the Ld. Authorised Representative ("Ld. AR") submitted that although the assessee had deposited a total cash of Rs.96,26,300/- in his bank accounts during the demonetisation period, the entire cash was not in Specified Bank Notes ("SBNs"). Out of the total, Rs.42,49,500/- represented SBNs, while Rs.53,76,800/- was in new currency notes. He further submitted that the assessee had a cash balance of Rs.43,36,150/- as on 08.11.2016, out of which the SBNs of Rs.42,49,500/- were deposited during demonetisation, and the remaining deposits in new notes were out of regular collections from sundry debtors on account of business sales. It was contended that the total cash deposits were duly recorded in the books of account, which were audited by a Chartered Accountant. The Ld. AR drew our attention to the audited financial statements for A.Y. 2016-17 and A.Y. 2017-18 placed at page nos. 15 to 37 of the paper book. He pointed out that the sales for A.Y. 2016-17 were Rs.14,00,46,603/- (page no.15 of the paper book), whereas the sales for the year under consideration were Rs.10,89,34,295/- (page no.26 of the paper book). Thus, there was an overall decrease in sales during the year under consideration, which negated any presumption of inflated sales due to demonetisation.

5.1 The Ld. AR further referred to the list of sundry debtors placed at page nos. 20 to 22 (as on 31.03.2016) and page nos. 30 to 34 (as on 31.03.2017), showing that the debtor balances were Rs.1,28,00,370/- and Rs.1,24,59,495/- respectively. This, according to him, demonstrated a consistent business pattern and

regular realisation of dues in cash, supporting the explanation that the deposits were out of genuine business receipts.

5.2 The Ld. AR also drew our attention to the written submissions filed before the Ld. AO on 19.12.2019 (page no.40 of the paper book), wherein the assessee had submitted 11 confirmations from sundry debtors on 18.12.2019 and 17 more confirmations on 19.12.2019, totalling 28 confirmations. Copies of these confirmations are placed in the paper book at page nos. 41–57 and 68–78. Despite this, both the Ld. AO and Ld. CIT(A) recorded that no confirmations were filed, which was factually incorrect. The Ld. AR also referred to page nos. 2 to 5 of the paper book, containing the list of debtors from whom cash had been received, which was filed before the Ld. CIT(A) as well. The same details were available before the Ld. AO, who even reproduced a summary thereof in para no.3 of the assessment order. Hence, it was contended that the authorities had ignored material evidence on record.

5.3 The Ld. AR also relied on the monthly cash deposit statements for F.Y. 2015–16 and 2016–17 (page nos. 79 to 80 of the paper book) to show that the cash deposits during the demonetisation months (October–December 2016) were in fact lower than those of the corresponding months in the previous year. It was further submitted that the Ld. AO neither pointed out any defect in the books of accounts nor rejected the same. No instance of unaccounted cash generation or discrepancy in stock was brought out. Hence, the addition was made merely on presumptions and suspicions without any factual basis. He further submitted that both the lower authorities failed to exercise their powers under section 133(6) of the Act to verify the confirmations directly from the debtors, even though the names,

addresses, and in several cases, PAN of debtors were available on record. Relying on the decision of this Tribunal in Ambabhavani Jettem v. ITO (ITA No. 604/Hyd/2024, A.Y. 2017-18, order dated 07.07.2025), where under identical facts the addition on account of cash deposits during demonetisation was deleted, the Ld. AR prayed for deletion of the addition made under section 68 of the Act.

6. Per contra, the Learned Departmental Representative ("Ld. DR") relied on the orders of the lower authorities and submitted that the assessee failed to produce adequate confirmations or supporting evidence such as bills and vouchers. He argued that both authorities has recorded concurrent factual findings, and therefore, the matter may be remitted back to the file of the Ld. AO for fresh verification. The Ld. DR placed reliance on the decision of the Hon'ble Orissa High Court in Pankaj Gupta v. PCIT (477 ITR 387), order dated 03.12.2024, the SLP against the which was dismissed by the Hon'ble Supreme Court on 16.05.2025 [175 Taxmann.com 238 (SC)], wherein the Hon'ble Court has upheld additions of unexplained cash deposits during the demonetisation period.

7. We have carefully considered the rival submissions and perused the material available on record. The facts in the present case reveal that the assessee had deposited cash of Rs.96,26,300/- in his bank accounts during the demonetisation period. The Ld. AO treated the said deposits as unexplained cash credits under section 68 of the Act. The Ld. AR submitted that out of the total cash deposits of Rs.96,26,300/- made during the demonetisation period, only Rs.42,49,500/- represented deposits in SBNs, while the balance amount of Rs.53,76,800/- was deposited in new currency notes. The Ld. AR further submitted

that the assessee had a cash balance of Rs.43,36,150/- as on 08.11.2016, out of which the SBNs component of Rs.42,49,500/- was deposited during the demonetisation period and new currency notes were deposited from the realization out of routine business activities of the assessee from his sundry debtors. It was thus contended that the entire cash deposits were duly explained from regular business receipts and were reflected in the books of account. The Ld. AR also pointed out that the Ld. AO has not pointed out any deficiency in the cash balance available with the assessee as on 08.11.2016, nor has he disputed the books of account of the assessee which were duly audited.

7.1 In this regard, we have gone through the financial statements of the assessee for the A.Y. 2016-17 and A.Y. 2017-18 placed at page nos. 15 to 37 of the paper book and found that the financial statements for both the years are duly audited by a Chartered Accountant. On perusal of page nos. 5 and 26 of the paper book, we find that the total sales of the assessee for A.Y. 2016-17 and A.Y. 2017-18 are Rs.14,00,46,603/- and Rs.10,89,34,295/-, respectively. This clearly shows a decline in turnover during the year under consideration, which by no means can lead to a presumption that the sales were inflated due to demonetisation. We have also examined the list of sundry debtors as on 31.03.2016 placed at page nos. 20 to 22, and as on 31.03.2017 placed at page nos. 30 to 34 of the paper book. It is observed that the balances of sundry debtors were Rs.1,28,00,370/- as on 31.03.2016 and Rs.1,24,59,495/- as on 31.03.2017. The closing balances thus show a consistent business pattern and demonstrate a reasonable basis of realisation of cash from sundry debtors. No abnormal variation has been found in this regard. Further, we have also examined the monthly cash

deposit statements for the financial years 2015–16 and 2016–17 placed at page nos. 79 and 80 of the paper book, which is to the following effect:



V.N.ENTERPRISES, D.NO.9-181, V.N.COMPLEX, SUBASH ROAD, ANANTAPUR - 515 001.	
Cash Deposits in Banks	
Monthly Summary	
1-Apr-15 to 31-Mar-16	
Opening Balance	Credit
April	71,21,000.00
May	73,34,000.00
June	91,06,771.00
July	79,00,000.00
August	62,91,500.00
September	95,20,000.00
October	1,08,53,500.00
November	1,09,30,000.00
December	1,25,70,000.00
January	1,26,25,000.00
February	83,15,000.00
March	85,65,000.00
Grand Total	11,11,31,771.00


V.N.ENTERPRISES,
D.NO.9/114, V.N.COMPLEX,
NEAR CLOCK TOWER,
ANANTAPUR - 515001

CASH DEPOSITS

Monthly Summary

1-Apr-16 to 31-Mar-17

Particulars	Credit
<i>Opening Balance</i>	
April	5505000.00
May	5169200.00
June	5909000.00
July	7079000.00
August	5980250.00
September	7199000.00
October	7630000.00
November	6943000.00
December	4688300.00
January	5153500.00
February	4397160.00
March	5903130.00
Grand Total	71556540.00

7.2 On perusal of the above, we find that these statements show that the cash deposits made during the demonetisation period (October 2016 to December 2016) were in fact lower than the corresponding months in the immediately preceding financial year. This strongly supports that the assessee maintained a regular business pattern and that the cash deposits represented routine realisation from debtors, not an inflated collection arising out of demonetisation. We have also gone through para no.3 of the order of the Ld. AO which is to the following effect:

3. It is noticed from the Cash Transactions, 2016 that the assessee is having the bank accounts and made the cash deposits during the demonitisation period, the details of bank accounts and amount deposited etc., is summarized below:-

S. No.	Bank Name	Account No.	Cash Deposit	Remarks from Assessee stating that
1	HDFC Bank Ltd.	5020001854628	Rs.39,40,000	The account does not relate to the assessee's PAN.
2	Indus Ind Bank Ltd.	20000-562-8821	Rs.59,16,300	<p>a) Cash of Rs.40,60,041/- is received from Identifiable Persons (With PAN).</p> <p>b) Cash of Rs.8,35,054/- is received from Identifiable Persons (Without PAN)</p> <p>c) Cash of Rs.10,21,205/- is received from Unidentifiable persons i.e. Cash Sales</p>
3	HDFC Bank Ltd.	50200018546285	Rs.37,10,000	<p>a) Cash of Rs.18,28,559/- is received from Identifiable Persons (With PAN).</p> <p>b) Cash of Rs.5,59,854/- is received from Identifiable Persons (Without PAN)</p> <p>c) Cash of Rs.13,21,587 is received from Unidentifiable persons i.e. Cash Sales</p>

In the cash transactions details filed by the assessee, it was submitted that the cash deposits were realisations from sundry debtors. Hence, during the course of assessment proceedings, the assessee was specifically asked to furnish the confirmations from the Identifiable persons with or without PAN and also bill / vouchers but failed to furnish the same. The assessee has filed a confirmation letter issued by the HDFC Bank stating that there is no PAN link with the account no.5020001854628. Hence, the same is accepted. But with regard to the accounts at S.No.2 & 3 above, the assessee failed to furnish either the confirmations from the Identifiable persons with or without PAN or bill / vouchers with regard to the sundry debtors. Therefore, the total cash deposits of Rs.96,26,300/- made by the assessee during the demonitisation period in respect of the Indus Ind Bank Ltd. and HDFC Bank Ltd. is treated as Unexplained Cash credits u/s.68 of the Income Tax Act, 1961 and brought to tax u/s.115BBE of the Act.

7.3 On perusal of the above, we find that the Ld. AO concluded the entire issue in a single paragraph based solely on the allegation that the assessee failed to furnish confirmations of the debtors. Similarly, we have also gone through para no.4.1 of the order of the Ld. CIT(A) which is to the following effect:

4.1 Ground No.1: The appellant has challenged the addition made under section 68 of the Income Tax Act, 1961 of Rs. 96,26,300/-:

In the instant case the assessee deposited unaccounted cash amounting to Rs. 96,26,300/- in his bank account during the demonetization period. During the assessment proceedings, the assessee claimed that the cash deposits were realisations from sundry debtors but the assessee failed to give cogent documentary evidences regarding the same. Hence, the A.O. completed the assessment and passed order u/s. 143(3) of the Income Tax Act, 1961. During the appellate Proceedings, the assessee filed written submission through ITBA module. After perusal of the same, it is concluded that the assessee failed to substantiate its claims that the cash deposits were realisations from sundry debtors by furnishing either the confirmations from the identifiable persons with or without PAN or bill / vouchers with regard to the sundry debtors. Further, the assessee could also not provide evidences that prove the source of cash payments made to shri G. Kristappa of Rs. 3,35,000/-. The appellant has not furnished any corroborative evidences regarding the unaccounted cash deposited in the bank account and the cash payment made to shri G. Kristappa. The assessee also had no explanation regarding the source of cash deposit in his bank account and the cash payment made. The onus lies on the appellant to support any claim by bringing in cogent documentary evidence. In absence of any evidence in support of its grounds of appeal, I have no basis to take a contrary view in the appellate proceedings. I have no reason to interfere with the assessment order. As such, I do not find any infirmity in the order of Assessing Officer. Therefore, **addition of Rs. 96,26,300/- and 3,35,000/- is hereby sustained on merits.**

7.4 On perusal of above, we find that the Ld. CIT(A) too dismissed the appeal merely reiterating that the assessee did not file any confirmations from the sundry debtors. On a combined reading of both the orders, we find that neither of the lower authorities has pointed out any defect in the books of account, which are duly audited. The Ld. AO has not rejected the books of account under section 145(3) of the Act. He has also not pointed out any abnormal pattern in the cash realisation from debtors, cash deposits in the bank, or sales turnover, which could raise any presumption of unaccounted money being introduced into the business. We have also verified the page nos. 41 to 57 and 68 to 78 of the paper book, which contain confirmations from 28 sundry debtors filed by the assessee before the Ld. AO. Therefore, the

allegation of both the lower authorities that no confirmations were filed is factually incorrect and reflects a casual and non-application of mind approach on their part. Further, from para no. 3 of the assessment order, we find that the Ld. AO himself recorded that the cash deposits in Indus Ind Bank Ltd. amounting to Rs.40,60,041/- and cash deposits in HDFC Bank Ltd. amounting to Rs. 18,28,559/- were received from identifiable persons having PAN. Additionally, cash deposits of Rs.8,35,054/- in Indus Ind Bank Ltd. and Rs.5,59,854/- in HDFC Bank Ltd. were received from identifiable persons without PAN. The said findings show that the Ld. AO had sufficient details of the sundry debtors from whom the amounts were realised, and he could have easily verified their identity and creditworthiness by invoking his powers under section 133(6) of the Act. Instead, he made the addition merely on presumption and conjecture, without conducting any verification or cross-examination. In our considered opinion, the Ld. AO failed in his statutory duty to make any meaningful verification of the source of the deposits. The addition made purely on presumption, without evidence or inquiry, cannot be sustained in law. The Ld. CIT(A), instead of examining the matter independently, has merely endorsed the conclusion of the Ld. AO without proper appreciation of facts. As regards the reliance placed by the Ld. DR on the decision of the Hon'ble Orissa High Court in Pankaj Gupta (supra), we find that the said decision was rendered on entirely different facts. In the present case, the books are duly audited, the debtor details and confirmations have been furnished, and no defect has been pointed out by the authorities. Hence, the said judgment is clearly distinguishable and not applicable to the facts before us.

7.5 Considering the entire factual matrix, the documentary evidence placed on record, and the consistent business pattern of the assessee, we are of the firm view that the addition made by the Ld. AO and sustained by the Ld. CIT(A) under section 68 of the Act is devoid of merit. Accordingly, we set aside the order of the Ld. CIT(A) and delete the addition of Rs.96,26,300/- made by the Ld. AO under section 68 of the Act.

8. In the result, the appeal filed by the assessee is allowed.

Order pronounced in the open Court on 31st October, 2025.

Sd/-

**(VIJAY PAL RAO)
VICE PRESIDENT**

Hyderabad.

Dated: 31st October, 2025

Sd/-

**(MADHUSUDAN SAWDIA)
ACCOUNTANT MEMBER**

PVV

Copy of the Order forwarded to :

1.	Shri Suryanarayana Gandla, C/o Katrapati & Associates, 1-1-298/2/b/3, Sowbhagya Avenue Apartments, 1st Floor, Ashok Nagar, Street No.1, Hyderabad-500020
2.	The ACIT, Circle-1, Anantapur.
3.	Pr.CIT, Kurnool.
4.	DR, ITAT, Hyderabad.
5.	Guard file.

BY ORDER,