आयकर अपीलीय अधिकरण, अहमदाबाद न्यायपीठ 'C' अहमदाबाद।
IN THE INCOME TAX APPELLATE TRIBUNAL
"C" BENCH, AHMEDABAD

BEFORE S/SHRI T.R. SENTHIL KUMAR, JUDICIAL MEMBER
AND
MAKARAND V.MAHADEOKAR, ACCOUNTANT MEMBER

ITA No.379/Ahd/2025
Asstt.Year : 2017-18

Anil Manilal Patel Hariom Bungalows Dr.Kurion Road B/h. Civil Court Anand. PAN : AZOPP 5693 B	Vs.	ITO, Ward-1 Anand.

(Applicant)		(Responent)

Assessee by :	Shri Chirag Shah, AR
Revenue by :	Shri Uday Kishanrao Kakne, Sr.DR

सुनवाई की तारीख/**Date of Hearing : 07/07/2025**
घोषणा की तारीख /**Date of Pronouncement: 15/07/2025**

आदेश/O R D E R

PER MAKARAND V.MAHADEOKAR, AM:

This appeal by the assessee is directed against the order dated 18.12.2024 passed under section 250 of the Income-tax Act, 1961 [hereinafter referred to as "the Act"] by the Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi [hereinafter referred to as "the CIT(A)"], for the assessment year 2017–18, whereby the learned CIT(A) partly confirmed the assessment order dated 27.08.2019 passed by the Assessing Officer under section 144 of the Act.

Facts of the Case

2. The brief factual matrix of the case, as emerging from the records, is that the assessee, an individual and resident of India (as per the order of

Assessing Officer) for the relevant previous year, was identified by the Department through "Cash Transactions, 2016" module and Actionable Information Monitoring System (AIMS) as having made substantial cash deposits during the demonetization period announced by the Government of India on 08.11.2016. The assessee was found to have deposited cash aggregating to Rs.10,00,000/- in two accounts with Corporation Bank, namely, Account No. 4650050102003 and 4650050107000, during the period from 09.11.2016 to 30.12.2016. Upon further inquiry under section 133(6) of the Act from the concerned bank branch, the Assessing Officer observed that in addition to the aforementioned cash deposits, there were various credit entries aggregating to Rs.57,87,154/- in the assessee's bank accounts during the financial year 2016–17, the source of which also remained unexplained. The break-up of these entries across multiple bank accounts maintained by the assessee is as under:

Sr. No.	**Account No.**	**Credit Entries (Rs.)**	**Cash Deposits (Rs.)**
1	SB 000124	112	–
2	520131000656174	2,866	–
3	CCSDL/01/070001	10,06,000	5,00,000
4	560131000032021	5,096	–
5	SB /03/000445	27,49,643	–
6	520121000313048	19,75,128	–
7	CCSDL/01/020032	27,957	5,00,000
8	560131000031998	48,309	–
	Total	57,87,154	10,00,000

Since the assessee had not filed his return of income under section 139(1), a notice under section 142(1) dated 09.03.2018 was issued and duly

served through both speed post and electronically. However, the assessee failed to comply with the said notice as well as with subsequent reminders dated 18.04.2019 and 04.06.2019. Consequently, show-cause notices dated 12.06.2019 and 12.08.2019 were issued proposing to treat the aggregate amount of Rs.67,87,154/- (being cash deposits of Rs.10,00,000/- and other credit entries of Rs.57,87,154/-) as unexplained income under section 69 of the Act. In the absence of any response or explanation from the assessee, the Assessing Officer proceeded to frame a best judgment assessment under section 144 of the Act, determining the total income at Rs.67,87,154/-, and initiated penalty proceedings under section 271AAC(1) in respect of both additions.

4. Aggrieved by the assessment order, the assessee preferred an appeal before the learned CIT(A), NFAC. The assessee submitted that he was a permanent resident of the USA for many years and used to visit India occasionally. He claimed that during the period relevant to the assessment, he was out of the country and had no knowledge of the proceedings initiated under section 142(1), and that all notices remained uncomplied due to absence and lack of access to the Income Tax portal. The assessee also prayed for condonation of delay in filing the appeal, which was allowed by the CIT(A) in view of the principles of natural justice. Before the CIT(A), the assessee submitted that the cash deposit of Rs.10,06,000/- was explained as consisting of (i) Rs.5,00,000/- withdrawn on 07.11.2016 for house renovation and re-deposited on 10.11.2016 due to demonetization, and (ii) Rs.5,00,000/- held in cash at home jointly by the assessee and his wife Mrs. Meena Patel, which was deposited on 10.11.2016 in their joint account. It was contended that these amounts were accumulated savings from remittances made by the assessee from the USA for personal expenses during visits to India. In respect of the remaining credit entries of Rs.57,87,154/-, the assessee filed a detailed reconciliation and explanation supported by bank statements, copies of remittance receipts, interest certificates, and merger confirmations issued by banks. The assessee submitted that most of the credit entries were either interest income in

NRO/NRE accounts, inward remittances from his US-based accounts, or intra-bank balance transfers arising due to software migration and account renumbering.

5. During the course of appellate proceedings, the CIT(A) admitted additional evidences under Rule 46A of the Income-tax Rules, 1962, and called for a remand report from the Assessing Officer. The AO, in the remand report, accepted the genuineness of certain entries such as interest income (Rs.1,57,316/-), intra-bank transfers, and software merger entries, but rejected the explanation regarding the cash deposit of Rs.5,00,000/- in the joint account and the credit of Rs.10,00,000/- received from one Shri Ronak P. Patel on the ground of lack of independent documentary evidence such as confirmations or valid loan agreements. After considering the submissions and the remand report, the learned CIT(A) partly allowed the appeal. The addition of Rs.57,87,154/- was deleted except to the extent of Rs.5,00,000/- deposited in cash on 10.11.2016 in the joint account with the assessee's wife, which was held to be unexplained in the absence of contemporaneous withdrawal evidence or any record of prior accumulation. The learned CIT(A), thus, sustained the addition of Rs.5,00,000/- and deleted the balance amount of Rs.62,87,154/-.

6. Being aggrieved by the partial confirmation of addition, the assessee has now preferred the present appeal before us and has raised the following grounds:

1. *The assessment order passed u/s 144 of Income Tax Act by the Assessing Officer and confirmed by the first appellate authority u/s 250 is bad in law and deserved to be uncalled for.*

2. *The appellate authority has erred in law and on facts in making and confirming respectively the addition of Rs.5,00,000/-. sustained by the FAA. The same deserves to be deleted.*

3. *The appellant craves to reserve his right to add, alter, amend, or delete any ground of appeal during the course of hearing.*

7. During the course of hearing, the learned Authorised Representative (AR) appearing on behalf of the assessee reiterated the factual matrix of the case and submitted that the addition of Rs.5,00,000/- sustained by the learned CIT(A) deserves to be deleted in view of the specific guidance issued by the Central Board of Direct Taxes (CBDT) vide its *Standard Operating Procedure (SOP)* dated 21.02.2017, which governs verification of cash deposits during the demonetization period. The AR invited our attention to para 1.1 of the Annexure to the SOP which categorically states that in case of an individual (other than minors) not having any business income, no further verification is required to be made if total cash deposit is up to Rs.2.5 lakh. In case of taxpayers above 70 years of age, the limit is Rs.5.0 lakh per person... The basis for verification can be income earned during past years and its source, filing of ROI and income shown therein, cash withdrawals made from accounts etc.

8. The AR submitted that the assessee is an individual with no business income and that the cash deposit in question of Rs.5,00,000/- was made in a joint account with his wife, which falls within the permissible threshold as per the SOP. It was further submitted that the cash deposit was explained as being out of past household savings and remittances received from the USA over earlier years, and that the Assessing Officer as well as the learned CIT(A) failed to appreciate the applicability of the SOP which had been specifically issued by the Board to ensure uniformity and avoid arbitrary additions in demonetization-related cases. In support of this contention, the learned AR placed reliance on the decision of the Surat Bench of the Tribunal in the case of *Dhirajlal Bhagwanbhai Talaviya v. ITO* in ITA No. 726/SRT/2023 dated 03.10.2024, wherein the Tribunal, after considering the CBDT's SOP and the surrounding facts, accepted the assessee's explanation in part. It was submitted that in the present case, the deposit is only Rs.5,00,000/-, the assessee is not engaged in any business activity, and no adverse material has been brought on record to disbelieve the assessee's claim of joint savings and withdrawals. The AR

therefore pleaded that the entire addition be deleted in light of the SOP and the judicial precedent cited.

9. The learned Departmental Representative (DR), on the other hand, strongly relied upon the findings and conclusions of the learned CIT(A). With regard to the reliance placed by the assessee on the CBDT's *Standard Operating Procedure (SOP)* dated 21.02.2017, the learned DR contended that the said SOP clearly prescribes a monetary threshold of Rs.2.5 lakh for individuals not having business income, and Rs.5 lakh for senior citizens aged above 70 years. It was pointed out that the assessee is neither a senior citizen above 70 years nor is the deposit in question below Rs.2.5 lakh; hence, the benefit of non-verification under paragraph 1.1 of the SOP is not available to him. Accordingly, the DR submitted that the AO and the CIT(A) were justified in treating the cash deposit of Rs.5,00,000/- as unexplained under section 69 of the Act, as the claim of source remained unsubstantiated.

10. We have carefully considered the rival submissions of the parties, the material available on record, the assessment order passed under section 144, and the impugned appellate order passed by the learned CIT(A) under section 250 of the Act. We have also perused the relevant Standard Operating Procedure (SOP) issued by the CBDT dated 21.02.2017 in the context of verification of cash deposits during the demonetization period.

13. The limited issue before us in the present appeal is whether the learned CIT(A) was justified in sustaining the addition of Rs.5,00,000/- as unexplained cash deposit under section 69 of the Act, representing deposit made by the assessee in a joint account with his wife on 10.11.2016, which was part of the demonetization-related banking transactions examined by the Assessing Officer in the best judgment assessment framed under section 144 of the Act.

14. The assessee, an individual without any business income, has explained that the said cash deposit was out of household savings retained over time and withdrawals made prior to 08.11.2016. It is also submitted that Rs.5,00,000/- was deposited in a joint account with his wife and represented family cash on hand at the time of demonetization. Although the assessee did not maintain a formal personal cash book or ledger, he furnished a consistent explanation supported by regular foreign remittances in earlier years and absence of cash-intensive business or undisclosed activity.

15. In this context, the learned Authorised Representative has placed reliance on the *Standard Operating Procedure* issued by CBDT dated 21.02.2017, which provides broad guidelines for verification of cash deposits during the demonetization window. The said instruction further guides that where the deposit exceeds this threshold, the verification should be based on income earned in past years, return of income filed, cash withdrawals, and other relevant sources. We find that in the case of the assessee, the total cash deposit under dispute is Rs.5,00,000/- made in a single day (10.11.2016) in a joint account. The assessee is not engaged in business, and there is no material brought on record to establish that the cash deposit had any nexus with unaccounted business receipts or fictitious transactions. The explanation regarding availability of household cash and personal withdrawals from earlier remittances is plausible to a reasonable extent.

16. In our considered view, applying the CBDT's SOP, a cash deposit of Rs.2,50,000/- by an individual without business income should be treated as prima facie explained, and does not warrant further verification, unless there are exceptional facts indicating concealment, which are absent in the present case. We find support in this regard from the decision of the Surat Bench of the Tribunal in Dhirajlal Bhagwanbhai Talaviya v. ITO (ITA No. 726/SRT/2023).

Respectfully following the above principle and in view of the CBDT's guidance, we are of the opinion that relief to the extent of Rs.2,50,000/- ought to be granted to the assessee. However, in the absence of any documentary evidence to substantiate the source of balance Rs.2,50,000/- , and given that the assessee has not maintained any personal cash book, household ledger, or other records to demonstrate accumulated cash on hand or past withdrawals, we see no infirmity in the action of the CIT(A) in treating the remaining Rs.2,50,000/- as unexplained under section 69 of the Act.

Accordingly, the addition of Rs.5,00,000/- sustained by the learned CIT(A) is modified, and the same is restricted to Rs.2,50,000/-.

17. In the result, the appeal of the assessee is partly allowed.

Order pronounced in the Court on 15th July, 2025 at Ahmedabad.

Sd/-	Sd/-
(T.R. SENTHIL KUMAR)	**(MAKARAND V. MAHADEOKAR)**
JUDICIAL MEMBER	**ACCOUNTANT MEMBER**

Ahmedabad, dated 15/07/2025