

Addition to be made for unexplained cash found during search proceedings

The ITAT, Chennai in *R. Muthukumar v. Deputy Commissioner of Income Tax [ITA No.: 3090/Chny/2019 dated February 15, 2023]* has upheld the findings of the Appellate Authority and held that, there is no error in the reasons given by the Appellate Authority to sustain the additions towards the cash seized during the course of search proceedings as unexplained money, under Section 69A of the Income Tax Act, 1961 (“**the IT Act**”), when the assessee could not establish the source for amount found.

Facts:

A search was conducted under Section 132 of the IT Act for the Assessment Year (“**A.Y**”) 2017-18, in the R. Muthukumar’s (“**the Appellant**”) residence and the possession of cash amounting to INR 10,39,460/- (“**the cash**”) was found. Subsequently, the cash was seized and deposited into the PD account as the Appellant was unable to provide a satisfactory explanation for it. Consequently, the matter was taken for an assessment, and during the assessment proceedings, the Appellant could not explain the source of the cash. However, he claimed that he had received the amount from his wife, amounting to INR 7,75,000/- and also received a sum of INR 3,00,000 from his father, Ramalingam. The Revenue Department (“**the Respondent**”) made additions towards the cash seized during the course of search proceedings as unexplained money under Section 69A of the IT Act.

The Appellant preferred an appeal and explained that the cash source found during the search was out of gifts received from his wife and father. The Appellate Authority opined that, the Appellant was able to explain the source to the extent of INR 1 lakh and, thus, allowed relief to the extent of INR 1 lakh, and the balance amount of INR 9,39,460/- was confirmed vide the order dated August 28, 2019 (“**the Impugned Order**”).

Being aggrieved, this appeal has been filed.

Issue:

Whether the addition made by the Respondent towards the cash found during the search proceedings is sustainable?

Held:

The ITAT, Chennai in *ITA No.: 3090/Chny/2019* held as under:

- Noted that, the Appellant could not substantiate the claim that he had received the gift from his wife except by stating that some amount was withdrawn from its bank account.
- Observed that, the Appellant could not establish the source for the amount claimed to have been received from its father.
- Held that, there is no error in the reasons given by the Appellate Authority to sustain additions made towards the cash found during the search.
- Upheld the findings of the Appellant Authority.

Relevant Provisions

Section 69 A of the IT Act:

“Unexplained money, etc.

Where in any financial year the assessee is found to be the owner of any money, bullion, jewellery or other valuable article and such money, bullion, jewellery or valuable article is not recorded in the books of account, if any, maintained by him for any source of income, and the assessee offers no explanation about the nature and source of acquisition of the money, bullion, jewellery or other valuable article, or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the money and the value of the bullion, jewellery

or other valuable article may be deemed to be the income of the assessee for such financial year.”

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