

F. No. 225/363/2017-ITA.II
Government of India
Ministry of Finance
Department of Revenue (CBDT)

North Block, N.Delhi, dated the 5th of March, 2019

To

**All Principal Chief-Commissioners of Income-tax/
All Principal Directors General of Income-tax**

Subject: SOP for handling of cases related to substantial cash deposit during the demonetisation period in which notice under section 142(1) of the Income-tax Act, 1961 has not been complied-regd.-

Sir/Madam,

In cases related to substantial cash deposits during the demonetisation period, vide letter dated 15.11.17 in file of even no., Board had issued an SOP for issuance of notice under section 142(1) of the Income-tax Act 1961 (Act) for filing of returns of income pertaining to assessment year 2017-18. The list of the targeted Non-Filers was made available to the jurisdictional income-tax authorities in AIMS module of ITBA & thereafter notice under section 142(1) of the Act was issued in around 3 lakh cases. It has been reported that in around 87,000 cases out of these cases, assessee concerned have not filed their return of income in response to the notice issued under section 142(1) of the Act.

2. Upon consideration of the matter, it has been decided that cases in which notices under section 142(1) of the Act has remained non-complied with, would be handled in the following manner:

2.1 An updated information regarding address, bank-account, transaction detail, etc. in the identified cases would be provided to the jurisdictional Assessing Officer (AO) by the Pr. DGIT (Systems). Further, an internal Guidance Note for assistance of AOs for verification of cash deposits and framing of assessments in demonetisation related cases shall also be issued subsequently by the Pr. DGIT (Systems).

2.2 In these cases, AO would proceed with completion of the 'best judgement assessment' under section 144 of the Act. The summarised form of relevant provision i.e. section 144(1)(b) of the Act is: *"If any person fails to comply with all the terms of a notice issued under section 142(1), the AO after taking into account all relevant material which the AO has gathered shall after giving the assessee an opportunity of being heard, make the assessment of total income or loss to the best of his judgement....."*

2.3 It has been decided that in 'best judgement assessment' order being framed under this SOP, the Range Head shall mandatorily issue directions from time to time under section 144A of the Act. Further, Range Head would also monitor framing of the final assessment order.

2.4 Through local enquiries, AOs should endeavour to identify possible addresses of the assessee as per the modes prescribed in the second proviso to Rule 127 of the Income tax Rules, 1962. The results of these enquiries are to be captured on ITBA in accordance with modalities to be provided by the Pr. DGIT (Systems).

2.5 While gathering material, section 133(6) of the Act should be suitably invoked by the AO so as to gather additional information about persons, transactions and fund flow from the banks where the suspected transactions took place. Such notices would be issued by the concerned AO after a careful appraisal of information at his disposal so that maximum possible additional information can be culled out. Further, a detailed analysis of past income tax returns, if available, should also be made to form an opinion regarding nature of transactions related to demonetisation.

2.6 On the basis of all material and evidence gathered by the AO, during the course of assessment proceedings, assessee would be duly provided with an opportunity to explain his/her case.

2.7 In cases where ultimate beneficiary of a transaction has been established, the concerned AO shall forward the material available at his/her disposal to the AO having jurisdiction over the ultimate beneficiary so that appropriate action can be initiated in that case as per relevant provisions of the Act. Further, information regarding the entry operators in a particular chain should also be forwarded to the concerned jurisdictional AO for taxing the unaccounted commission receipts. The information to other income-tax authorities shall be routed through the ITBA.

3. The Board desires that wherever possible, the assessments in cases covered in this SOP may be completed by 31st March, 2019 and in any case by the first quarter of the next financial year i.e. by 30th June, 2019.

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(Rajarajeswari R.)
Under Secretary-(ITA.II), CBDT

Copy to:-

- i. PS to FM/OSD to FM/PS to MoS(F)/OSD to MoS(F)
- ii. PS to Secretary (Revenue)
- iii. Chairman, CBDT & All Members, CBDT
- iv. All Pr.DsGIT /Pr.CCsIT
- v. All Joint Secretaries/CsIT, CBDT
- vi. CIT (M&TP), Official Spokesperson of CBDT
- vii. O/o Pr. DGIT(Systems) for uploading on official website
- viii. Addl. CIT (Database Cell) for uploading on departmental website

Rajarajeswari R.
(Rajarajeswari R.)

Under Secretary-(ITA.II), CBDT