

**IN THE INCOME TAX APPELLATE TRIBUNAL,
CHANDIGARH BENCHES, "SMC" CHANDIGARH**

HEARING THROUGH: HYBRID MODE

BEFORE: SHRI. LALIET KUMAR, JUDICIAL MEMBER

आयकर अपील सं. / ITA No. 288 /Chd/2025

निर्धारण वर्ष / Assessment Year : 2017-18

Mohan Lal Bhapta 1, Bhapta Niwas, Rohru, Shimla Himachal Pradesh-171207	बनाम	The ITO Ward- Rampur
स्थायी लेखा सं. / PAN NO: AAQPB1445E		
अपीलार्थी / Appellant		प्रत्यर्थी / Respondent

निर्धारिती की ओर से / Assessee by : Shri Parveen Sharma, Advocate (Virtual)
राजस्व की ओर से / Revenue by : Shri Vinod Kumar Chaudhary, JCIT, Sr. DR

सुनवाई की तारीख / Date of Hearing : 11/11/2025

उद्घोषणा की तारीख / Date of Pronouncement : 12/11/2025

आदेश / Order

PER LALIET KUMAR, J.M

This appeal by the assessee is directed against the order dated 27.12.2024 passed by the Ld. CIT, Appeal, Addl/JCIT(A)-1, Coimbatore, under section 250 of the Income-tax Act, 1961, for the assessment year 2017-18, arising out of the assessment order dated 09.12.2019 passed u/s 143(3) by the ITO, Rampur.

2. The sole effective ground raised by the assessee reads as under:

"That the Ld. Assessing Officer has erred in adding a sum of Rs.11,24,000/- as unexplained money u/s 69A of the Act. The addition so made and sustained by the Ld. CIT(A) is illegal, arbitrary, and against the facts and circumstances of the case."

3. Briefly the facts of the case are that the assessee, an individual deriving income from pension and horticulture, filed his return declaring total income of Rs.2,73,150/- and agricultural income of Rs.4,83,116/-.

3.1 During scrutiny, the AO noticed **cash deposits aggregating to Rs.11,24,000/-** during the **demonetization period (09.11.2016 to 30.12.2016)** —

Rs.2,63,000/- in Canara Bank, Rohru and Rs.8,61,000/- in Punjab National Bank, Rohru.

3.2 The assessee explained that these deposits were out of **cash withdrawn from a housing loan** jointly sanctioned to him, his wife Smt. Shanti Devi, and son Rajesh Kumar by Canara Bank, Rohru, immediately before demonetization. The chronology of loan and withdrawals was as under:

Date	Source Account	Amount (Rs.)	Particulars
27.09.2016	Loan disbursed to a/c of Smt. Shanti Devi	10,00,000	Rs.9,00,000 withdrawn in cash; Rs.1,00,000 transferred to assessee's account on 05.10.2016
05.10.2016	Mohan Lal Bhaptal (Canara Bank)	1,00,000	Withdrawn in cash
17.10.2016	Second loan installment	3,00,000	Transferred to assessee's account and withdrawn on same day

3.3 The assessee stated that due to **serious illness and hospitalization of his wife at IGMC, Shimla**, construction work was suspended and the cash remained unutilized. Upon announcement of demonetization, he deposited the unspent sum of Rs.11,10,000/- into his two bank accounts.

4. The AO rejected the explanation observing that as per banking norms, the **second installment of the loan could not have been released without utilization of the first**, indicating that the initial funds were already spent.

4.1 He further noted that the assessee made small withdrawals between 28.10.2016 and 11.11.2016, implying that the earlier withdrawals had been utilized.

4.2 The AO held that the explanation lacked corroboration and treated the deposits as **unexplained money u/s 69A**, taxed u/s 115BBE, and initiated penalty u/s 271AAC(1).

5. Feeling aggrieved by the order of the Assessing Officer, the assessee preferred the appeal before the Ld. CIT(A). The Ld. CIT(A) concurred with the AO, holding that the assessee's claim of keeping Rs.11,10,000/- in hand was improbable. It was observed that small withdrawals after 27.09.2016 disproved the claim that the entire loan proceeds remained unutilized. Consequently, the addition of Rs.11,24,000/- was upheld in full.

6. Now the assessee is in appeal before the tribunal on the grounds mentioned in the appeal.

7. The Ld. AR submitted that the source of the cash deposits stood duly explained through identifiable loan disbursements received from Canara Bank in the months of September and October 2016. It was contended that the proximity between the timing of the loan withdrawals and the subsequent demonetization in November 2016 rendered the assessee's explanation both reasonable and plausible. The Ld. AR further submitted that the assessee's wife had suffered a genuine medical emergency during the relevant period and was hospitalized, due to which the construction activity for which the loan had been obtained could not be undertaken, resulting in the cash remaining unutilized. It was further emphasized that there was no contrary material brought on record by the Assessing Officer to establish that the withdrawn loan funds were used elsewhere or that the deposits represented any undisclosed income. The Ld. AR argued that mere suspicion, however strong, cannot take the place of proof, and therefore, the addition made by the Assessing Officer and sustained by the Ld. CIT(A) was unjustified and liable to be deleted.

8. Per contra, the Ld. Departmental Representative (DR) supported the concurrent findings of the lower authorities and contended that the Assessing Officer as well as the Ld. CIT(A) had rightly drawn adverse inference from the conduct of the assessee. It was submitted that the pattern of small and frequent cash withdrawals made by the assessee clearly indicated that the funds withdrawn from the loan account were being utilized on a continuing basis and

were not lying idle as claimed. The Ld. DR further argued that the assertion of the assessee that a sum of Rs.11 lakh remained in cash for nearly two months was highly improbable and contrary to normal human conduct. It was further emphasized that under the provisions of section 69A of the Income-tax Act, the onus squarely lies upon the assessee to satisfactorily explain the nature and source of the money found in his possession, and that in the present case, the assessee had failed to discharge this statutory burden by furnishing any contemporaneous or corroborative evidence. Hence, the addition made by the Assessing Officer and confirmed by the Ld. CIT(A) was fully justified.

9. I have carefully considered the rival submissions and examined the record. It is an undisputed fact that the assessee was a co-borrower of a housing loan jointly sanctioned by the bank and that a total sum of Rs.13,00,000/- was disbursed shortly before the demonetization period. The assessee's explanation that, due to the serious illness and hospitalization of his wife, the construction activity was temporarily suspended and the cash withdrawn from the loan account remained unutilized, finds partial support from the medical records placed on record. The proximity in time between the loan disbursement (in September–October 2016) and the cash deposits (in November–December 2016) also lends some probability to the assessee's claim that at least part of the withdrawn amount could have remained in hand and was subsequently deposited in the bank after demonetization was announced.

9.1 However, the claim that the entire sum of Rs.11,10,000/- remained idle in cash is not fully borne out by the evidence. The bank statements reveal small and intermittent cash withdrawals during October and early November 2016, suggesting that the funds were being utilized gradually. The assessee has not produced any contemporaneous record, such as a cash-flow statement or construction ledger, to demonstrate that the full amount was available in cash on the date of deposit. In these circumstances, while the entire addition made by the Assessing Officer cannot be sustained, it would also not be reasonable to

accept that the whole of the amount represented unutilized loan funds. Considering the totality of facts, surrounding circumstances, and the principle of probability, I hold that the assessee's explanation deserves to be accepted substantially. I, therefore, restrict the disallowance to 25 per cent of the total deposit and sustain an addition of Rs.2,81,000/- under section 69A, granting relief to the assessee for the balance Rs.8,43,000/-.

10. In the result, appeal of the Assessee is allowed.

Order pronounced in the open Court on 12/11/2025

Sd/-
(LALIET KUMAR)
JUDICIAL MEMBER

AG

Date: 12/11/2025

आदेश की प्रतिलिपि अग्रेषित/ Copy of the order forwarded to :

1. अपीलार्थी/ The Appellant
2. प्रत्यर्थी/ The Respondent
3. आयकर आयुक्त/ CIT
4. आयकर आयुक्त (अपील) / The CIT(A)
5. विभागीय प्रतिनिधि, आयकर अपीलीय आधिकरण, चण्डीगढ़/ DR, ITAT, CHANDIGARH
6. गार्ड फाईल/ Guard File

आदेशानुसार/ By order,
सहायक पंजीकार/ Assistant Registrar