Pr. Commissioner of Income-tax-2, Bengaluru & Anr. v. Aura Jewels

ITA No. 158 of 2025

2025:KHC:37029-DB | ITA No. 158 of 2025 (Karnataka High Court, decided 17 September 2025) | 2025-09-17

Demonetisation-period jewellery cash sales: concurrent findings supported by stock and invoice records upheld; Revenue's section 68 appeal dismissed.

Income-tax Act, 1961: sections 68 and 260A

High Court of Karnataka | 2-judge bench (Division Bench) | Vibhu Bakhru, Chief Justice | C. M. Joshi, J.

Assessment years: 2017-18

01 FACTS OF THE CASE

Aura Jewels reported AY 2017-18 gross receipts of Rs.21.99 crore, including cash sales of Rs.11,64,59,923. Cash sales of Rs.6,72,68,168 on 8 November 2016 exceeded 57% of annual cash sales. The AO made a Rs.6.61 crore section 68 addition. The assessee produced purchase evidence, stock statements and bar-coded invoices linking sales to reductions in existing stock. CIT(A) deleted the addition on 27 March 2023; the ITAT upheld that deletion on 24 February 2025 in ITA 684/Bang/2023.

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02 DISCUSSION BY THE HON'BLE COURT

CIT(A) and ITAT concurrently accepted that the cash receipts were explained by the books and stock records. The assessee answered missing customer PAN and address details by referring to sub-Rs.2 lakh retail sales and similar invoice practices in undisputed months. The High Court treated the actual occurrence of cash sales as a factual question and found the appellate reasoning cogent, not perverse.

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03 JUDICIAL DECISION

No substantial question of law arose from the supported concurrent findings. Revenue's appeal was dismissed.

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04 OUTCOME / IN WHOSE FAVOUR

Deletion of the Rs.6.61 crore addition remained intact. The outcome rests on this taxpayer's evidence and the absence of perversity in the appellate findings.

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05 EXPERT COMMENTS

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

A sales spike prompted scrutiny but did not settle genuineness — The unusually concentrated sales were the AO's starting point. The accepted answer was evidentiary: purchases, available stock and bar-coded invoices connected receipts to goods actually sold. A comparable case needs that reconciliation; invoking demonetisation alone would not reproduce the foundation of this result.

Customer-detail objections were considered in context — The assessee explained why individual retail invoices lacked PAN and full particulars and pointed to consistent treatment of other months. The Court upheld the resulting factual findings; it did not issue a general ruling dispensing with customer-identification requirements. The statutory obligations applicable to another transaction remain a separate inquiry.

The section260A boundary shaped the result — Both appellate authorities accepted the record and the High Court found cogent reasons rather than perversity. Revenue's unsuccessful appeal therefore cannot be read as a rule that entries in sales books are conclusive. The original also contains repeated paragraph numbering and a normal-sales figure that does not arithmetically reconcile with the stated addition; the note preserves the expressly stated Rs.6.61 crore result without inventing a calculation.

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SOURCE & VERIFICATION

High Court of Karnataka official judgment PDF — AKHB Repository (20250917_KAHC010576052025.pdf)

5-page official High Court of Karnataka order/judgment PDF (20250917_KAHC010576052025.pdf, 59,784 bytes).

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STATUTORY SCOPE

The judgment turns on supported concurrent factual findings under section 260A. It does not announce that all demonetisation cash deposits or all recorded sales are exempt from section 68 scrutiny.

LATER TREATMENT

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

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