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HIGH COURT OF CHHATTISGARH AT BILASPUR**Tax Case No. 115 of 2025**

Sunita Sherwani W/o Naresh Sherwani Aged About 46
Years R/o A-6, Near Jivan Parisar, Rajeev Nagar, Shankar
Nagar, Bindrawangarh, Raipur, (C.G.), 492007

... Appellant/Assessee**versus**

The Income Tax Officer – 4(1), Raipur, Chhattisgarh.

--- Respondent

For Appellant	: Mr. Siddharth Dubey, Advocate
For Respondent	: Mr. Ajay Kumrani on behalf of Mr. Amit Choudhary, Advocate

DB- Hon'ble Shri Justice Sanjay K. Agrawal**Hon'ble Shri Justice Sachin Singh Rajput****Jugdment On Board****07.08.2025****Sanjay K. Agrawal, J.**

1. The instant appeal, which has been preferred by the appellant/assessee under Section 260A of the Income Tax Act, 1961 (hereinafter, "the Act") against the impugned

order dated 21/01/2025 (Annexure A/4) passed by the Income Tax Appellate Tribunal (for short "ITAT") in ITA No. 506/RPR/2024, was admitted for hearing on 12/06/2025 by formulating the following substantial question of law :-

"Whether the ITAT is justified in upholding and sustaining the addition to the tune of Rs. 7,50,000 under Section 69A of the Income Tax Act, 1961 in the case of assessee/appellant for the assessment year 2017-18 on account of unexplained money by recording a finding which is perverse to the record ?"

2. The aforesaid question of law has arisen for consideration on the following factual backdrop :-

(i) On 31/03/2018, the appellant/assessee had e-filed her return of income for assessment year 2017-18 declaring an income of Rs. 2,14,350/-, however, her case was selected for scrutiny assessment under Section 143(2) of the Act for the reason that a large amount of cash was deposited by her in her bank account during the demonetization period.

(ii) During the course of the assessment proceedings, the Assessing Officer observed that the appellant/assessee had made cash deposits of Rs. 11,00,000/- in her bank account and called upon the appellant/assessee to put forth an explanation as regards the source of the aforesaid cash deposits of Rs. 11,00,000/-.

(iii) The Assessing Officer did not find favour with the explanation offered by the appellant/assessee and

ultimately, on 28/11/2019 (Annexure A/1), the Assessing Officer made an addition of the entire amount by treating it as unexplained money under Section 69A of the Act and passed an order under Section 143(3) of the Act holding that appellant/assessee had failed to explain the “nature” and “source” of the cash deposits of Rs. 11,00,000/- and after adding the said amount, determined the income of the appellant/assessee at Rs. 13,14,350/-.

(iv) Being aggrieved, the appellant/assessee preferred an appeal before the Commissioner of Income Tax (Appeals) (hereinafter “CIT(A)”) which was dismissed by order dated 08/10/2024 (Annexure A/2) affirming the order of the Assessment Officer.

(v) Pursuant thereof, the appellant/assessee filed an appeal before the ITAT against the order passed by the CIT(A) which has partly been allowed vide impugned order dated 21/01/2025 (Annexure A/4) and a sum of Rs. 3,50,000/- has been deducted from the total amount of unexplained money i.e. Rs. 11,00,000/- relying upon the CBDT Instruction No. 3/2017 dated 21/02/2017, feeling aggrieved and dissatisfied by which, the instant appeal has been preferred by the appellant/assessee.

3. Mr. Siddharth Dubey, learned counsel for the appellant/assessee, would submit that CBDT Circular

dated 21/02/2017 has not been complied with in its letter and spirit by learned ITAT, particularly, Clauses 1.1 and 1.3 which relates to Source Specific General Verification Guidelines and the appellant's Bank account statement for three financial years and return of income for six financial years have not been considered, therefore, the impugned order passed by learned ITAT affirming the order of the CIT(A) as well as the order passed by the Assessing Officer is liable to be set aside as the Standard Operating Procedure (SOP) for verification of the source of money has not been adhered to as per the CBDT Circular dated 21/02/2017 and matter be remitted to the Assessment Officer for verification as per Clauses 1.1 and 1.3 of the said Circular.

- 4.** Mr. Ajay Kumrani, learned counsel for the respondent, would support the impugned order and submit that the instant appeal is liable to be dismissed.
- 5.** We have heard learned counsel for the parties, considered their rival submissions made herein-above and went through the record with utmost circumspection.
- 6.** True it is that during the monetization period, a sum of Rs. 11,00,000/- had been deposited by the appellant/assessee in her Bank account which was added to her income and the Assessing Officer, after treating it as

unexplained money under Section 69A of the Act added the said amount to her income and determined her income at Rs. 13,14,350/- which was affirmed by the CIT(A) vide order dated 08/01/2020 and in the appeal preferred by the appellant/assessee against the order of CIT(A), learned ITAT partly allowed the appeal holding that as per the CBDT Instruction No. 03/2017 dated 21/02/2017, the appellant/assessee would have been in possession of cash in hand of Rs. 3,50,000/- at the relevant point of time and after deducting the said amount, sustained the addition of Rs. 7,50,000/- with her income, however, the Standard Operating Procedure (SOP) ought to have been followed by the Assessing Officer and verification ought to have been made in terms of Clause 1.1 and 1.3 of the aforesaid CBDT Circular dated 21/02/2017, which provides Source Specific General Verification Guidelines and states as under :-

Source Specific General Verification Guidelines

1. Cash out of earlier income or savings

1.1 In case of an individual (other than minors) not having any business income, no further verification is required to be made if total cash deposit is up to Rs. 2.5 lakh. In case of taxpayers above 70 years of age, the limit is Rs. 5.0 lakh per person. The source of such amount can be either household savings/savings from past income or amounts claimed to have been received from any of the sources mentioned in paras 2 to 6 below. Amounts above this cut-off may require verification to ascertain whether the same is explained or not. The basis for verification can be income earned during past years and its source, filing of ROI and

income shown therein, cash withdrawals made from accounts etc.

1.2 XXX XXX

1.3 In case of an individual having no business income, if the cash out of earlier income or savings exceeds the above mentioned threshold, the AO needs to consider the remarks provided by the person under verification and seek further relevant information. During verification, the AO needs to consider the information provided by the person concerned, income earned during past years, source of such income, filing of ROI and income shown therein, cash withdrawals made from accounts etc. before quantifying the undisclosed amount, if any. In case the person under verification has filed return of income, a reasonable quantum can be considered as explained while quantifying the undisclosed amount, if any.

7. In the instant case, since the appellant/assessee had submitted her Bank account statement of the last three financial years and return of her income for the last six financial years, it ought to have been verified in terms of Clause 1.1 and 1.3 of CBDT Circular dated 21/02/2017 provided under the Source Specific General Verification Guidelines for cash out of earlier income or savings, which has not been carried out by either of the Authorities and straightway an amount of Rs. 7,50,000/- has been added to the income of the appellant/assessee on account of unexplained money under Section 69A of the Act, which is unsustainable and bad in law.

8. Consequently, the impugned order dated 21/01/2015 (Annexure A/4) passed by learned ITAT to the extent of

addition of Rs. 7,50,000/- to the income of the appellant/assessee as unexplained money as well as the order dated 08/10/2024 (Annexure A/2) passed by the CIT(A) and order dated 28/11/2019 (Annexure A/1) passed by the Assessing Officer are hereby set aside and the matter is remitted to the Assessing Officer to conduct verification and pass an order afresh in terms of Clauses 1.1 and 1.3 of the CBDT Circular dated 21/02/2017 to the extent of addition of Rs. 7,50,000/- with the income of the appellant/assessee. It is made clear that this Court has not expressed any opinion on the merits of the matter.

9. Accordingly, this appeal is allowed to the extent indicated herein-above. No cost(s).

Sd/-
(Sanjay K. Agrawal)
Judge

Sd/-
(Sachin Singh Rajput)
Judge