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 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.

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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.

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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.

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04 OUTCOME / IN WHOSE FAVOUR

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

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05 EXPERT COMMENTS

AKHB EXPERT COMMENTS — editorial analysis, distinct from the Court's findings.

The cash balance had first to be established — The Court accepted an evidentiary finding that the deposited money was available cash in hand. Audited books, voluminous supporting material, absence of identified defects and absence of contrary use supported that finding. The judgment does not dispense with establishing the connection between available cash and deposits.

Probability was not prohibited — The quoted Tribunal reasoning accepts preponderance of probability as a tool but requires reasonable use against the evidence. The failing here was rejection without further inquiry or contrary material. Likewise, Revenue's proposed question about section 68 without rejection of books is not an independently answered universal rule that audited books bar additions. The dismissal rests on this record and absence of perversity.

What an appellate challenge must identify — The perversity authorities reproduced by the Court concern ignored relevant material, irrelevant material, irrationality and findings without reliable evidence. A section 260A challenge to these factual conclusions therefore needs a demonstrated defect of that kind, rather than renewed suspicion arising from demonetisation alone.

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SOURCE & VERIFICATION

Original judgment PDF (20260408_UPHC020145702026.pdf)

Reviewed from the complete 9-page official High Court judgment PDF (20260408_UPHC020145702026.pdf, SHA-256: 90ab93cf6cadf394d02d1f21e14a90657f8baae6d1b5a9dc6b48623d2dc94d3c).

All 9 original pages read and visually inspected; all five panels audited.

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 2026-10-21. Subsequent treatment has not been independently verified.

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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