

IN THE INCOME TAX APPELLATE TRIBUNAL
MUMBAI BENCH "C", MUMBAI

BEFORE SHRI ANIKESH BANERJEE, JUDICIAL MEMBER AND
SHRI MAKARAND VASANT MAHADEOKAR, ACCOUNTANT MEMBER

ITA No.1994/Mum/2026
(Assessment year: 2017-18)

Paaneri Exim Pvt. Ltd. 372, Dadarkar Building, N.C. Kelkar Road, Ranade Road, S.O., Shivaji Park, Mumbai- 400028 PAN: AABCP4336L	vs	DCIT-8(2)(1), Mumbai (Erstwhile ACIT-7(3)(1) Room No.624, 6 th floor, Aayakar Bhavan, Mumbai-400020
APPELLANT		RESPONDENT

Assessee by : Dr. K. Shivaram-Sr. Adv./Ms. Neelam Jadhav
Revenue by : Shri V.S. Mahajan (Sr.DR)

Date of hearing : 14/05/2026
Date of pronouncement : 25/05/2026

ORDER

Per:Anikesh Banerjee (JM):

The instant appeal of the assessee filed against the order of the NFAC, Delhi [for brevity the "Ld. CIT(A)"], order passed under section 250 of the Income Tax Act 1961 (for brevity 'the Act') for Assessment Year 2017-18, date of order 24.11.2025. The impugned order emanated from the order of the Ld. Assistant Commissioner of Income Tax C.C. 7(3)(1), Mumbai (for brevity the 'Ld. AO') order passed under section 143(3) of the Act date of order 30.12.2019.

2. The registry inform that the appeal was filed with a delay of 25 days. The assessee filed an affidavit duly executed on 04.05.2026 by the Director of the assessee company Mr. Virji Debraj Gada. The director who is handling this income tax matter was suffering in medical emergency. The Ld. DR had not made any strong objection against the ordinate delay of 25 days. Accordingly, we condone the delay for filing of appeal for 25 days and the appeal is taken for adjudication.

3. The brief facts of the case are that he assessee is engaged in retail business of Saree and Dress Material during the impugned assessment year. The assessee filed the return by declaring total income of Rs.35,83,710/- and book profit u/sec. 115JB of the Act of Rs.37,38,748/-. The assessee regularly audited the accounts u/sec 44AB of the Act. During the impugned assessment year the assessee deposited cash in the bank account during the demonetization period. The Ld. AO selected the assessee's case in scrutiny. The assessee was asked to submit the details of cash deposit during the demonetization period after 08.11.2016. The Ld. AO found that the assessee deposited amount to Rs.1,90,82,500/- as Specified Bank Notes (SBN) during the demonetization period from 09.11.2016 to 31.12.2016. The assessee was asked to provide explanation and detail cash deposited related to this period. The assessee had submitted the evidence in compliance of the notice u/sec 142(1) of the Act. On comparison of cash book duly submitted by the assessee for F.Y. 2014-15, 2015-16 and 2016-17 the Ld. AO observed that cash in hand on 08.12.2016 was Rs.1,96,53,133/- which is much higher than cash in hand on 08.11.2015 which was Rs.31,29,162/-. The ratio of cash in hand as per closing cash in hand on 08.11.2016 was tremendously high on 08.11.2015. The assessee had explained the source of cash deposited during the demonetization period. But the Ld. AO added back the amount of

Rs.1,90,82,500/- with the total income of the assessee. The aggrieved assessee filed an appeal before the Ld. CIT(A). The Ld. CIT(A) upheld the impugned assessment order. Being aggrieved assessee filed an appeal before us.

4. The Ld. AR argued filed a paper book comprising **pages 1 to 367** which has been placed on record. The Ld. AR stated that the assessee had submitted all the relevant documents in support of their claim related to day-wise cash book, month-wise summary of cash, month wise stock statement, quarterly Value Added Tax (VAT) return before the Ld. AO and the Ld. CIT(A). The Ld. AR invited our attention in **APB page 312 to 339**, the quarterly VAT return for F.Y. 2016-17 is annexed. The assessee had declared the sales during demonetization period in VAT Return & no adverse finding was made by the State VAT Authority. A month wise stock summary, purchase and sale are duly annexed in **APB page 309 and 310**. The comparative chart of purchase and sale of credit and cash cell for F.Y. 2014-15 and F.Y.2015-16 are annexed in **APB page 309 and 310** which are reproduced as below:

Paaneri Exim Pvt.Ltd.										
372,Dadarkar Bldg.N.C.Kelkar Road,										
Dadar (W), Mumbai.										
CIN: 27AABCP4336L128										
2014-15										
Purchase					Sales					
Month	Credit Purchase	Cash Purchase	Total Purchase	Ratio of cash purchase to Total Purchase	CASH SALE	CARDS	Credit Sales	CREDIT SALES RETURN	Total Sales	Ratio of cash sales to Total Sales
Apr-14	42314296.00	0.00	42314296.00	0.00	9766015.00	19714306	5619375.00		35099696.00	0.28
May-14	11864794.00	0.00	11864794.00	0.00	7473174.10	12710756.9	2141874.00		22325805.00	0.33
Jun-14	15881769.00	0.00	15881769.00	0.00	5190479.90	10112409.1	2328593.00		17631482.00	0.29
Jul-14	19903594.00	0.00	19903594.00	0.00	6158513.00	13881262	3877127.34		23916902.34	0.26
Aug-14	22885112.00	0.00	22885112.00	0.00	6262832.00	16363975		367583.65	22259223.35	0.28
Sep-14	28961353.00	0.00	28961353.00	0.00	7107822.20	14404800.8	2549959.61		24062582.61	0.30
Oct-14	22262052.00	0.00	22262052.00	0.00	19761334.92	30031227.08	2015726.62		51808288.62	0.38
upto 8th Nov	8220135.00	0.00	8220135.00	0.00	3503808.00	6232273		95807.37	9640273.63	0.36
9th to 30th Nov	17394961.00	0.00	17394961.00	0.00	13672893.00	16399010.00	191784.11		30263687.11	0.45
Dec-14	25284075.00	0.00	25284075.00	0.00	16760010.00	24517094	4103747.05		45380851.05	0.37
Jan-15	33502091.00	0.00	33502091.00	0.00	9807294.99	27929747.01	5040598.00		42777640.00	0.23
Feb-15	18537087.00	0.00	18537087.00	0.00	5854104.90	17388413.1	435039.84		23677557.84	0.25
Mar-15	17856838.00	0.00	17856838.00	0.00	8020572.20	20059506.8		1765388.13	26314690.87	0.30
Total	284868157.00	0.00	284868157.00	0.00	119338854.21	229744780.79	28303824.57	2228779.15	375158680.42	0.32

Paaneri Exim Pvt.Ltd.										
372,Dadarkar Bldg.N.C.Kelkar Road,										
Dadar (W), Mumbai.										
CIN: 27AABCP4336L128										
2015-16										
Purchase					Sales					
Month	Credit Purchase	Cash Purchase	Total Purchase	Ratio of cash purchase to Total Purchase	CASH SALE	CARDS SALE	Credit Sale	SALES RETURN	Total Sales	Ratio of cash sales to Total Sales
Apr-15	14667219.99	0.00	14667219.99	0.00	9249543.00	21,297,574.00	0.00	969219.20	29577897.80	0.31
May-15	11680310.00	0.00	11680310.00	0.00	9600377.00	15,213,073.00	0.00	593914.55	24219535.45	0.40
Jun-15	18188059.00	0.00	18188059.00	0.00	8225804.75	7,336,234.25	0.00	1600655.88	13961383.12	0.59
Jul-15	17668591.00	0.00	17668591.00	0.00	12387207.00	15,037,547.00	1724768.91		29149522.91	0.42
Aug-15	20964590.00	0.00	20964590.00	0.00	12232460.00	13,218,788.00	198481.00		25649729.00	0.48
Sep-15	31087611.00	0.00	31087611.00	0.00	7995124.00	13,661,649.00	98720.78		21755493.78	0.37
Oct-15	33036083.00	0.00	33036083.00	0.00	14002660.72	26,961,882.28	2565073.43		43529616.43	0.32
upto 8th Nov	6989151.00	0.00	6989151.00	0.00	5533464.00	10,929,198.00	112715.00		16575377.00	0.33
h to 30th Nov	9308397.00	0.00	9308397.00	0.00	9890631.00	17,793,843.00	459457.63		28143931.63	0.35
Dec-15	30331124.00	0.00	30331124.00	0.00	11818837.00	25,085,056.00	38156.62		36942049.62	0.32
Jan-16	19479009.00	0.00	19479009.00	0.00	11292849.00	22,297,152.00	80508.00		33670509.00	0.34
Feb-16	15769935.00	0.00	15769935.00	0.00	8874714.00	16,926,860.00	132460.10		25934034.10	0.34
Mar-16	20189865.00	0.00	20189865.00	0.00	9772135.53	22,978,933.47	3023890.00		35774959.00	0.27
Total	249359944.99	0.00	249359944.99	0.00	130875807.00	228737790.00	8434231.47	3163789.63	364884038.84	0.36

5. The Ld. AR contended that the following documents are duly submitted before the revenue authorities which are also annexed in the APB. The List of the relevant documents is reproduced as below:

6.	Cash Book from 01.04.2016 to 31.03.2017	42-114
7.	Cash Book from 01.04.2014 to 31.03.2015	115-160
8.	Cash Book from 01.04.2015 to 31.03.2016	161-215
9.	Cash Book from 01.04.2017 to 31.03.2018	217-301
10.	Month wise summary of Cash book for FY 2015-16	302
11.	Month wise summary of Cash book for FY 2016-17	303
12.	Day wise details of Cash deposit during FY 2016-17	304-307
13.	Month-wise summary of Purchases and Sales with bifurcation of Cash, Card and Credit & Ratio of Cash Sales to Total Sales for FY 2016-17 alongwith monthly Summary of Stock statement	308
14.	Month-wise summary of Purchases and Sales with bifurcation of Cash, Card and Credit & Ratio of Cash Sales to Total Sales for FY 2014-15	309
15.	Month-wise summary of Purchases and Sales with bifurcation of Cash, Card and Credit & Ratio of Cash Sales to Total Sales for FY 2015-16	310
16.	Month-wise summary of Purchases and Sales with bifurcation of Cash, Card and Credit & Ratio of Cash Sales to Total Sales for FY 2017-18	311
17.	Quarterly VAT Return for FY 2016-17	312-339

6. The Ld. AR contended that the Ld. AO had confirmed the addition on the ground that cash in hand on 08/11/2016 was more compared to cash in hand on 08/11/2015 even though increase in cash sales was 4.2% in compared to year 2015. The assessee is maintaining the sales register, purchase register and maintain physical quantity of the stock. The accounts were duly Audited u/sec 44AB of the Act. The Ld. AO has no doubt about veracity of cash book, sales register, purchase register and stock register. The assessee declared the sales in State VAT return which was accepted. The assessee submitted a chart related comparative cash deposit for the year 2015 & for the year 2016.

Particulars	1st April 2015 to 8th November 2015	1st April 2016 to 8th November 2016
Cash Sales	Rs. 7,92,26,639/-	Rs. 7,98,86,005/-
Cash Deposit	Rs. 6,60,13,625/-	Rs. 5,09,60,700/-
Particular	9th November 2015 to 31st December 2015	9th November 2016 to 31st December 2016
Cash Deposit	Rs. 2,22,40,462/-	Rs. 1,79,81,499/-

7. The Ld. AR further argued and respectfully relied on the order of the Coordinate Bench of ITAT-Mumbai in the case of **Ziva Jewellery Pvt Ltd vs ACIT, ITA No. 2625/Mum/2024** date of pronouncement **23/09/2024**. The observation of the Bench is reproduced as follows:-

“We find that the assessee had made the sales in the same ratio of cash & credit sales. The cash sales are below the value of Rs. 2,00,000/-. We note there is a corresponding increase in credit sales during the months of October and in November which are actually the festive season. The Id. AO assumed that on festive dates the shops would remain closed, and KYC of the buyers were not submitted. In this relation the Id. AR placed that considering Rule 114B of the Income Tax Rule, 1962 w.e.f. 01/01/2016 wherein KYC of the buyers of the jewellery in case of transaction amount to Rs. 2,00,000/- or more were required to be maintained. Observation of cash book of the assessee, in APB pages 124 to 138 there is no cash sales more than Rs. 2,00,000/-. We note there is no adverse finding on purchase and the purchase was made through banking channel. The details of purchase for impugned financial year are annexed in APB pages 104 to 107. We observed that if purchase is not in dispute, then the stock is not in question. The details of quantitative and value of items sold in cash sales for impugned assessment year are annexed in APB pages 139 to 144 and monthly quantitative summary of stock for impugned assessment year in APB pages 158 TO 159. We further note that in the Excise & MVAT assessment order there is no adverse finding and it is placed before the bench that the assessee declared the entire sales for impugned assessment year in indirect tax returns and paid the tax accordingly.

*In case of rejection of books of account under section 145(3), we find that the business income of the assessee is not disputed nor the purchase. Respectfully relied on the order of coordinate bench of ITAT-Mumbai in the case of **ACIT vs. Ramlal Jewellers (P) Ltd (2023) 154 taxmann.com 584** held that addition U/s 68 on account of cash deposit could not be made simply on reason that during demonetization period cash deposits vis-à-vis cash sales ratio was higher. It is established that sales representing outflow of stock was duly accounted in the books of account and there was no abnormal profit during the year, then there is no justification to treat deposits made in bank account out of cash sales to be income from undisclosed source. We note that the assessee is maintaining a consistent GP ratio. There is no finding of the Id. AO for cash purchase by the assessee.*

*The reliance was also placed in the order of Coordinate Bench of ITAT Mumbai SMC Benchin **Pukhraj Nathmal Jain vs. ITO 25(3)(2), Mumbai ITA No-2815/Mum/2023** date of pronouncement **26/02/2024**, held that.*

“10. Considering the facts of the present case and applying the ratio of the above decision of the coordinate bench we are of the view that the assessee has discharged the onus of substantiating the source for the deposits made in SBN during demonetisation period and that the addition made by the revenue without disputing the business income of the assessee is not tenable. In view of the above discussion, we are of the considered view that the addition of Rs 33,40,327/- made under section 68 of the Act cannot be sustained and is therefore deleted.”

*The Id.AO was not satisfied with the representation of books of account of the assessee. But no specific lacuna was found for rejection of Books of accounts of the assessee. The submitted all the relevant documents before the Id. AO and the submissions are annexed in APB pages 116 to 123. We respectfully relied on the orders of ITAT-Mumbai Bench in the cases of **M/s Kandan Jewellers Pvt Ltd (supra), Ramlal Jewellers (P) Ltd (supra) and Pukhraj Nathmal Jain (supra)**. We set aside the impugned appeal order and the addition amount to Rs. 3,16,97,000/- is quashed.”*

8. The Ld. DR vehemently relied upon the orders of the revenue authorities and submitted that the assessee had deposited cash far in excess of the normal pattern of cash deposits during the demonetization period. The Ld. DR contended that the unusual spike in cash in hand as on 08.11.2016, in comparison to the immediately preceding year, clearly creates serious doubt regarding the genuineness of the cash available with the assessee. It was argued that though the assessee claimed that the cash deposited represented business receipts, no convincing evidence was furnished to establish that the Specified Bank Notes (SBNs) deposited after 09.11.2016 were actually received from genuine business transactions carried out on or before 08.11.2016. The Ld. DR further submitted that the assessee was not legally authorized to accept SBNs after demonetization and therefore the explanation of the assessee lacks credibility. The Ld. DR further argued that mere maintenance of books of account or filing of VAT returns would not automatically discharge the burden cast upon the assessee under the provisions of section 68/69A of the Act. According to the Ld. DR, the onus squarely lies upon the assessee to establish the nature and source of cash deposits with cogent documentary evidence. The Ld. DR submitted that the abnormal increase in cash balance as on 08.11.2016, without corresponding abnormal growth in sales turnover, clearly indicates that the cash introduced in the books was manipulated only to facilitate deposit of SBNs during the demonetization period. It was further argued that the assessee failed to establish any exceptional business circumstances warranting retention of such huge cash in hand. The Ld. DR invited our attention to **paragraph no. 6.3** of the impugned appellate order and submitted that the Ld. CIT(A) had categorically recorded a finding that the assessee failed to satisfactorily explain the source of cash

deposits. The Ld. DR emphasized that the explanation furnished by the assessee was general in nature and unsupported by independent corroborative evidence establishing the genuineness of the cash transactions. Therefore, the Ld. DR strongly supported the addition made by the Ld. AO and prayed that the order of the Ld. CIT(A) sustaining the addition be upheld. The relevant paragraph of the impugned appellate order is reproduced as below:-

“6.3 I have gone through the grounds of appeal, assessment order and submissions made by the appellant. Appellant is a company running retail show room of sarees and dress material. There is no dispute that the bank accounts in which cash was deposited belong to the assessee and cash was deposited by him. The transactions came to the notice of the department through AIR information. As per the IT Act, the entire onus is on the assessee to explain the transactions in the bank accounts. If cash is deposited in the bank account, the onus is on the assessee to explain the source of cash deposited with supporting evidence. In the present appeal, the issue is with regard to the cash deposits and the sources of such cash deposits. During the course of appellate proceedings, the appellant has not explained the sources for such cash deposits. It is simply explained that the cash was received from the sales. However, the appellant was not authorized to accept SBN notes on and from 9.11.2016. The AO observed that cash sale for the period from April 2015 to October 2015 were at Rs. 7,36,93,175 and April 2016 to October 2016 were Rs. 7,67,77,286/-. There is no much change in the sales. However, the cash in hand as on 8.11.2016 in comparison to 9.11.2015 is very high and is almost more than 500%. This sudden increase in cash in hand on 8.11.2016 is non-satisfactory and the assessee has failed to provide any satisfactory explanation. As the cash is deposited in the bank a/c of the assessee, as per section 69A the assessee has to explain the source of the same to the satisfaction of the AO. If no explanation is filed, or the explanation given is not satisfactory, the section provides that the money is deemed to be income of the assessee for the year in which it was deposited. In this case the assessee failed to give any explanation, therefore, the amount of cash deposited is liable to be added under provision of section 68. Section 68 reads as under.”

9. We heard the rival submissions and considered the documents available on record. The undisputed facts are that the assessee is engaged in the retail business of sarees and dress materials and is maintaining regular books of account which are duly audited under section 44AB of the Act. The assessee had maintained day-wise cash book, sales register, purchase register and stock register and the same were produced before the revenue authorities. The assessee had also filed month-wise stock summary, comparative cash sales chart, quarterly VAT returns and other supporting evidences to substantiate the cash deposits made during the demonetization period. On perusal of the records, we find that the sales declared by the assessee during the demonetization period were duly reflected in the books of account as well as in the VAT returns filed before the State VAT Authorities and no adverse finding has been brought on record by the VAT Department. The Ld. AO has not rejected the books of account under section 145(3) of the Act nor pointed out any discrepancy in the cash book, stock register, sales register or purchase register maintained by the assessee. The purchases are also not doubted by the revenue authorities and corresponding stock movement is duly supported by quantitative details. Therefore, once the purchases and stock are accepted, the sales recorded by the assessee cannot be discarded merely on suspicion.

10. We further observe that the addition has been made merely on the basis that the cash in hand as on 08.11.2016 was higher in comparison to earlier year. However, no material has been brought on record by the revenue to establish that the cash available with the assessee was unexplained or generated from undisclosed sources. The comparative chart placed before us clearly shows that

the cash sales during the period 01.04.2016 to 08.11.2016 were broadly similar to the preceding year whereas the cash deposits during the demonetization period were in fact lower than the immediately preceding corresponding period. The assessee had explained the source of cash deposits from regular business receipts duly recorded in the books of account. The Ld. AO merely proceeded on presumption and suspicion without bringing any cogent evidence to rebut the documentary evidences furnished by the assessee.

11. We find force in the contention of the Ld. AR that the assessee had discharged the primary onus cast upon it by furnishing complete books of account, VAT returns, stock statements, quantitative details and cash book. The Ld. AO neither found any inflation in sales nor detected any bogus purchases or abnormal gross profit. In absence of rejection of books of account, the cash deposits made out of recorded business receipts cannot be treated as unexplained money under section 69A/68 of the Act merely because the deposits were made during the demonetization period. The observations of the Ld. CIT(A) that the assessee was not authorized to receive SBN after 08.11.2016 also do not support the impugned addition because the assessee's consistent stand is that the SBN deposited in the bank represented cash already available out of earlier business transactions duly recorded in the books prior to demonetization.

We respectfully rely upon the decision of the Coordinate Bench of ITAT Mumbai in the case of **Ziva Jewellery Pvt. Ltd.** (supra), wherein under similar facts the Coordinate Bench held that when sales are duly recorded in books, supported by stock records and indirect tax returns, and no defect is pointed out in the books of account, the addition under section 68/69A in respect of cash deposits made

during demonetization cannot be sustained. We further note that similar view has also been taken by the Coordinate Bench in the cases of ACIT vs **Ramlal Jewellers (P.) Ltd.** (supra) and **Pukhraj Nathmal Jain** (supra).

12. Considering the entirety of facts and circumstances of the case, the documentary evidences placed on record, acceptance of sales in VAT returns, non-rejection of books of account and respectfully following the judicial precedents discussed hereinabove, we find that the addition made by the Ld. AO amounting to Rs.1,90,82,500/- and sustained by the Ld. CIT(A) is not justified in the eyes of law. Accordingly, we set aside the impugned appellate order and direct the Ld. AO to delete the addition. Thus, the grounds raised by the assessee stand allowed.

13. In the result, the appeal of the assessee bearing **ITA No.1994/Mum/2026** is allowed.

Order pronounced in the open court on 25th day of May 2026.

Sd/-

(MAKARAND VASANT MAHADEOKAR)
ACCOUNTANT MEMBER

Mumbai, दिनांक/Dated: 25/05/2026
SAUMYASr.PS

Sd/-

(ANIKESH BANERJEE)
JUDICIAL MEMBER

Copy of the Order forwarded to:

1. अपीलार्थी/The Appellant ,
2. प्रतिवादी/ The Respondent.
3. आयकरआयुक्त CIT
4. विभागीयप्रतिनिधि, आय.अपी.अधि., मुंबई/DR, ITAT,
Mumbai

5. गार्डफाइल/Guard file.

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BY ORDER,

(Asstt. Registrar), **ITAT, MUMBAI**