

**IN THE INCOME TAX APPELLATE TRIBUNAL  
LUCKNOW 'A' BENCH LUCKNOW**

**BEFORE SHRI KUL BHARAT, VICE PRESIDENT AND  
SHRI ANADEE NATH MISSHRA, ACCOUNTANT MEMBER**

I.T.A. No.312/Lkw/2023  
Assessment year:2017-18

ACIT, Room No.202, Pratyaksha Kar Bhawan, 57, Ram Teerath Marg, Lucknow - 226001	Vs.	Mallics Jewels, 4/292, Vivek Khand, Gomti Nagar, Lucknow- 226010
PAN: ABDFM 6563A (Appellant)		(Respondent)

Appellant by	Shri G.S. Walia,CA
Respondent by	Shri Amit Kumar, D.R.

**ORDER**

**PER: ANADEE NATH MISSHRA, A.M.**

This appeal vide I.T.A. No. 312/Lkw/2023 has been filed by the Revenue for Assessment Year 2017-18 against impugned appellate order dated 03/08/2023 passed by National Faceless Appeal Centre, (NFAC), Delhi.

2. In this case, the assessment order dated 28.12.2019 was passed under Section 143(3) of Income Tax Act, 1961 (in short the 'Act') whereby the assessee's total income was determined at

Rs.2,98,83,240/- as against returned income of Rs.23,83,240/-. In the aforesaid assessment order, an addition of Rs.2,75,00,000/- was made on account of cash deposit of specified bank notes in the denomination of 500 rupees and 1000 rupees during the denomitization period. The assessee's appeal against the aforesaid addition of Rs. 2,75,00,000/- was allowed by the learned CIT(A) vide impugned appellate order dated 03.08.2023.

3. The present appeal has been filed by Revenue against the aforesaid impugned appellate order dated 03.08.2023 of the learned CIT(A). The grounds of appeal are as under:

*"1. That the Ld.CIT(A), NFAC, New Delhi had erred in law and facts in deleting the addition of Rs.2,75,00,000/- which was made u/s 68 of the LT.Act as unexplained cash credits in the books of account of the assessee as the assessee failed to discharge the onus of proving its source as explained in the case of 'Kale Khan Mohammad Hanif v CIT [1963] 50 ITR 1 SC, Roshan Di Hatti V CIT [1977] 107 ITR 938 (SC)', 'Smt. Srilekha Banerjee and others Vs CIT, Bihar & Orissa, reported in 1964 AIR 697, dated 27.03.1963', 'SumatiDaln V CIT 214 ITR 801 (SC)' and 'Commissioner of Income Tax V Durga Prasad More 82 ITR 540 (SC)'.*

*2. The appellant crave leaves to add or amend any one or more of the grounds of appeal, as stated above, as and when need to doing so arise with the prior permission of the court."*

3.1 In the course of appellate proceedings in the Income Tax Appellate Tribunal paper books containing the following particulars was filed from the assessee's side:

S.No.	Details of Papers
1.	Written submissions
2.	ITO, Jaipur vs. Raj Kumar Nowal
3.	Mukesh Kumar Gupta vs. ACIT, Central Circle 4, Jaipur
4.	Roop Fashion vs. DCIT CC-1, Ludhiana
5.	ITO Ward 2, Karnal vs. JK Wood India Pvt Ltd
6	ACIT, Central Circle-14, New Delhi vs. Delhi Spot Bullion Trading Pvt Ltd
7	DCIT Circle 1(1), Salem vs. ANS Jewelry
8	DCIT, CC-1(1), Mumbai vs. Shree Mangal Jewels Pvt Ltd
9	Harisons Diamonds Pvt Ltd vs. ACIT, Central Circle-1, Delhi
10	ITO-23(3)(6), Mumbai vs. V P Bullion
11	Param Gold vs. ITO Ward-42(1)(4), Mumbai
12	Hinima Atul Shah vs. ITO Ward-3(3)(2), Ahmedabad
13	Mangat Ram vs. ITO Ward-1, Panipat
14	Sumit Kesarwani vs. ITO 1(1)(F), Kanpur
15	Pradeep Kumar vs. ACIT-1, Lucknow

<b>S.No.</b>	<b>Detail of Papers</b>
1	Written submissions
2	Hirapanna Jewellers vs. ACIT, CC 1, Visakhapatnam
3	DCIT, CC-1(1), Mumbai vs. Shree Mangal Jewels Pvt Ltd
4	Mangat Ram vs. ITO Ward-1, Panipat
5	Sumit Kesarwani vs. ITO 1(1)(F), Kanpur
6	Pradeep Kumar vs. ACIT-1, Lucknow

4. In response, the learned Departmental Representative (DR) filed written submissions vide letter dated 19.09.2025 relevant portion of which is reproduced below for the ease of reference:

*"Kindly refer to subject mentioned above. During course of appellate proceedings dated 12.06.2025, Hon'ble Bench raised query about stock details of assessee relevant for demonetization period. In that period huge sales has been reported by assessee and in assessment order addition of Rs. 2.75 crore were made by L.d. A.O on such cash credit amount. In this regard Hon'ble Bench expressed his desire to know position of stock available with assessee in relevant period. Hence taking note of this query assessment record from concern A.O was called for to get necessary details accordingly. This office has received desired record on 16.09.2025. Relevant copy of extract (as annexure 'A' from page no. 04 to 12) and analysis of the same in form of paper book is submitted for kind consideration.*

*As per books of account of assessee total stock as on 31.10.2016 is divided in two parts i.e. Gold amounting to Rs.1,59,57,636/- and Diamond amounting to Rs.89,21,062/-. Moreover, assessee had also submitted 08 vouchers against purchase of stock pertaining from 1" October 2016 to 08 November 2016. While carefully examining all such vouchers some discrepancies were noted which is mentioned as below.*

- 1. Nature and Mode of payment were not clear whether it is paid through cash or by banking channel.*
- 2. Narration part of each voucher is found blank which creates doubt about its genuine, hence it appears that vouchers were made in a careless manner without entering necessary details of information.*
- 3. Two such vouchers amounting to Rs. 4,86,979/- for November month and six such vouchers amounting to Rs.31,62,107 for October month were submitted in assessment proceedings by assessee.*
- 4. It is important to mention here that no proof of receiving of stock (like e-way bill/courier/etc.) against*

*all such 8 vouchers had been given by assessee in assessment proceedings which raised doubt about actual stock available with assessee on before the announcement date of demonization i.e. 08.11.2016.*

5. *During assessment proceedings applicant has submitted position of stock as on 31.10.2016 and it is assumed that the said position of stock arrived after taking into consideration of all six such vouchers of October month. Hence in conclusive way if we add two such vouchers of November month submitted by assessee, amount of stock can be determined accordingly which is worked out as under:*

*Closing stock as on 31.10.2016 2,48,78,698 (1,59,57,636 gold + 89,21,062 stock and assuming six such vouchers of October month were added in this amount)*

*Amount of purchase till 07.11.2016 above 4,86,979 (in two such vouchers as mentioned*

Total	2,53,65,677
-------	-------------

*As per above discussion in para 5, it is crystal clear that total excess of so called "sales" as on 08.11.2016 is worked out as 98,10,367 (3,51,76,044 sales reported-2,53,65,677 stock as on 08.11.2016) which clearly indicates that fabricated sales were reported without any logical basis of stock available with applicant. Hence total sales made on 08.11.2016 can not be considered as genuine.*

6. *Total sales made by assessee on single date i.e. 08.11.2016 is Rs. 3,51,76,044/- which clearly indicates that assessee has made sales higher than stock available with him and taking this logical defect into a account, Ld. AO has correctly disallowed such sale transactions of that day."*

7. *AO has correctly figure out that such so called "sales is nothing but attempt of colouring unexplained cash credit of*

*assessee into his books of account which had otherwise remained out of books in absence of demonetization. Up to some extent indication is very clear regarding such attempt because assessee himself had opted for PMGKY for Rs. 35 Lacs which is very judiciously taken into consideration by assessing officer before proposed addition.*

*Therefore, approach taken by Ld. Assessing officer is very judicious and logical which was not duly considered in order of Ld. CIT(A) hence it need proper intervention of Hon'ble Bench for fair justice in favour of Revenue.  
Humbly submitted for kind consideration."*

4.1 Rejoinder was filed from the assessee's side by way of additional paper book containing the following particulars:

S.No.	Detail of Papers
1.	Written submissions
2.	Reply dtd. 03.12.2019
3.	Summary of assessee firm
4.	Franchise Agreement

5. At the time of hearing before us, learned DR drew our attention to aforesaid written submissions vide letter dated 19.09.2025, referred to in foregoing paragraph 4 of this order. He submitted that the assessee did not have sufficient stock to effect sales claim by the assessee in cash during demonetization period, for this purpose, he relied on the aforesaid written submissions vide letter dated

19.09.2025. In response, the learned AR for the assessee admitted that the assessee did not have enough stock of its own at the time of demonetization, to fully account for the cash sales claimed by the assessee. However, he submitted that the assessee had display items' of M/s. Gitanjali Jewellery Retail Ltd; which were sold during the demonetization period. He explained that the assessee being a franchise of M/s. Gitanjali Jewellery Retail Ltd; certain items were provided by Gitanjali Jewellery Retail Ltd to the assessee to display the same in the assessee showroom which was sold when the denomtization was announced by Government. The learned DR submitted that this claim of the assessee requires factual verification at the level of AO because this claim is not established by materials on record. We have heard both sides, We have also perused the materials on record. On the perusal of records, the contention of the learned Departmental Representative (DR) that the contention of the learned AR for the assessee requires factual verification at the level of the AO, is reasonable in the facts and circumstances of the case. Indeed, from the materials on record, the claim of the assessee that it had "display items" in the showroom provided by Gitanjali Jewellery Retail Ltd. in the assessee's showroom, and that the same sold by the assessee

through assessee's own accounting during the period of demonetization, cannot be established or verified. Therefore, we set aside the impugned appellate order of the learned CIT(A) and restored the dispute regarding the addition of aforesaid amount of Rs.2,75,00,000/- back to the file of the AO with a direction to pass denovo assessment order in accordance with law after providing reasonable opportunity to the assessee. All grounds of appeal are treated as disposed of in accordance with the aforesaid order and directions. For statistical purposes, the appeal is partly allowed.

6. In the result, appeal of assessee is partly allowed for statistical purposes.

(Order pronounced in the open court on 22.12.2025)

Sd/.  
**(KUL BHARAT)**  
**Vice President**

Sd/.  
**(ANADE NATH MISSHRA)**  
**Accountant Member**

Dated: 22.12.2025  
Aks/-

**Copy of the order forwarded to :**

1. The Appellant
2. The Respondent.
3. Concerned CIT
4. D.R., I.T.A.T.,