

IN THE INCOME TAX APPELLATE TRIBUNAL "PATNA" BENCH, PATNA

**BEFORE SHRI DUVVURU RL REDDY, VP
AND
SHRI RAJESH KUMAR, AM**

**ITA No.284/PAT/2025
(Assessment Year: 2017-18)**

**Jainam Ornament Private
Limited**

Chowk, Gaya, Gaya,
Bihar-823001

(Appellant)

Vs.

**Income Tax Officer,
Gaya, Bihar**

(Respondent)

PAN No. AADCJ2187M

Assessee by : Shri Manish Rastogi, AR
Revenue by : Shri Ashwani Kr. Singal, DR

Date of hearing: 28.11.2025
Date of pronouncement: 26.02.2026

ORDER

Per Rajesh Kumar, AM:

This is an appeal preferred by the assessee against the order of the National Faceless Appeal Centre, Delhi (hereinafter referred to as the "Ld. CIT(A)") dated 08.04.2025 for the AY 2017-18.

2. The only issue raised by the assessee in the various grounds of appeal is against the confirmation of addition is against of ₹1,52,18,034/- by the Id. CIT(A) as made by the Id. AO u/s 68 of the Act by rejecting the books of accounts u/s 145(3) of the Act.
3. The facts in brief are that the assessee company is engaged in the business of sale of jewellery, Gold Article, Silver, Diamond etc. and filed the return of income during the year on 31.10.2017, declaring

the total income at ₹12,35,750/-. The case of the assessee was selected for scrutiny under Computer Assisted Scrutiny Selection (CASS) for the reasons of cash deposit during the demonetization period and abnormal increase in cash during the demonetization period as compared to average cash deposit during pre-demonetization. Statutory notices, along with questionnaire were issued and duly served upon the assessee. The assessee complied with the said notices by filing the details/ explanation as called for by the Id. Assessing Officer. The Id. AO extracted the details of bank account at page no.2 of the assessment order in which cash was deposited during the demonetization period. Accordingly, the assessee was asked to furnish the source of cash deposit. The assessee furnished the comparative month wise cash deposit in the bank during financial year 2015-16 and 2016-17. The total cash sales, total sales etc. which the Id. AO extracted on page no.3. However, the Id. AO has not satisfied with the reply of the assessee and a show cause notice was issued on 08.11.2016, to explain the unreasonable hike in the cash sales during the demonetization period. The said notice was complied with by the assessee on 20.08.2019. According to the Id. AO, the assessee did not furnish the stock register, names and complete address of the parties to whom the cash sales were made. Finally, the Id. AO calculated the addition of ₹1,52,18,034/-, which was computed by subtracting from the cash sales of ₹2,05,58,315/- on 08.11.2016 of ₹53,40,281/-, which was cash sales on 21.10.2016, and the same was deemed as unexplained cash credit and added to the income of the assessee by rejecting the books of accounts.

4. The Id. CIT (A) in the appellate proceedings, confirmed the addition made by the Id. AO by observing and holding as under:-

"1.3 I have perused the assessment order written submission of appellant as well as the various case laws relied upon. Hon'ble Apex Court in Kale Khan Moh. Haneef V/s CIT, Bhopal (50 ITR 1) held that-

it is well established that the onus of proving the source of a sum of money from to have been received by the assessee, is on him. If he disputes liability for tax it is for him to show either that the receipt was not income or that if it was, it was exempt from taxation under the provisions of the Act. In the absence of such proves, the ITO is entitled to treat it as taxable income."

Where the assessee is unable to prove that in his normal business or otherwise, he was possessed of so much cash, the assessee started under a cloud and must dispel that cloud to the reasonable satisfaction of the assessing authorities and that if he did not, then, the department was free to reject his explanation and to hold the amount represented as income from undisclosed source. This was decided in the case of ManinderNath Das V/s CIT, Bihar and Odisha.

It is clear that several reasonable opportunities were provided during course of assessment proceedings to explain the source of cash deposit during the demonetisation period, but the appellant failed to submit documentary evidences like sale vouchers, details of stock purchase, closing stock month wise and various other details. On perusal of the details of cash sales made during the demonetisation period, it is clear that the assessee has miss-utilised the provisions of the scheme, the appellant was supposed to maintain the details of purchasers, sale vouchers as black money/unaccounted money of various persons were routed through specific business like jewellery, petrol pump etc. on the payment of the handsome commission. The appellant cannot simply produce the annual Central Excise/VAT returns as a proof for sale of jewellery ornaments. The details of the stock purchase was called by the AO several times which the appellant has failed to submit. These are the classic cases where the assessee gets involved into converting the unaccounted cash income of various people by issuing sale bills under the monetary limit so that TDS is not deducted and even does not maintain any identity proof of these purchasers. The only method to verify whether the actual transactions have been conducted by the jeweller is to check the availability of the stocks during the days of huge cash sales. The appellant during the course of assessment proceedings as well as appellate proceedings did not produce any such documentary evidence and hence ground of appeal is rejected and the addition made by the AO u/s 68 of the IT Act, 1961 amount to Rs. 1,52,18,034 is sustained.

2.3 I have gone through the assessment order as well as the written submission submitted by the appellant. The AO have asked the appellant to submit item wise stock register, name and address of parties to whom cash sale was made. But the appellant could not produce various bills and vouchers hence, the AO was well within his right to reject the books u/s 145(3) of the IT Act Section 145(3) states that-

(3) where the AO is not satisfied about the correctness or completeness of the accounts of the assessee, or where the method of accounting provided in sub-section (1) or account standards as notified under sub-section (2) have not been regularly followed by the assessee, the AO may make an assessment in the manner provided in section 144."

Hence, AO was well within his rights to reject the books u/s 145(3) and complete the assessment order based on the documents available on record. Hence the ground of appeal is rejected."

5. After hearing the rival contentions and perusing the materials available on record, we find that the assessee is undisputably a dealer in jewellery items and has been filing the return of income regularly since, the earlier assessment years. We note that the assessee had declared total sales during the financial year of Rs. 18,35,04,590.01. During the demonetization period, there was a very steep hike in the cash sales of the assessee and assessee deposited cash into bank during the demonetization period which was the only reason for selecting the case of the assessee for scrutiny. There is no dispute as to the fact that there was sufficient availability of stocks for sale during the demonetization period. The only objection of the Id. AO is that the assessee has made a very astronomically high cash sales on 08.11.2016 of ₹2,05,58,315/- comprising 270 bills out of the total sales of sales of ₹2,18,3,498/-. We note that even the Id. AO issued notice u/s 133(6) of the Act to 13 suppliers and out of which 2 suppliers namely; Gitanjali Jewellery Retail Ltd (Diamond), Mumbai and Gitanjali Jewellery Retail Ltd(Gold), Mumbai did not respond to the said notices and rest of the suppliers had duly responded. We also note that the copies of the invoices are available in the Paper Book from page no. 1 to 283. We note that the books of accounts were rejected by the Id. AO on the ground that assessee has failed to furnish the stock register (item wise) sale invoices and complete details of the parties to whom the sales were made.

However, on the other hand we note that the all the details were available before the Id. AO. We also note that there is no specific defects or deficiency pointed out by the Id. AO in the books of account. The Id. CIT (A) affirmed the order of the lower authority AO by confirming the addition of ₹1,52,18,034/- as well as the rejection of books of accounts.

6. We have perused the facts on record and also the submissions made before us by the rival parties and noted that the assessee has duly disclosed the sales made in the profit and loss account and offered the income to tax. Therefore, if the addition is allowed to be sustained, it would result in double taxation of the same income. Moreover, notice issued to the 13 suppliers were duly responded except two meaning thereby that 11 parties have confirmed to have supplied the materials to the assessee. Therefore, mere fact that the assessee has made huge sales on 08.11.2016, cannot be a ground for making the addition in the hands of the assessee. In our opinion, the rejection of books of account by the Id. AO and confirmation of the same by the Id. CIT (A) is also wrong as there was no defect pointed out in the books of account of the assessee, either by the Id. AO or by Id. CIT (A). Under these circumstances, we are not inclined to uphold the order of the Id. CIT (A). The case of the assessee find support from a series of decisions. In the case of Md Umer Vs CIT (1975)101ITR 525(Patna) it has been held that books of accounts cannot be rejected on the ground of non-production of cash memos. In the case of Lakshmi Rice Mills Vs CIT (1974) 97 ITR 258(Patna) it has been held that where the deposits of high value denomination notes have been made out of the cash available in the cash book. The matter was relating to earlier demonetization. The coordinate

bench in the case of f ITO Vs Senco Alankar (2022) 142 taxmann.com 578(kol-tri) held that where purchase have been accepted and no specific defects have been pointed in the books of accounts , no addition u/s 69A can be made in respect of cash deposit. Therefore, the order of Id. CIT (A) upholding the assessment order on the rejection of books of accounts as well as on confirmation of addition is wrong and cannot be sustained. Considering the facts in the light of above decisions, we set aside the order of Id. CIT (A) and direct the Id. AO to delete the addition.

7. In the result, the appeal of the assessee is allowed.

Order pronounced in the open court on 26.02.2026.

Sd/-
(DUVVURU RL REDDY)
(VICE PRESIDENT)

Sd/-
(RAJESH KUMAR)
(ACCOUNTANT MEMBER)

Kolkata, Dated:26.02.2026

Sudip Sarkar, Sr.PS

Copy of the Order forwarded to:

1. The Appellant
2. The Respondent
3. CIT
4. DR, ITAT,
5. Guard file.

BY ORDER,

True Copy//

Sr. Private Secretary/ Asst. Registrar
Income Tax Appellate Tribunal, Kolkata