

आयकर अपीलिय अधिकरण, 'ए' न्यायपीठ, चेन्नई
**IN THE INCOME TAX APPELLATE TRIBUNAL
'A' BENCH: CHENNAI**

श्री एबी टी. वर्की, न्यायिक सदस्य एवं
श्री जगदीश, लेखा सदस्य के समक्ष

**BEFORE SHRI ABY T. VARKEY, JUDICIAL MEMBER AND
SHRI JAGADISH, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA No.1315/Chny/2025
निर्धारणवर्ष/Assessment Year: 2016-17

Balaji Builders, 44, Indira Gandhi Street, KK Nagar, Tiruchirappalli-620 021.	v.	The ITO, Circle-1(1), Trichy.
[PAN: AAOFB 2375 B]		
(अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)
अपीलार्थी की ओर से/ Appellant by	:	Mr.D. Anand, Advocate
प्रत्यर्थी की ओर से /Respondent by	:	Mr.Nishanth Rao, JCIT
सुनवाईकीतारीख/Date of Hearing	:	21.10.2025
घोषणाकीतारीख /Date of Pronouncement	:	26.11.2025

आदेश / ORDER

PER ABY T. VARKEY, JM:

This is an appeal preferred by the assessee against the order of the Learned Commissioner of Income Tax (Appeals)/NFAC, (hereinafter referred to as 'Ld.CIT(A)'), Delhi, dated 20.03.2025 for the Assessment Year (hereinafter referred to as 'AY') 2016-17.

2. At the outset, the Ld. Counsel for the assessee, Shri D. Anand, drew our attention to Ground No.3 which reads as under:



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3. The Learned Commissioner of Income Tax (Appeals) erred in law by affirming the actions of the Learned Assessing Officer in conducting assessment proceedings beyond the prescribed jurisdiction, despite the case being selected under the Limited Scrutiny criteria, thereby contravening the provisions of the Income Tax Act, 1961, and rendering the assessment void ab initio.

3. The Ld. Counsel drawing our attention to the aforesaid ground submitted that the assessee is aggrieved by the action of the AO to have expanded the assessment from 'Limited Scrutiny' to 'Complete Scrutiny' without following the procedure as laid by the CBDT Circular No. 20/2015 dated 29.12.2015; and subsequent instruction on the same dated 14.07.2016 (para 4) and circular dated 30.11.2017 (para 3). According to Ld. Counsel, the AO had admitted at para one of the assessment order that its return of income/ITR was selected for "Limited Scrutiny" under CASS (computer aided scrutiny selection) for 'Limited Scrutiny' i.e. for two issues i.e. to verify why the return was belatedly filed on 07.11.2016 and cash deposits during demonetization period. According to the Ld. AR, the AO without making any adverse finding regarding assessee's belated filing of return or making any addition in respect of cash deposit during demonetization period, erred in expanding the jurisdiction to make addition of Rs.97,20,000/- as unexplained credit and disallowed the business loss which was not specified in the 'Limited Scrutiny' as spelled out at Para No.1 of assessment order. According to the Ld. AR, the CBDT circular/Instruction No. 20/2015 dated 29.12.2015 has clearly laid down the procedure to be followed in case if the AO wishes to expand the



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scrutiny from the 'Limited Scrutiny' to 'Complete Scrutiny' which is given in para 3, which reads as under:

"a. In 'Limited Scrutiny' cases, the reasons/issues shall be forthwith communicated to the assessee concerned.

b. The Questionnaire under section 142(1) of the Act in 'Limited Scrutiny' cases shall remain confined only to the specific reasons/issues for which case has been picked up for scrutiny. Further, the scope of enquiry shall be restricted to the 'Limited Scrutiny' issues.

c. These cases shall be completed expeditiously in a limited number of hearings.

d. During the course of assessment proceedings in 'Limited Scrutiny' cases, if it comes to the notice of the Assessing Officer that there is potential escapement of income exceeding Rs. Five lakhs (for metro charges, the monetary limit shall be Rs. Ten lakhs) requiring substantial verification on any other issue(s), then, the case may be taken up for 'Complete Scrutiny' with the approval of the Pr. CIT/CIT concerned. However, such an approval shall be accorded by the Pr. CIT/CIT in writing after being satisfied about merits of the issues(s) necessitating 'Complete Scrutiny' in that particular case. Such cases shall be monitored by the Range head concerned. The procedure indicated at points (a), (b) and (c) above shall no longer remain binding in such cases. (For this present purpose, 'Metro charges' would mean Delhi, Mumbai, Chennai, Kolkata, Bengaluru, Hyderabad and Ahmedabad)."

4. According to the Ld. AR, from a bare reading of the aforesaid instruction of the CBDT which has been issued by it u/s. 119 of the Act, it is clear that the AO while issuing questionnaire u/s. 142(1) of the Act in 'Limited Scrutiny' cases shall remain confined only to the specific issues for which case has been picked up for scrutiny and it has been made very clear that the scope of enquiry shall be restricted to the 'Limited Scrutiny' issue. It has been further clarified by the CBDT that if the AO comes to know that there is potential escapement of income exceeding Rs. 5 lacs (for metropolitan cities Rs. 10 lacs) requiring substantial verification on any other issues, then the case should be taken up for



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'Complete Scrutiny' with the approval of the Pr. CIT/CIT concerned and, thereafter, the approval shall be accorded by the Pr. CIT/CIT in writing after being satisfied about the merits of the issues necessitating 'Complete Scrutiny' in that particular case. Further, it is also stated that such cases shall be monitored by the Range Head concerned. So, the Ld. Counsel contended that from a perusal of the assessment order would reveal that the AO has not taken the approval of Pr. CIT/CIT. The Id. AR, pointed out that there is no whisper of the approval granted by the Pr. CIT/CIT in writing allowing the AO to expand the scope of assessment from 'Limited Scrutiny' to 'Complete Scrutiny'. Therefore, according to Ld. AR, the action of the AO to make the addition of Rs.97,20,000/- and disallowing the business loss is bad in law. For this proposition, the Ld. AR relied on the orders of the Tribunal, Jaipur Bench in the case of Late Smt. Gurbachan Kaur Vs. DCIT, ITA No. 692/JP/2019 (AY: 2014-15) order dated 05.12.2019; Mumbai Bench decision in M/s. Nitin Killawala Vs. ITO, ITA No. 1611/M/2013 (AY: 2008-09) order dated 16.09.2015; Chindagarh bench decision in Shri Vijay Kumar Vs. ITO, ITA No. 434/Chd/2019 (AY: 2014-15) order dated 12.09.2019 and other case laws including the Gauhati's order.

5. Per contra, the Ld. DR contended that the issue raised by the Ld. AR has not been raised before the Ld. CIT(A) and, therefore, this issue



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according to him, cannot be agitated for the first time before the Tribunal. According to the Ld. DR, the CBDT circular dated 30.11.2017 (para 1) specifically states the reason why this 'Limited Scrutiny' has been advised in certain cases. According to him, this is to prevent AO from going on a fishing enquiry to harass the assessee. According to the Ld. DR, the action of the AO must have been after taking approval as required by law and therefore cannot be faulted. Therefore, he wants us not to interfere in the order passed by the Ld. CIT(A). In the rejoinder, the Ld. AR, conceded that this ground was not raised before the Ld. CIT(A). However, he contended that this issue is purely a legal issue raised by the assessee before this Tribunal wherein assessee is challenging the very jurisdiction of AO to expand the scope of enquiry/assessment from 'Limited Scrutiny' to 'Complete Scrutiny'; and since the AO has resorted to an action which was regulated by the CBDT circular which is binding on him and the AO's action of expanding the jurisdiction without taking the approval of Pr. CIT/CIT in writing is without jurisdiction; and, therefore, this being a legal issue which if found to be correct would go to the root of the addition made of Rs.97,20,000/- as raised in Ground No.3 which, according to him, can be raised at any forum as decided by the Hon'ble Supreme court in NTPC Vs. CIT 229 ITR 383 (SC) and therefore, he wants us to adjudicate the legal issue. So, according to him, the AO could not have expanded the jurisdiction without taking approval from the Pr.



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CIT/CIT in writing and, therefore, he wants us to quash the assessment order.

6. Having heard both the parties and after carefully going through the contents of the three (3) CBDT Circulars and case laws relied upon, we note that the assessee had filed return of income belatedly on 12.01.2018 for AY 2016-17 reflecting loss of Rs.69,32,814/-. Later the case of the assessee was selected for 'Limited Scrutiny' i.e. (i) why the return was filed belatedly and (ii) to verify cash deposit during demonetization period (refer first paragraph of assessment order dated 15.12.2018). From perusal of first para of assessment order, it is clearly stated that the assessee's case was selected by CASS only for 'Limited Scrutiny' regarding two issues only i.e. why the return was filed belatedly and to verify the cash deposits demonetization period. We note from perusal of the assessment order that the AO has not given any reason in the assessment order, why he is deviating from the 'issues' he stated to have selected by the CASS for limited scrutiny and has proceeded to make additions/disallowance on other issue not flagged by the CASS. Without any reasons being given by the AO to drop the issues for which he was asked to conduct scrutiny assessment and proceed to explain the scope of assessment discernable from the assessment order, we are afraid, we can't uphold the action of the AO making addition of ₹97,20,000/- for a



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period undisputedly not covered during demonetization. The Ld.DR couldn't show that cash deposits made by assessee which was adversely viewed by the AO did fall during demonetization. In such an event, the AO was bound to follow the binding direction of the CBDT to enlarge the scope of assessment. For such a view, we refer to the decision of the Tribunal in the case of Shri Prabir Das in ITA No.395/Gau/2019 for AY 2016-17 dated 26.06.2020 wherein the Tribunal quashed the order. The legal issue before us is whether the AO could have made this addition of ₹97,20,000/- when the fact remains that the assessee's case was selected for Limited Scrutiny for the reason to examine the cash deposits during demonetization. According to the Ld.AR, the AO could not have expanded the jurisdiction/assessment from 'Limited Scrutiny' to complete scrutiny without following the procedure as stipulated in the CBDT Circular No. 20/2015 dated 29.12.2015 and other CBDT Circulars on the subject dated 14.07.2016 and 30.11.2017. We note that the AO has not taken approval in writing from the Pr. CIT/CIT in this case before he ventured to expand the scope of assessment from 'Limited Scrutiny' and go beyond the issues flagged by CASS as noted (supra) and since the CBDT circular is undisputedly binding on him had to follow it before expanding the scope of assessment, which the AO has not taken the approval as mandated by the CBDT. Since the CBDT Circular issued u/s. 119 of the Act is binding on the department/AO as held by the Hon'ble



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Apex court and High Courts, the AO was bound by it and without taking approval in writing from Pr CIT/CIT could not have enquired into other issues other than the issue for which the assessment was selected for Limited Scrutiny. Here, the AO without following the procedure as stated, supra has expanded his jurisdiction without approval which action of AO is held to be without jurisdiction and, therefore, is bad in law and, therefore, the assessee succeeds and the addition made by the AO ₹97,20,000/- is null in the eyes of law and, therefore, it has to be deleted and we order accordingly. The other grounds not pressed by the Ld. AR, therefore, the grounds raised by the assessee are dismissed.

7. In the result, the appeal of assessee is partly allowed.

Order pronounced on the 26th day of November, 2025, in Chennai.

Sd/-

(जगदीश)
(JAGADISH)

लेखा सदस्य/**ACCOUNTANT MEMBER**

Sd/-

(एबी टी. वर्की)
(ABY T. VARKEY)

न्यायिक सदस्य/**JUDICIAL MEMBER**

चेन्नई/Chennai,

दिनांक/Dated: 26th November, 2025.

TLN

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT, Chennai / Madurai / Salem / Coimbatore.
4. विभागीय प्रतिनिधि/DR
5. गार्डफाईल/GF