

**IN THE INCOME TAX APPELLATE TRIBUNAL
MUMBAI BENCH "F" MUMBAI**

**BEFORE SHRI OM PRAKASH KANT (ACCOUNTANT MEMBER)
AND
SHRI RAHUL CHAUDHARY, (JUDICIAL MEMBER)**

**ITA Nos. 6217/MUM/2024
Assessment Year: 2021-22**

Shripal Raj Lodha 215, Raheja Plaza, Off Veera Desai Road, Andheri (West), Mumbai 400053	Vs.	DCIT, 17(1), Mumbai National Faceless Assessment Centre, Delhi, Mumbai DCIT 17(1), BKC
PAN NO. AAJPL2949L		
Appellant		Respondent

Assessee by : Shri. Madhur Agrawal
Revenue by : Ms. Kavita P. Kaushik Sr. DR

Date of Hearing : 16/04/2025
Date of pronouncement : 20/05/2025

ORDER

PER OM PRAKASH KANT, AM

This appeal by the assessee is directed against order dated 19/11/2024, passed by the Ld. Commissioner of Income Tax Act (Appeals)/National Faceless Appeal Centre, Delhi (in short the Ld. CIT(A)) for assessment year 2021-22, raising following grounds:

"1. That the appellate order dt 19.11.2024 passed by the CIT(A), NFAC, Delhi confirming the additions made by the Assessment Unit, National Faceless Assessment Centre, Delhi is bad in law and on facts.

2. That on the facts and in the circumstances of the case, the CIT(A) erred in confirming the addition of Rs.5947714/- made by Assessment Unit, NFAC, Delhi being the amount of deduction claimed u/s 10(10D) of the I T Act, 1961 having been received on maturity of LIC policy after assignment of key man insurance policy in favour of assessee which otherwise is fully exempt u/s 10(10D) at relevant time.

3. That on the facts and in the circumstances of the case, the CIT(A) erred in confirming the addition of Rs.3000000/- made u/s 69A by the Assessment

Unit, NFAC, Delhi alleging it to be unexplained deposits in the bank account which otherwise is fully explained.

4. That the appellant craves leave to add, alter, amend and or to delete any of the grounds to this appeal on or before it is finally heard.

5. That the appellant prays for justice.”

2. Briefly, stated facts of the case are that the assessee, an individual, is director of M/s. Uma Polymer ltd. The assessee filed his return of income on 26/08/2021 declaring total income at Rs.2,35,97,540/-. The return of income filed by the assessee was selected for scrutiny assessment and statutory notices under the Income Tax Act, 1961 (in short “Act”) were issued and complied with.

2.1 During the course of scrutiny proceedings, the Ld. Assessing Officer observed receipt of maturity/redemption proceeds of Insurance Policy No. 72496, amounting to Rs. 59,47,714/-, which was claimed by the assessee as exempted u/s.10(10D) of the Act, as proceeds of life insurance policy. The Ld. Assessing Officer however, observed that proceeds were in relation to maturity of a ‘keyman insurance policy’ which was claimed to have been assigned to the assessee. The Ld. Assessing Officer noticed that tax was deducted at source on such proceeds by the life insurance corporation on the premise that said maturity proceeds were not exempted u/s.10(10D) of the Act. The Ld. Assessing Officer accordingly, disallowed the claim of the assessee u/s. 10(10D) of the Act for exemption of said proceeds from tax.

2.2 Further, the Ld. Assessing Officer also observed cash deposit of Rs.30 lakhs on 17/03/2021 in bank account maintained with State Bank of India. The assessee explained that

said deposits were out of the cash withdrawals in earlier years, but the Ld. Assessing Officer observed no withdrawals/less withdrawals for house hold expenses shown by assessee subsequent to such cash withdrawals from bank and also noticed that the, assessee is resident of a metro city having sufficient banking facility in an around his residence and therefore, there was no reason to keep such high amount of cash for a period of more than 1-2 year. Accordingly, the Ld. Assessing Officer treated the source of said cash deposit as unexplained and made addition u/s.69 of the Act.

2.3 On further, appeal the Ld. CIT(A) also rejected the contention of the assessee and upheld both the disallowance/additions made by the Ld. Assessing Officer.

3. Before us, the Ld. Counsel for the assessee filed a paper book containing pages 121 to 130.

4. The Ground No.1 of the appeal is general in nature, hence, no separate adjudication as required.

5. In relation to Ground No. 2 of the appeal, learned counsel for the assessee submitted that a 'Keyman Insurance Policy' was initially obtained by M/s. Uma Polymers Pvt. Ltd. on 24.03.2000 to cover the life risk of its key managerial personnel, namely Mr. Shripal Raj Lodha, the assessee herein. It is further submitted that in the financial year 2011-12, the said policy was assigned in favour of the assessee upon receipt of the surrender value of ₹21,68,375/- from him. On such assignment, it is contended that the character of the policy underwent a transformation from a

'Keyman Insurance Policy' to a regular 'Life Insurance Policy', thereby rendering the assessee eligible for exemption under Section 10(10D) of the Act. Learned counsel further invited our attention to the amendment brought to Explanation-1 of Section 10(10D) by the Finance Act, 2013, with effect from assessment year 2014–15, wherein it is clarified that the expression "Keyman Insurance Policy" includes a policy which has been assigned to any person during the term of the policy, with or without consideration. It is submitted that this amendment is prospective in nature and does not govern assignments made prior to assessment year 2014–15. In support of this contention, reliance was placed on the decision of the Coordinate Bench of the ITAT, Mumbai Bench "A", in the case of *Mr. Autl Hirji Maru* in ITA Nos. 2879 & 4064/Mum/2024, as well as the decision of the ITAT, Indore Bench, in the case of *Smt. Harleen Kaur Bhatia vs. PCIT*, reported in (2020) 114 taxmann.com 183 (Indore-Trib.).

5.1 Per contra, learned Departmental Representative(DR) submitted that the fact of assignment of the policy in favour of the assessee prior to assessment year 2014–15 is not clearly borne out from the record. He referred to page 13 of the paper book, being a communication dated 20.05.2020 issued by the Life Insurance Corporation of India (LIC), wherein it was categorically stated that the policy in question did not qualify for exemption under Section 10(10D) of the Act, and consequently, tax was deducted at source at the time of maturity. The learned DR contended that the said assignment was not acknowledged or accepted by LIC, and hence the policy retained its character as a

'Keyman Insurance Policy', the proceeds of which do not fall within the ambit of exemption under Section 10(10D) of the Act.

6. We have carefully considered the rival submissions and perused the material available on record. It is not in dispute that M/s. Uma Polymers Pvt. Ltd. obtained a Keyman Insurance Policy on 24.03.2000, naming Mr. Shripal Raj Lodha, the assessee, as the keyman. The premium paid on the said policy was claimed by the company as a deductible expenditure in its profit and loss account. The assessee has asserted that the policy was assigned to him during the financial year 2011-12, upon payment of the surrender value of ₹21,68,375/- to the company. In support of this claim, the learned counsel has referred to an endorsement dated 06.05.2011 on the policy itself (placed at page 12 of the paper book), evidencing such assignment. The assessee has thus contended that with effect from 06.05.2011, the policy ceased to be a 'Keyman Insurance Policy' and became a regular 'life insurance policy', and therefore the subsequent amendment introduced by the Finance Act, 2013 to the definition of 'Keyman Insurance Policy'—which includes assignments made during the term of the policy—cannot be applied retrospectively to the facts of the present case.

6.1 We find that Co-ordinate Bench of Tribunal in the case of Smt. Harleen Kaur Bhatia(supra) has extensively discussed the issue of whether the amendment is prospective or retrospective. The Co-ordinate Bench referred to the decision of Hon'ble Delhi High Court in the case of CIT Vs Rajan Nanda (supra) and held that once there is assignment, it leads to conversion and the

character of the policy changes. The relevant finding of the coordinate bench (supra) is reproduced as under:

“32. In the instant case at the time when the policies were taken, the nature of the policies were "keyman insurance policies" as defined in section 10(10D). The persons on whose life policy was taken was director and was keyman as explained in Boards circular no. 762, dated February 18, 1998 (supra). When the policy was assigned to him by BIL. and later on by the Keyman to his wife, it apparently got converted into ordinary life insurance policy as assignment was accepted by LIC on 30.01.2013. For this proposition we may derive support from the decision of Hon'ble Delhi High Court in C77 v. Rajan Nanda [2012] 18 taxmann.com 98/205 Taxman 138/349 ITR 8 (Delhi) wherein it was observed as under.”

6.2. Further, the Co-ordinate Bench held that amendment is effective from 01/04/2014 onward. The relevant finding of the Tribunal(supra) is reproduced as under:

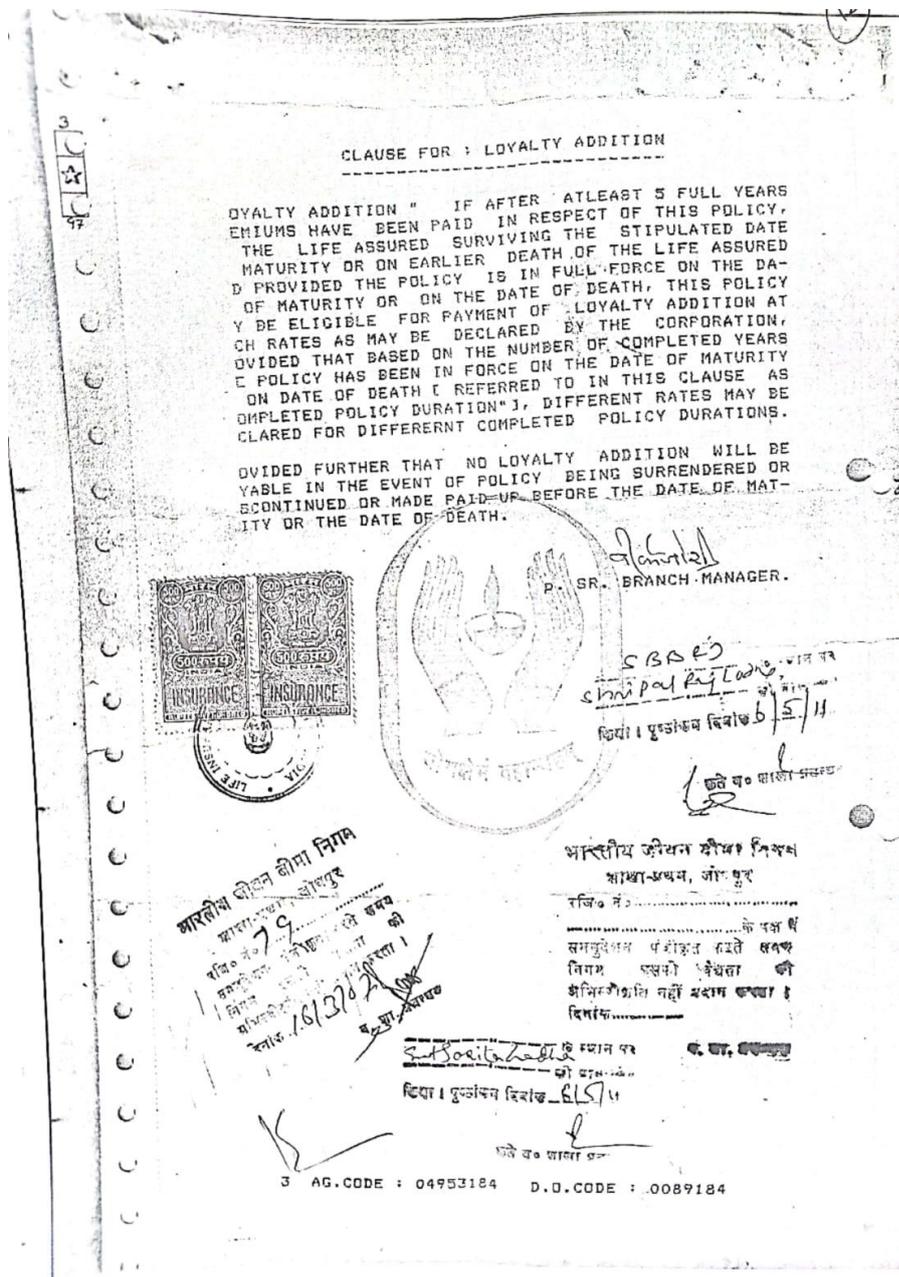
“43. Thus the effect of amendment on the facts of the present case would be that when the first assignment was done in October 2010, the amendment by Finance Act 2013 in section 10(10D) cannot bring back the character of the policy as Keyman insurance policy as the amendment is effective from 1-04-2014. The amendment is prospective in character as pointed out above. Therefore if a policy is an ordinary policy before the amendment either by contract ab-initio or by operation of law, it will not be affected by the amendment. In other words if an assignment is done after amendment ie. after 01-04-2014, only then effect of assignment will be neutralized and the policy will continue to hold the character of keyman insurance policy. In view of this, the policies after assignment in October 2010 will continue to hold the character of ordinary policies till February 2015.”

6.3. Further, the Co-ordinate Bench in the case of Mr. Autl Hirji Maru (Supra) following the decision in the case of Smt. Harleen Kaur Bhatia (Supra) and Mihir Parikh vs. ACIT (Supra) held that said amendment is prospective.

7. In light of the aforementioned decisions, we are of the considered opinion that the amendment to the definition of "Keyman Insurance Policy" brought by the Finance Act, 2013, and made effective from 01.04.2014, is prospective in nature. The core issue for our adjudication pertains to the effective date of assignment of the said Keyman Insurance Policy in favour of the

assessee, thereby converting it into a personal life insurance policy.

7.1 According to the assessee, the assignment was effected on 06.05.2011, as evidenced by the endorsement made on the policy document. For ease of reference, the scanned copy of the relevant portion of the policy containing the said endorsement is reproduced here in below:



7.2 On the contrary, learned Departmental Representative has relied upon the letter dated 28.03.2020 issued by the Life Insurance Corporation (LIC), which states that the policy in question did not qualify for exemption under Section 10(10D) of the Act, and that tax was accordingly deducted at source. Based on this, the Revenue contends that LIC did not acknowledge any assignment of the policy in favour of the assessee, and that the endorsement produced is an afterthought or a subsequent manipulation. It is further submitted that no contemporaneous request letter for assignment, duly acknowledged by LIC, has been placed on record, nor has any tripartite agreement or contract evidencing such assignment been filed by the assessee.

7.3 In view of the contradictory evidence placed before us by the respective parties, the factual question regarding the genuineness and effective date of the alleged assignment can only be conclusively determined through verification by the LIC itself. Accordingly, we deem it just and appropriate to set aside the findings of the learned Commissioner of Income Tax (Appeals) on this issue and restore the matter to the file of the learned Assessing Officer for the limited purpose of conducting a factual verification. The learned Assessing Officer shall obtain confirmation from LIC as to whether the assignment was duly effected in favour of the assessee on 06.05.2011 or on any other date, and whether such assignment was supported by a formal request letter from the company and acknowledged by LIC. The assessee shall furnish a copy of such request letter, if available, along with any agreement entered into for the assignment of the policy. Further, the Assessing Officer shall verify whether the

sum of ₹21,68,375/- claimed to be the surrender value paid by the assessee to the company was actually paid, by examining the relevant entries in the assessee's bank account. The assessee shall also be at liberty to furnish any additional documentary evidence in support of his claim, including proof of payment of premium on the said policy from 01.04.2010 up to its maturity, and the identity of the person or entity who bore the said premium payments. It is need less to mention that the assessee shall be afforded adequate opportunity of being heard. Let appropriate verification be carried out in accordance with law, and the matter be decided afresh in light of the observations made hereinabove. **According, the Ground No.2 of the appeal of the assessee is allowed for statistical purposes.**

8. With reference to Ground No. 3 of the appeal, the Ld. Counsel for the assessee submitted that source of cash deposit of Rs.30 lakhs deposited on 17/03/2021 was duly explained by way of withdrawals made from the banks in earlier years. The Ld. Counsel referred to page 45 of the paper book for explaining the withdrawals made on the various dates same is reproduced as under:

"Shripal Raj Lodha PAN AAJPL2949L AY 2021-22

Cash deposited in bank account

<i>Sn</i>	<i>Account no.</i>	<i>Name of bank</i>	<i>Date of deposit</i>	<i>Amount deposited</i>	<i>Source of funds</i>	<i>Remarks</i>
1	51005710303	State Bank of India Jodhpur City	17.03.2021	3000000	Cash withdrawal from banks	

Source of cash-cash withdrawn from banks

22.01.2020	State bank of India Jodhpur City	51005710303	1000000
23.01.2020	HDFC Bank limited Jodhpur	50100180098988	800000

05.03.2020	State bank of India	51005710303	1000000
28.01.2021	State bank of India	51005710303	1000000

8.1. The Ld. Counsel further, submitted that evidence in respect of hotel booking confirmation as well as cancelation were filed before the lower authorities but, the Ld. CIT(A) has incorrectly mentioned that such evidences were not provided. Accordingly, he submitted that source of the cash deposited might be accepted.

8.2 On the contrary, the learned Departmental Representative (Ld. DR) submitted that the assessee has failed to substantiate the source of household withdrawals during the intervening period between the alleged cash withdrawals from the bank and the subsequent cash deposit of ₹30 lakhs in the assessee's bank account, covering the period from 31.12.2019 to 31.03.2021. Referring to pages 14 to 16 of the paper book, the Ld. DR pointed out that for the period from 01.04.2019 to 31.12.2019, the assessee had consistently reported monthly cash withdrawals ranging between ₹30,000/- to ₹45,000/- for household expenses. However, following the substantial cash withdrawals of ₹10 lakhs and ₹8 lakhs on 21.01.2020 and 23.01.2020 respectively, no further withdrawals have been recorded up to 17.03.2021 — the date on which the impugned cash deposit of ₹30 lakhs was made. It was contended that the cash withdrawals made on 05.01.2020, 21.01.2020, and 23.01.2020 — which the assessee seeks to correlate with the cash deposit in question — were, in fact, likely utilised for meeting household expenses, as no alternate source for such expenditures has been disclosed by the assessee. The Ld. DR further submitted that, considering the assessee's

residence in Mumbai — a metropolitan city with sufficient banking infrastructure and facilities — there appears to be no plausible justification for retaining such a large sum of cash in hand over an extended period. Additionally, the Ld. DR drew attention to the assessee's cash book, which purportedly reflected cash in hand of more than ₹28 lakhs as on 01.01.2021. Despite this, the assessee proceeded to withdraw a further ₹10 lakhs, for which no satisfactory explanation has been offered. The Ld. DR thus submitted that the assessee has not been able to justify the deposit of ₹30 lakhs in cash, and the source of the same remains unexplained in the absence of credible and corroborative evidence.

8.3 We have heard the rival submissions advanced by the parties and carefully perused the material available on record. It is observed that the learned Commissioner of Income Tax (Appeals) [Ld. CIT(A)] rejected the assessee's claim primarily on the ground that no credible documentary evidence was furnished to substantiate the source of the cash deposit of ₹30,00,000/-. The relevant findings recorded by the Ld. CIT(A) are reproduced hereinbelow for reference:

“Ground 03: In this ground of appeal, the appellant has challenged the addition of ₹30,00,000/- made under Section 69A of the Income Tax Act, 1961 on the ground that the source and nature of the cash deposit in the bank account remained unexplained. The Assessing Officer recorded that the assessee had withdrawn ₹10 lakhs on 22.01.2020, ₹8 lakhs on 23.01.2020, and ₹10 lakhs on 05.03.2020. However, in the subsequent one year, total cash withdrawals were less than ₹1 lakh. Despite such substantial cash on hand, a further ₹10 lakhs was withdrawn on 28.01.2021. This pattern of withdrawals was not consistent with the assessee's historical withdrawal behaviour, wherein monthly household withdrawals ranged between ₹30,000/- to ₹45,000/-, with cash on hand being nominal at month-end.

Further, the assessee failed to offer a plausible explanation for the cash withdrawals despite already having substantial cash in hand. No documentation was produced to substantiate the claim that the cash was withdrawn for a marriage in the family, which later stood cancelled. The appellant failed to submit confirmations from hotels, proof of bookings or cancellations, or any supporting material such as PAN, address, receipts of advance payment, or evidence of refund. In view of the absence of such corroborative evidence, the claim regarding the source of cash deposit remains unsubstantiated and unjustified. Accordingly, this ground is disallowed.”

8.4 The core issue for consideration is whether the assessee has satisfactorily explained the source of the cash deposit of ₹30,00,000/- made on 17.03.2021 in his savings account with the State Bank of India. It is the assessee's case that the said cash was sourced from various prior withdrawals, specifically ₹10 lakhs on 22.01.2020, ₹8 lakhs on 23.01.2020, ₹10 lakhs on 05.03.2020, and ₹10 lakhs on 28.01.2021. The assessee further claimed that the cash was initially withdrawn to meet expenses related to his son's marriage, which was postponed due to the outbreak of the COVID-19 pandemic and related restrictions, resulting in the cash being retained at home and later deposited back into the bank. It is also observed from the records that the assessee regularly withdrew between ₹30,000/- to ₹45,000/- per month towards household expenses during the period from 01.04.2019 to 31.12.2019. However, following the large cash withdrawals totalling ₹38 lakhs thereafter, no corresponding withdrawals towards household expenses were recorded between 31.12.2019 and 31.03.2021. In the absence of an alternative explanation, it becomes imperative for the assessee to demonstrate how household expenditures were met during this period. Further, from the bank statements, it is evident that the deposited sum of ₹30 lakhs was promptly transferred to another

entity. This, too, warrants consideration in evaluating the bona fides and intended use of the deposited amount.

8.5 In the totality of the facts and circumstances, we are of the considered opinion that while the assessee has asserted that the cash deposit was sourced from earlier withdrawals, this explanation must be subject to a reasoned evaluation after accounting for the likely utilisation of cash towards household or marriage-related expenses. Accordingly, we deem it appropriate to set aside the impugned order of the Ld. CIT(A) to the extent it relates to this issue and restore the matter to the file of the Assessing Officer. The Assessing Officer shall verify the claim of the assessee by:

- examining the pattern of cash withdrawals and household expenditure;
- estimating the quantum of cash utilised for household or marriage-related expenses during the relevant period; and
- determining whether sufficient unutilised cash was available on hand to justify the deposit of ₹30 lakhs on 17.03.2021.

8.6 The assessee shall be at liberty to furnish any additional documentary evidence in support of his claim, including proof of marriage-related arrangements, cancellations, and any other relevant explanation for cash retention and utilisation. The Assessing Officer shall then pass a fresh order in accordance with law after granting a reasonable opportunity of being heard to the assessee. **Ground No. 3 of the appeal of the assessee accordingly allowed for the statistical purposes.**

9. **The Ground No. 4 being general in nature same is dismissed.**

10. In the result, the appeal of the assessee is allowed for statistical purpose.

Order pronounced by way of display of result on notice board under Rule 34(4) of ITAT Rules, 1963 20/05/2025.

**Sd/-
(RAHUL CHAUDHARY)
JUDICIAL MEMBER**

**Sd/-
(OM PRAKASH KANT)
ACCOUNTANT MEMBER**

Mumbai;
Dated: 20/05/2025
Divya R. Nandgaonkar, Stenographer

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent.
3. CIT
4. DR, ITAT, Mumbai
5. Guard file.

//True Copy//

BY ORDER,

(Assistant Registrar)
ITAT, Mumbai