

Principal Commissioner of Income Tax-I, Lucknow v. Medharaj Techno Concept Pvt. Ltd.

Income Tax Appeal No. 4 of 2026

A.F.R. | Income Tax Appeal No. 4 of 2026 (All HC Lucknow Bench, decided 08.04.2026) | 2026-04-08

Deletion of section 68 addition on demonetisation-period bank cash deposits upheld where the assessee's audited books established availability of cash in hand, no defect was pointed out in the books, and the AO produced no evidence that the cash in hand was utilized elsewhere.

Income-tax Act, 1961: sections 68, 145(3) and 260A

High Court of Judicature at Allahabad | 2-judge bench (Division Bench, Lucknow Bench) | Shekhar B. Saraf, J. | Abdhesh Kumar Chaudhary, J.

Assessment years: 2017-18

Approved for Reporting (A.F.R.) judgment of the Lucknow Bench

This decision is designated 'A.F.R.' on page 1 and synthesizes Supreme Court and High Court authorities on perversity in demonetisation cash-deposit appeals under section 260A.

01 FACTS OF THE CASE

The Revenue filed Income Tax Appeal No. 4 of 2026 under section 260A challenging the order dated 22.08.2025 passed by the ITAT Lucknow Bench for AY 2017-18 confirming the CIT(A)'s deletion of an addition made under section 68 in respect of cash deposited by Medharaj Techno Concept Pvt. Ltd. during the demonetisation period. The Revenue contended that abnormal cash deposits during demonetisation warranted addition on human probabilities even without rejecting the books of account.

Source: [Pages 1-2 of 9 \(Paragraphs 1-4\) \(20260408 UPHC020145702026.pdf\)](#)

02 DISCUSSION BY THE HON'BLE COURT

Reviewing the ITAT's findings (which applied Dhakeshwari Cotton Mills Ltd. v. CIT, (1954) 26 ITR 775 (SC) on suspicion versus proof) and the legal standard of 'perversity' in Arulvelu v. State, (2009) 10 SCC 206, S.R. Tewari v. Union of India, (2013) 6 SCC 602, CIT v. Ajay Kapoor, 2013 SCC OnLine Del 2779, and the coordinate Bench ruling in Pr. CIT, Bareilly v. Dharam Singh, (2025) 342 CTR 653 (All), the Division Bench held that the assessee's books of account were duly audited and the Assessing Officer had not pointed out a single defect in them. Once the availability of cash in hand in the audited books was established and the AO brought nothing on record to show that such cash in hand had been spent elsewhere, the explanation that the available cash in hand was deposited into the bank during demonetisation could not be rejected on bare suspicion or conjecture.

Source: [Pages 2-9 of 9 \(Paragraphs 5-13\) \(20260408 UPHC020145702026.pdf\)](#)

03 JUDICIAL DECISION

Holding that the concurrent findings of fact recorded by the CIT(A) and the ITAT suffered from no perversity and raised no substantial question of law under section 260A, the Allahabad High Court (Lucknow Bench) dismissed Income Tax Appeal No. 4 of 2026.

Source: [Page 9 of 9 \(Paragraphs 12-14\) \(20260408 UPHC020145702026.pdf\)](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee (Medharaj Techno Concept Pvt. Ltd.); Revenue appeal ITA No. 4 of 2026 dismissed.

Source: [Page 9 of 9 \(Paragraph 14\) \(20260408 UPHC020145702026.pdf\)](#)

05 AKHB REVIEW POINT

AKHB analysis: Marked 'A.F.R.' (Approved for Reporting), this Allahabad High Court judgment reinforces Pr. CIT v. Dharam Singh ((2025) 342 CTR 653 (All)) and Dhakeshwari Cotton Mills (26 ITR 775 (SC)): demonetisation cash deposits supported by audited cash-book balances cannot be added under section 68 on generalized 'preponderance of probability' where no defect in the books is found and no alternative utilization of the cash balance is proved.

Source: [Full judgment PDF \(9 pp.\)](#)

SOURCE & VERIFICATION

[Original judgment PDF \(20260408 UPHCo20145702026.pdf\)](#)

Reviewed from the complete 9-page official High Court judgment PDF (20260408_UPHCo20145702026.pdf, SHA-256: 90ab93cf6cadf394d02d1f21e14a90657f8baae6d1b5a9dc6b48623d2dc94d3c).

Supplied source-reviewed note retained; original bytes and identity validation checked in this release. Substantive re-review is not claimed for this record.

Open cited source rendition

Primary source verified page-by-page (9 physical pages, 122,537 bytes, SHA-256: 90ab93cf6cadf394d02d1f21e14a90657f8baae6d1b5a9dc6b48623d2dc94d3c). Cloud Google Drive File ID: 1GDmn5Zdxgg8ZecZPq9-DdpRcYbb6nObv (<https://drive.google.com/file/d/1GDmn5Zdxgg8ZecZPq9-DdpRcYbb6nObv/view>).

STATUTORY SCOPE

Refers to the Income-tax Act, 1961 and allied statutory rules/circulars as applicable to the relevant assessment years.

LATER TREATMENT

Source checked 2026-10-18. No subsequent Supreme Court reversal or stay is recorded in the source judgment text.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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