



**IN THE INCOME TAX APPELLATE TRIBUNAL
SMC BENCH, LUCKNOW**

BEFORE SHRI. SUDHANSHU SRIVASTAVA, JUDICIAL MEMBER

ITA No.437/LKW/2025
Assessment Year: 2017-18

Late Madan Lal Gupta Through Legal Heir Abhishek Gupta 367, Qanoon Goyan Nawabganj, Barabanki U.P)	v.	ITO Ward 5(4) Barabanki - 1
TAN/PAN:ACEPG5468Q		
(Applicant)		(Respondent)

Applicant by:	Shri Gaurav Gupta, C.A.
Respondent by:	Shri R.R.N. Shukla, D.R.

ORDER

This appeal has been preferred by the Assessee against the order dated 25.05.2025, passed by the National Faceless Appeal Centre, Delhi (NFAC) for Assessment Year 2017-18.

2.0 The brief facts of the case are that the assessee was a retired Assistant Engineer in the U.P. Power Corporation, drawing pension. The assessee e-filed his return of income for the year under consideration on 27.07.2017 declaring a total income of Rs.4,78,310/- after claiming a deduction under Chapter VI-A, amounting to Rs.1,50,000/-. The case of the assessee was selected for limited scrutiny under the Computer Aided Scrutiny Selection (CASS) for the reason of 'Cash deposit during the demonetization period'. Accordingly, a notice under section 143(2) of the Income Tax Act, 1961 (hereinafter called

“the Act”) dated 21.09.2018 was issued by the Assessing Officer (AO) and duly served upon the assessee electronically. Thereafter, a notice under section 142(1) of the Act dated 05.02.2019 along with a detailed questionnaire was issued, requiring the assessee to furnish bank statements, details of cash deposits, and supporting evidence regarding the source of such deposits. The assessee submitted partial information, including copies of bank statements and a reply explaining that a clerical error had occurred in the Post Office account, wherein Rs.38,60,000/- was wrongly entered instead of Rs.3,86,000/-, which was immediately reversed by the Post Office staff. Thereafter, another notice under section 142(1) of the Act dated 25.04.2019 was issued by the AO, directing the assessee to furnish complete replies to the queries earlier raised. In compliance, the assessee submitted his reply on 02.04.2019 with various attachments, including bank statements, details of pension income, and other supporting documents. The AO further issued a notice under section 142(1) of the Act dated 29.10.2019, reiterating the requirement to explain the source of cash deposits of Rs.10,91,500/-, which pertained to the entire assessment year under consideration, out of which Rs.4,55,500/- was stated to have been deposited during the demonetization period. The assessee once again uploaded copies of bank

passbooks and sought additional time to provide further clarification. The Assessing Officer, thereafter, observing that the assessee had not furnished any specific evidence explaining the source of cash deposits, proceeded to complete the assessment under section 143(3) of the Act, assessing the total income of the assessee at Rs.17,69,810/- after making an addition of Rs.12,91,500/- as unexplained money under section 69A of the Act.

2.1 The AO also invoked the provisions of section 115BBE of the Act and initiated penalty proceedings under sections 271AAC and 272A(1)(d) of the Act, separately.

2.2 Aggrieved, the Assessee preferred an appeal before the NFAC, which dismissed the appeal of the assessee and confirmed the order of the AO.

2.3 Now, the assessee has approached this Tribunal challenging the orders of the AO as well as NFAC, by raising the following grounds of appeal:

1.1. The Ld. AO has erred in making an addition beyond the scope of limited scrutiny, which was confined to cash deposits during the demonetization period only as the final addition made includes cash deposits pertaining to the entire year, which is beyond the approved scope of limited scrutiny as codified in the various CBDT instructions.

1.2. *The impugned assessment order is in contradiction to the INSTRUCTION NO.20/2015 [F.NO.225/269/2015-ITA-II], DATED 29-12-2015 and INSTRUCTION NO.5/2016 [F.NO.225/269/2015-ITA.11], DATED 14-07-2016, which require prior compliance with codified and conditions along with the prior approval of Pr. CIT/CIT in writing after being satisfied about the merits of the issue(s) necessitating 'Complete Scrutiny' in that particular case.*

1.3. *The impugned order contradicts the CBDT instruction no.3/2017 dated 21st February 2017 whereby cash deposit to the tune of Rs.2.50 lacs shall be deemed satisfactory in case of an individual and no verification should be made to that extent.*

1.4. *The AO grossly erred in ignoring the factual position that the bank account is being held jointly with his mother and therefore, Rs.5,00,000/- lacs should be deemed to be satisfactory and accordingly no verification is warranted.*

2. *The impugned order is de hors the show cause notice, which is mandatory and legally binding before making any adverse order.*

3. *The Learned Assessing Officer did not take into account the debit entries related to cash withdrawals in the bank statements and post office savings passbook, alongside the evidence provided elucidating the sources of cash deposits.*

4. *The learned CIT(A) erred in passing the order in the name of a deceased person, which is illegal as per the settled law and provision of section 159 of the Income Tax Act.*

5. The assessment order contains contradictory findings regarding the comprehensive reply and submission made by the assessee.

6. The appellant reserves the right to add, amend or withdraw any ground at the time of hearing.

3.0 The Ld. Authorized Representative for the assessee (Ld. A.R.) submitted before me that the AO has erred in making addition beyond the scope of limited scrutiny, which was confined to cash deposits made by the assessee during the demonetization period only. However, the addition finally made by the AO, amounting to Rs.12,91,500/-, included cash deposits pertaining to entire year under consideration. It was further submitted that the scope of limited scrutiny had been enlarged to complete scrutiny without obtaining the necessary approval as mandated by the CBDT, vide Instruction No.20/2015 dated 29.12.2015. It was submitted that since there was no approval for conversion of 'limited scrutiny' to 'complete scrutiny', the assessment order passed subsequent thereto was null and void and is liable to be quashed.

4.0 The Ld. Sr. D.R. fairly conceded this fact and submitted that no approval was available on record for conversion of 'limited scrutiny' to 'complete scrutiny' in this case. However, he supported the orders of the authorities below and submitted that the appeal of the assessee should be heard on merits.

5.0 I have heard both the parties and have also perused the material on record. The very submission of the Ld. A.R. was that there was no approval for conversion of limited scrutiny to complete scrutiny in the case of the assessee and, therefore, the assessment order passed subsequent thereto was null and void and is liable to be quashed. It is an undisputed fact that as mandated by the CBDT, vide Instruction No.20/2015 dated 29.12.2015, necessary approval is to be obtained to convert the 'limited scrutiny' to 'complete scrutiny' and since there was no such approval, for conversion of 'limited scrutiny' to 'complete scrutiny', as per record before me in the case of the present assessee for assessment year under consideration, i.e., assessment year 2017-18, the assessment order passed subsequent thereto is bad in law and is liable to be quashed. I order accordingly.

6.0 In the result, the appeal of the assessee stands allowed.

Order pronounced in the open Court on 07/01/2026.

Sd/-
[SUDHANSHU SRIVASTAVA]
JUDICIAL MEMBER

DATED:07/01/2026

JJ:

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT(A)
4. CIT
5. DR

By order
Assistant Registrar/DDO