IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 17TH DAY OF SEPTEMBER, 2025

PRESENT

THE HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE

AND

THE HON'BLE MR. JUSTICE C M JOSHI

INCOME TAX APPEAL NO. 158 OF 2025

BETWEEN:

1. PR. COMMISSIONER OF INCOME TAX 2,
   BMTC BUILDING, KORMANGALA, BANGALORE.

2. DEPUTY COMMISSIONER OF INCOME TAX,
   CIRCLE -2(1)(1), BANGALORE.

…APPELLANTS

(BY SRI E.I SANMATHI, ADVOCATE)

AND:

AURA JEWELS,
NO.297, 1ST BLOCK,
OPP: TO VIDYA VARDHAKA SCHOOL,
BANGALORE-560 010. PAN: AAQFA1203P

…RESPONDENT

Digitally signed by NANDINI R
Location: HIGH COURT OF KARNATAKA

THIS ITA/ INCOME TAX APPEAL IS FILED UNDER SEC.260-A OF INCOME TAX ACT 1961, PRAYING TO DECIDE THE FOREGOING QUESTION OF LAW AND/OR SUCH OTHER QUESTIONS OF LAW AS MAY BE FORMULATED BY THE HON'BLE COURT AS DEEMED FIT AND SET ASIDE THE APPELLATE ORDER DATED 24.02.2025 PASSED BY THE INCOME TAX APPELLATE TRIBUNAL C BENCH, BANGALORE AS SOUGHT FOR, IN THE RESPONDENT-ASSESSES CASE, IN APPEAL PROCEEDINGS IN ITA NO.684/BANG/2023 FOR A.Y.2017-18 (ANNEXURE-A) AND GRANT SUCH OTHER RELIEF AS DEEMED FIT, IN THE INTEREST OF JUSTICE.

THIS APPEAL, COMING ON FOR ADMISSION, THIS DAY, JUDGMENT WAS DELIVERED THEREIN AS UNDER:

CORAM: HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE
and
HON'BLE MR. JUSTICE C M JOSHI

ORAL JUDGMENT

(PER: HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE)

1. The Revenue has filed the present appeal under Section 260A of the Income Tax Act, 1961 [**the Act**] impugning an order dated 24.02.2025 passed by the learned Income Tax Appellate Tribunal [**the Tribunal**] in ITA.No.684/Bang/2023 in respect of the Assessment Year [**A.Y.**] 2017-18.

2. The principal controversy before the Tribunal was regarding an addition of ₹6,61,00,000/- (Rupees Six Crores Sixty One Lakhs Only) made under Section 68 of the Act.

3. The respondent [**Assessee**] is engaged in the business of retail trading of jewelry, gold, silver and other ornaments. The Assessee had furnished its return of income for A.Y.2017-18, *inter alia* declaring gross receipts of ₹21.99 Crores. The same included cash sales amounting to ₹11,64,59,923/-. On examining the books of accounts, the Assessing Officer [**AO**] found that cash sales of ₹6,72,68,168/- were made on a single day, that is, on November 8, 2016 on the eve of declaration of demonetization of high value currency notes. The cash sales made on the single day amounted

to more than 57% of the total cash sales made during the previous year relevant to AY 2017-18. On the basis of the analysis of cash sales, the AO made an addition of ₹6,61,00,000/- after accounting for normal cash sales of ₹0.61 Crores in conformity with the pattern of cash sales during other months. The AO concluded that the Assessee had failed to explain the cash receipts and therefore, the same are liable to be taxed under Section 68 of the Act.

4. The Assessee appealed the Assessment Order dated 24.12.2019 before the Commissioner of Income Tax (Appeal) [**CIT(A)**]. The Assessee's case is that demonetization of five hundred rupees currency notes had brought an abnormal situation where large number of persons had rushed to make purchases in cash, including jewellery. In order to establish that the sales were genuine, the Assessee had produced all records including details and evidence of purchases, the stock statements and all invoices, which evidence that the sales were made from existing stocks. The Assessee also pointed out that the invoices contained a bar code, which were linked to the stocks available with the Assessee and the same established that the sales corresponded to reduction of the stocks available with the Assessee. As noted above, the Assessee also produced invoices of sales made.

5. The Assessee challenged the decision of the AO rejecting the invoices on the ground that they did not mention the PAN number and full name and address of the customers. The Assessee explained that the sales made to a customer were below ₹2,00,000/- and there was no requirement for the Assessee to mention the PAN number of the retail purchaser. The Assessee also explained that retail purchasers were reluctant to give their full details. Additionally, the Assessee also pointed out that invoices of cash sales in respect of other months (which were not in question) also did not include the full details of the names and addresses or PAN numbers of various customers. The CIT(A) examined the question whether the records duly authenticated the cash sales as claimed by the Assessee and accepted the Assessee's contentions. The CIT(A) found that the Assessee had duly explained its cash sales on the basis of its records and its stock statements. Accordingly, the addition of ₹6.61 Crores made by the AO under Section 68 of the act was deleted in terms of an order dated 27.03.2023.

6. Aggrieved by the CIT(A)’s order dated 27.03.2023, the Revenue preferred an appeal before the Tribunal, which was dismissed in terms of the impugned order.

7. Both the appellate authorities namely, the CIT(A) and the Tribunal have concurrently found that the Assessee had duly explained the cash receipts and had produced the books of accounts and records to establish that it had made cash sales as declared. The question whether the Assessee had in fact made sales in cash as declared is clearly a question of fact and this question has been answered in favour of the Assessee by concurrent findings of the learned CIT(A) and the Tribunal.

6. We note that the decisions of the CIT(A) and the Tribunal are supported by cogent reasons and we are unable to accept that the said decision can be faulted as being perverse.

7. In view of the above, no substantial question of law arises for consideration of this Court in this appeal. The appeal is accordingly dismissed.

Sd/-
(VIBHU BAKHRU)
CHIEF JUSTICE

Sd/-
(C M JOSHI)
JUDGE

NR/-
List No.: 1 Sl No.: 21