



CBDT issues a standard operating procedure for assessing officers while verifying cash transactions relating to demonetisation

Background

Post demonetisation¹ of INR500 and INR1000 notes, the Central Board of Direct Taxes (CBDT) has identified a number of cash transactions of individuals which do not match with the profile available with the Income-tax department (ITD). Such transactions have been selected for an online verification through the jurisdictional Assessing Officers (AOs).

CBDT instruction

The CBDT has issued² a Standard Operating Procedure (SOP) to be followed by the AOs in verification of cash transactions relating to demonetisation. The key features of the SOP are as under:

Digitally-enabled explanation

Any individual picked up for verification, would be required to provide the source of such deposits to the AO, electronically through the e-filing portal³. All the verifications would need to be done electronically except where an immediate survey is needed.

The AO can call for additional information in a polite manner, with a suggested period of five working days. Hyperlinks have been enabled on the Income Tax Portal³ for the submissions of such information.

Digital enablement of AO action

Low risk category of verifications are to be closed centrally. Other cases would be sent to the AO to

verify the submissions. Based on the guidance provided for source specific verification⁴, the AO must categorise each response as 'acceptable' or 'non-acceptable', electronically. In case there is no response, the AO may call for further information⁵ or categorise the verification as 'non-acceptable'.

Action by AO

Acceptable cases are closed electronically. Non-acceptable cases will be closed showing undisclosed income and related remarks. Verifications under this category are to be escalated to the Director of Systems, for advance processing as cases of tax evasion. The ITD is empowered to exercise power of survey⁶, investigation and penal action⁷ as well.

Other points of note

- Swift processing of verification has been recommended especially in cases where persons under verification need to exercise the option to avail the benefits under the Prime Minister Garib Kalyan Yojana, 2016 by the prescribed date for the said scheme.
- The Director of Income-tax (I&CI) has been designated as the local resource person for field operations. The authority for approving AO's actions has been prescribed to be the Joint/ Additional CIT in cases where value of transactions is less than INR 1 million⁸ and the Principal CIT in other cases.

¹ On 8 November 2016

² CBDT Instruction no. 03/2017 dated 21 February 2017

³ <https://incometaxindiaefiling.gov.in> accessed as on 24 February 2017

⁴ With guidance from Principal Commissioner of Income-tax (CIT) for non-standard cases

⁵ Under Section 133(6)

⁶ Under Section 133A

⁷ Under Sections 269SS/ 269T

⁸ INR 2.5 million in case of Delhi, Mumbai, Kolkata, Chennai, Bangalore, Pune, Hyderabad and Ahmedabad

- Reference documents for both the Individual under verification and the AOs have been provided.

Our comments

The SOP issued by the CBDT can clarify and standardise the process in relation to the verification of cash deposits. The online electronic format is expected to enable a shorter timeframe to examine the justification of the deposits. Further, it is also heartening to note that action can be initiated against the individual under verification only in cases where the explanation is not found to be satisfactory, after obtaining requisite approvals under the Act.



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