

Unexplained Cash Deposits

Unexplained cash credit would mean 83.25% tax:

1. Section 115BBE imposes tax at a flat rate of 60% (w.e.f.. A/Y 17-18) without making any deduction in respect of any expenditure or allowance as may be admissible to an assessee under any provision of the Act.
2. Sub section 2 starts with Non- Obstante clause “Notwithstanding anything contained in this Act” which supports the view that no deduction in respect of any expenditure or allowance or set off of any loss is admissible.
3. This Section is applicable where assessee’s income is recorded in books but has not been offered to tax and the assessee fails to prove the nature and source to the satisfaction of the A.O.
4. This section is also applicable to the assessee who are not required to maintain books of accounts but is found to have made unexplained investment, unexplained expenditure or he is found to be in possession of money, bullion, jewellery or other valuable articles.
5. Where an assessee voluntarily shows income in his return but he is unable to prove the source of such income to the satisfaction of the A.O., such income could be held to be liable under section 115BBE.
6. Further a penalty of 10% shall be levied U/S 271AAC. No other penalty shall be levied.
7. Further a surcharge of 25% on such tax was also imposed by amending sub section (a) in section 2 of chapter II of Finance Act 2016.
8. This is further subject to normal cess and higher education cess as applicable.