

OVERVIEW OF SECTION 69C OF THE INCOME-TAX ACT, 1961 – UNEXPLAINED EXPENDITURE



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1. INTRODUCTION

During the past years, the Central Board of Direct Taxes ('CBDT') has entered into Memorandum of Understandings with various bodies viz. SEBI, CBIC, Ministry of MSME, etc. to facilitate sharing of data on an automatic and regular basis. The collective use of resources has enabled the Income-tax Department to gather bulk information for conducting enquiries/investigations on businessmen which is likely to lead in increasing litigations.

One such focus area of the Income-tax Department in detecting tax evasion cases is taxation of unexplained expenditure. It is, therefore, imperative to understand the provisions of the Income-tax Act, 1961 ('the Act') dealing with the same and the consequences thereto.

2. PROVISIONS OF THE ACT

The section is reproduced below for ease of reference:

“Where in any financial year an assessee has incurred any expenditure and he offers no explanation about the source of such expenditure or part thereof, or the explanation, if any, offered by him is not, in the opinion of the Assessing Officer, satisfactory, the amount covered by such expenditure or part thereof, as the case may be, may be deemed to be the income of the assessee for such financial year:

Provided that, notwithstanding anything contained in any other provision of this Act, such unexplained expenditure which is deemed to be the income of the assessee shall not be allowed as a deduction under any head of income.”

Key Trigger points:

- Assessee has incurred expenditure in any financial year **and**
- Assessee offers no explanation about the source of such expenditure (or part thereof) **or**
- Explanation offered by him is not satisfactory in the opinion of the Assessing Officer

Consequences:

Such expenditure (or part thereof) may be **deemed to be the income** of the assessee for such financial year in which expenditure is incurred. Further, as per Proviso to section 69C of the Act, such unexplained expenditure shall not be allowed as a deduction under any head of income.

3. LEGISLATIVE HISTORY

- 3.1. This section was inserted by the Taxation Laws (Amendment) Act 1975, with effect from 1 April 1976. Further, vide Circular No. 204 dated 24 July 1976 it is clarified that though the section comes into force with effect from 1 April 1976, the principle, will apply to assessment proceedings for earlier AY's too (i.e. prior to AY 1976-77).

Proviso to section 69C:

- 3.2. Finance Act (No. 2) 1998 inserted a Proviso with effect from 1 April 1999 to provide that such unexplained expenditure shall not be allowed as a deduction under any head of income notwithstanding anything contained in any other provision of this Act.
- 3.3. Circular No. 772 dated 23rd December 1998 explained the necessity of introduction of such Proviso. It states that as per section 69C of the Act, the expenditure was deemed to be income of the assessee, however, there is no corresponding provision for disallowance of such expenditure. This used to enable the taxpayer whose income was charged to tax under section 69C to claim the expenditure as deduction under section 37 defeating the very objective of the section.
- 3.4. As per the above Circular, the amendment is effective from 1 April 1999 i.e. for AY 1999-00 and subsequent years. Therefore, there is nothing to suggest that the amendment has a retrospective application.
- 3.5. The Hon'ble Gujarat High Court in the case of *Krishna Textiles v. CIT*[2009] 310 ITR 227 (Gujarat) observed that the Proviso to section 69C of the Act did not have retrospective application. Similar view was taken by the Hon'ble Andhra Pradesh High Court in the case of *P. Ram Gopal Varma v. DCIT*[2013] 357 ITR 493 (AP).

4. KEY ASPECTS**A. Incurrence of expenditure**

- The first condition to attract provisions of section 69C of the Act is that assessee should have incurred some "expenditure" during the financial year. The onus is prima facie on the Assessing Officer to prove that expenditure has been incurred by the assessee. However, once Assessing Officer provides some corroborative evidence on the fact that expenditure has been incurred, the burden of proof shifts on the assessee to justify that no such expenditure has been incurred.
- The Hon'ble Delhi High Court in the case of *CIT v. Lubtec India Ltd.* [2009] 311 ITR175 (Delhi) has held that,

*"6...it is quite clear that what is postulated in section 69C of the Act is that **first of all the assessee must have incurred that expenditure** and thereafter, if the explanation offered by the assessee about the source of such expenditure is not found satisfactory by the Assessing Officer, the amount may be added to his income."*

Further, the Hon'ble High Court noted in that case that there was nothing on record to show that the expenditure was actually incurred by the assessee **nor did the Assessing Officer take any action to find out whether the expenditure was actually incurred or not**. Accordingly, the addition was not sustained.

- Further, in case of *Pradip C. Patel v. DCIT* [1997] 58 TTJ 409 (Ahmedabad), the Hon'ble Tribunal has held that:
 - In order to invoke the provisions of section 69C, **the Assessing Officer has to establish the condition precedent as to the existence of expenditure or understatement of that expenditure by evidence and/or material on record to justify the addition.**

- If the Assessing Officer cannot or fails to prove the existence of material indicating the unexplained expenditure or understatement of expenditure, the assessee cannot be taxed.

Therefore, as seen above, the primary criteria for invoking section 69C is incurrance of expenditure by assessee which has to be proved by the Assessing Officer by way of cogent material on record.

Let us look into various issues adjudicated by the Hon'ble Courts/Tribunals in this regard.

- **Addition merely on the basis of loose sheets without any corroborative evidence/material is not sustainable**

- In case of *ITO v. Karan R Shah* (ITA. No. 3652 & 4290/Mum/2015), a loose document was found during survey proceedings which depicted that expenditure to the tune of Rs. 65 Lacs have been incurred by the assessee. The Tribunal deleted the addition made by the Assessing Officer and held that:

- ❖ **The loose sheet of paper cannot come within the ambit of definition of the word "document" having any evidentiary value** within the meaning of section 132 or section 132A of the Act and the same cannot form the basis for assessing the undisclosed income of the assessee.
- ❖ **Additions cannot be made simply on the basis of rough scribbling** made by some unidentified person.
- ❖ When dumb document like the present loose sheet of paper is recovered and the Revenue wants to make use of it, then the **onus rests on the Revenue to collect cogent evidence to corroborate the noting therein.**

- Similar view has been taken by the Hon'ble Courts in the following cases:

- *CIT v. Tips Industries (P.) Ltd.* [2010] 321 ITR 154 (Bombay HC)
- *CIT v. Anil Bhalla* [2010] 322 ITR 191 (Delhi HC)
- *CIT v. Ved Prakash Choudhary* [2008] 305 ITR 245 (Delhi HC)

- **Addition merely on basis of presumption is not sustainable**

- In case of *DCIT v. Narendra Garg & Ashok Garg (AOP)* [2016] 72 taxmann.com 355 (Gujarat), addition was made by the Assessing Officer pursuant to the statement recorded under section 132(4) of the Act which was subsequently retracted.

- ❖ The Hon'ble High Court held that **it is a settled position of law that if an assessee, under a mistake, misconception or on not being properly instructed, is over assessed, the authorities are required to assist him and ensure that only legitimate taxes are collected.**
- ❖ The Assessing Officer cannot proceed on presumption under section 132(4) of the Act and there must be **something more than bare suspicion to support the assessment or addition.**

- Similar view has been taken by the Hon'ble Courts in the following cases:
 - *Seven Jewels v. ACIT* (ITANo. 1428/Mum/2021)
 - *ITO v. Suresh Chandra Kothari* [2009] 31 SOT 14 (Jodhpur) (URO)
- **Addition in respect of alleged interest paid on loan taken in cash under section 69C cannot be sustained** as no document or material was filed by Revenue to show in fact that loan was taken and interest was paid - *CIT v. Home Developers (P.) Ltd.* [2015] 54 taxmann.com 159 (Delhi)
 - In this case, the Assessing Officer relying on certain documents found during search concluded that the assessee had received cash loan and had repaid the same in cash along with interest. He estimated the principal amount of loan and the interest thereon at rate of 20%.
 - The CIT(A) sustained the addition however reduced the interest rate to 18%. The Tribunal noted that addition of quantum and interest both were merely on assumption.
 - The Hon'ble High Court upheld the order of the Hon'ble Tribunal and noted that the allegation that loans/deposits must have been taken in cash was a mere suspicion, which could have been a cause for further verification and investigation, but **mere suspicion cannot be a ground to hold that loan/deposits were received in cash.**

The Revenue has not filed before us any document or material to show that in fact loan was taken and interest payment was made. **The persons to whom allegedly interest was paid, their details and particulars were not ascertained, verified and examined.**

- **Whether addition under section 69C can be made in case of presumptive taxation under section 44AD? - *Nand Lal Popli v. DCIT* [TS-6098-ITAT-2016(Chandigarh)-O]**
 - In case of the Assessing Officer had not doubted the gross receipts offered by the assessee but presumed that an amount to the extent of 92% of the gross receipts is the expenditure incurred by the assessee.
 - The Tribunal held that asking the assessee to prove to the satisfaction of the Assessing Officer that the expenditure to the extent of 92% of gross receipts has been incurred would also defeat the purpose of presumptive taxation as provided under section 44AD of the Act or other such provision.
 - Some key observations made by the Tribunal are:
 - ❖ If 8% of gross receipts are 'deemed' income of the assessee, the remaining 92% are also 'deemed' expenditure of the assessee.
 - ❖ If the income component is estimated, how the expenditure component on the basis of said income can be considered to have been 'actually' incurred.
 - ❖ The Assessing Officer could have made the addition under section 69C of the Act, once he had carved out the case out of the glitches of the provisions of section 44AD of the Act.

- **Addition of Marriage expenses merely on presumption is not sustainable**

The Assessing Officer, considering the status of the assessee presumed that assessee might have incurred expenditure on different occasions but nothing was brought on record whether assessee has performed any of such ceremonies which are large in number noted in the assessment order. Therefore, the Tribunal held that **the order of the Assessing Officer was wholly based upon assumptions on certain facts which did not exist and hence, not sustainable.** – *Subhash Chander Goel v. ITO* [2016] 65 taxmann.com 216 (Chandigarh - Trib)

B. Explanation of source to the satisfaction of the AO

- As seen above, the first condition for attracting the provisions of section 69C is that the assessee has to incur some 'expenditure'. Where assessee is unable to prove that expenditure has not been incurred, we move on to examine whether the second condition is fulfilled or not.
- The second condition is that assessee does not offer explanation about the source of expenditure incurred or the explanation offered by the assessee is not found satisfactory by the Assessing Officer. Only where the source is not considered as satisfactory by the Assessing Officer, he may proceed to deem the expenditure incurred as income of the assessee.
- The Calcutta High Court in case of *CIT v. Bhagwati Developers (P.) Ltd.* [2003] 261ITR658 (Calcutta) has held that,

“...section 69C deals with unexplained, source of expenditure. If from documents it appears that there was an expenditure, unless its source is satisfactorily explained, the same would also be deemed to be the income of the assessee for such financial year. The question of addition depends on the satisfactory explanation of the source. It cannot be negated simply because the expenditure was actually incurred. On the failure to explain the source of the expenditure, it is liable to be added.”

- In case of *CIT v. Golani Brothers* [2017] 85 taxmann.com 355 (Bombay), the Assessing Officer made additions on account of “on money” i.e. advance received by the assessee and unexplained expenditure. The Tribunal held that if the unaccounted expenditure so incurred was from the 'on money' received by the assessee, then, the question of making any addition under section 69C does not arise because the source of the expenditure is duly explained. The Hon'ble High Court held that,

“21.... If the unaccounted expenditure so incurred was from the 'on money' received by the assessee, then, the question of making any addition under Section 69C does not arise because the source of the expenditure is duly explained. It is only the 'on money' which can be considered for the purpose of taxation. That is what the Tribunal therefore concluded and once the 'on money' is considered as revenue receipt, then any expenditure out of such money cannot be treated as unexplained expenditure, for that would amount to double addition in respect of the same amount.

22...It is a factual exercise which has been performed by the Tribunal and its conclusion that there could not be a double addition given the explanation for the source of expenditure, is also a permissible one. It is not as if such a conclusion is unknown to law....”

The burden of proof for explaining the source of the expenditure lies on the assessee. Therefore, the assessee needs to furnish robust documentation to prove the genuineness of the expenditure incurred. One of the prominent additions made by the Assessing Officer under section 69C is alleged “bogus purchases” which is elaborated in detail below.

- **Addition on account of alleged Bogus Purchases**

Where the Assessing Officer alleges that the assessee has entered into bogus purchases basis information from Sales tax department/ Investigation Wing, the obligation is cast on the assessee to prove that the transactions are genuine. The genuineness of the expenditure may be proved by producing invoices, stock register, lorry receipts/ delivery challans, bank statement, correlation with sales etc. Where the assessee is able to prove that the purchases are genuine, the onus shifts on the Assessing Officer to prove that the transactions are bogus.

- In case of *PCIT v. Chawla Interbild Construction Co. (P.) Ltd* [2019] 412 ITR 152 (Bombay), the Hon'ble High Court has held that,

“7...assessee had done everything to produce necessary evidence, which would indicate that the payments have been made to the parties concerned. The details furnished by the respondent assessee were sufficient for the Assessing Officer to take further steps if he still doubted the genuineness of the payments to examine whether or not the payment was genuine. The Assessing Officer on receipt of further information did not carry out the necessary enquiries on the basis of the PAN numbers, which were available with him to find out the genuineness of the parties. The CIT(A) as well as the Tribunal have correctly held that it is not possible for the assessee to compel the appearance of the parties before the Assessing Officer.”

- Additions merely on the basis of information from Sales tax department/ Investigation Wing without conducting independent enquiry is not sustainable:

- *PCIT v. Shapoorji Pallonji & Co. Ltd.* [2020] 423 ITR 220 (Bombay)
- *PCIT v. Vaman International Pvt. Ltd.* (ITA No.1940 of 2017, Bombay)
- *Shri Ganpatraj A Sanghavi v. ACIT* (ITA No. 2826/Mum/2013)
- *DCIT v. Shri Rajeev G Kalathil* (ITA No.6727/Mum/2012)
- *Ramesh Kumar and Co v. ACIT* (ITA No.2959/Mum/2014)

- Only profit element embedded in the transaction can be added to total income:

- ❖ In case of *CIT v. Simit P. Sheth* [2013] 38 taxmann.com 385 (Gujarat), the Hon'ble High Court has held that,

“5...it may be that the three suppliers from whom the assessee claimed to have purchased the steel did not own up to such sales. However, the vital question while considering whether the entire amount of purchases should be added back to the income of the assessee or only the profit element embedded therein was to ascertain whether the purchases themselves were completely bogus and non-existent or that the purchases were actually made but not from the parties from whom it was claimed to have been made and instead may have been purchased from grey market without proper billing or documentation.”

The Tribunal had estimated that 12.5% as a possible profit out of purchases made through non-genuine parties. The High Court upheld the estimation made by Tribunal but made a categorical noting that “9...*the estimation of rate of profit return must necessarily vary with the nature of business and no uniform yardstick can be adopted*”

- ❖ The Hon'ble Courts have made different rates of estimation of bogus purchases based on the facts of each case as under:
 - *Vijay Proteins v. CIT* [2015] 58 taxmann.com 44 (Gujarat) – 25%
 - *PCIT v. Jagdish H Patel* [2017] 84 taxmann.com 259 (Gujarat) – 8%
 - *PCIT v. Jakharia Fabric (P.) Ltd.* [2020] 429 ITR 332 (Bombay) – 17.5%

- Entire bogus purchases to be added to the total income:

- ❖ The Hon'ble **Supreme Court** in the case of *N. K. Proteins Ltd. v. DCIT* [2017] 84 taxmann.com 195 (SC) has dismissed the SLP of the assessee against the decision of the Gujarat High Court [*N.K. Industries Ltd. v. DCIT* (2016) 72 taxmann.com 289 (Gujarat)] wherein 100% of bogus purchases were added to the total income of the assessee. The Hon'ble High Court had held that,

“6...In the present case the Tribunal has categorically observed that the assessee had shown bogus purchases amounting to Rs. 2,92,93,288/- and taxing only 25% of these bogus claim goes against the principles of Sections 68 and 69C of the Income Tax Act. The entire purchases shown on the basis of fictitious invoices have been debited in the trading account since the transaction has been found to be bogus. The Tribunal having once come to a categorical finding that the amount of Rs. 2,92,93,288/- represented alleged purchases from bogus suppliers it was not incumbent on it to restrict the disallowance to only Rs. 73,23,322/-.”

- ❖ Following the above decision of the Hon'ble Apex Court, the Mumbai Tribunal in case of *Pratibha Pipes & Structural Ltd v. DCIT* (ITA No.3874/Mum/2015) has noted that the Assessing Officer has not made addition only on basis of report of Sales Tax department and the Assessing Officer has conducted all possible enquiries and directed assessee to file confirmations and to produce the parties for examination which was not done by the assessee. Further, no identification has been made of entry of goods in respect of the 22 parties. Accordingly, the Tribunal followed the decision of *N. K. Proteins Ltd. (supra)* and upheld 100% addition of bogus purchases under section 69C.
- ❖ However, even after taking into account the SLP dismissed in case of *N. K. Proteins Ltd. (supra)*, the Bombay High Court in *PCIT v. Mohommad Haji Adam & Co.* (ITA No. 1004 of 2016) has held that,

“8...the Tribunal was correct in coming to the conclusion that the purchases cannot be rejected without disturbing the sales in case of a trader. The Tribunal, therefore, correctly restricted the additions limited to the extent of bringing the G.P. rate on purchases at the same rate of other genuine purchases”

The Hon'ble High Court has also noted that the decision of the Gujarat High Court in the case of *N.K. Industries Ltd. (supra)* cannot be applied without reference to the facts. Further in *N.K. Industries Ltd. (supra)*, the High Court has upheld estimation of gross profit on sales for other ground of appeal.

- Addition on basis of statement of third party without providing opportunity of cross-examination to assessee was invalid- *Bhatia Diamonds Pvt. Ltd. v. ITO* (ITA No. 2821/Del/2018)

- **Household expenses – Action of Assessing Officer to estimate amount of expenditure held to be valid**

- ❖ Amount of household expenditure declared at Rs. 7,59,723 appears to be on a lower side looking to the fact that over all family members in a joint family setup would be more. Thus, under the facts and circumstances of the case, addition of Rs. 3 lakhs over and above the sum of Rs. 7,59,723 as disclosed by the assessee would be sufficient and reasonable. - *Ashok Kumar Gupta v. ITO*[2017] 86 taxmann.com 118 (Delhi)

- ❖ No withdrawal of household expenses made by assessee. The Tribunal held that there is no evidence on record to demonstrate that quantum of withdrawals by two sons and statement to the fact that their father did not contribute any household expenses. Thus, in these facts and circumstances of the case **assessee's explanation is not corroborated by any iota of evidence.** The Tribunal held that addition of Rs. 1 lac on account of household withdrawals is rightly made. - *Radhey Shyam Agarwal v. ITO* [2015] 61 taxmann.com 427 (Jaipur)

- **Disallowance of part expenditure**

The assessee was in the best position to explain the expenditure incurred as per the books of account maintained but could give an explanation only with regard to a part of the expenditure and not the entire expenditure. Balance unexplained expenditure added to the income of the assessee - *P. Ram Gopal Varma v. DCIT* [2013] 40 taxmann.com 106 (Andhra Pradesh)

- **Expenditure not forming part of books of accounts also covered**

Section 69C of the Act would take in its sweep, not only of the expenditure which was reflected in the books of accounts about also the other items of expenditure regarding which no proper explanation is forthcoming from the assessee, once they were discovered in the course of search and seizure. To give any other meaning to the Section would defeat the very purpose, for which it has been incorporated in the statute - *Srinivasa Ferro Alloys Ltd. v. ACIT* [2014] 51 taxmann.com 512 (Andhra Pradesh)

C. Section 69C is discretionary in nature

- When the above two conditions are met, the legislature has given **discretion to the Assessing Officer** to deem the expenditure as income of the assessee. The section uses the word “may” and not “shall”.
- The Hon'ble Supreme Court in case of *CIT v. Smt. P.K. Noorjahan* [1999] 237 ITR 570 (SC) in context of section 69 - Unexplained investments has held that,

“3...a discretion has been conferred on the ITO under section 69 to treat the source of investment as the income of the assessee if the explanation offered by the assessee is not found satisfactory and the said discretion has to be exercised keeping in view the facts and circumstances of the particular case.”

- Relying on the above decision of the Hon'ble Apex Court, in case of *PCIT v. Rama Shankar Yadav* [2017] 85 taxmann.com 173 (Allahabad), the High Court has held that,

"10. At the same time, the use of the word "may" in the aforesaid provision makes the deeming provision discretionary and not mandatory. In other words, even if not explanation is offered or it is found to be unsatisfactory, it is not mandatory to treat such unexplained expenditure to be the income of the assessee..."

17. The question raised above is answered in favor of the assessee and against the department and it is held that as the provision of Section 69C of the Act is not mandatory in nature, the Assessing Authority has full discretion either to add or not to add the unexplained expenditure in the income of the assessee based upon sound judicial principles...."

5. RATE OF TAXATION

- 5.1. *Prior to AY 2013-14:* No specific provision in the statute providing a special rate of taxation. Therefore, the deemed income under section 69C was subject to tax rates as applicable to the category of person (slab rates in case of individuals, HUF etc.).
- 5.2. *AY 2013-14 to AY 2016-17:* Vide Finance Act, 2012, section 115BBE with effect from AY 2013-14 and onwards to provide a **tax rate of 30%** plus applicable surcharge and cess on income chargeable under section 68/ 69/ 69A/ 69B/ 69C or 69D. The balance total income is chargeable to tax at normal rates. Further, **no deduction of any expenditure/allowance** shall be allowed to the assessee against such income.
- 5.3. *AY 2017-18 and onwards:* Vide Finance Act, 2016, section 115BBE was amended to provide that **no set off of any loss** shall be allowed against the deemed incomes as referred above. Further, by Taxation Law (Second Amendment) Act, 2016, **the rate of tax has been increased to 60%** plus applicable surcharge and cess from existing 30%.

Both the above amendments are with effect from 1 April 2017 i.e. AY 2017-18 and subsequent years.

6. PENALTY PROVISIONS

- 6.1. Section 271AAC of the Act provides that the Assessing Officer may levy a penalty of 10% of tax payable under section 115BEE.
- 6.2. As per Proviso to section 271AAC, no penalty shall be levied in respect of income referred to in section 69C to the extent such income has been included by the assessee in the return of income furnished under section 139 and the tax in accordance with the provisions of clause (i) of sub-section (1) of section 115BBE has been paid on or before the end of the relevant previous year. Therefore, if the unexplained expenditure is disclosed in the Return of Income and tax has been discharged by the assessee, no penalty is leviable.
- 6.3. Further, sub-section (2) of section 271AAC specifically provides that penalty under section 270A for under-reporting and misreporting of income shall not be imposed.
- 6.4. It is important to note that there is no amendment carried out in section 273B to include section 271AAC thereby implying that the penalty under this section may be leviable even if there is reasonable cause for failure.

7. PROSECUTION PROCEEDINGS

- 7.1. Section 276C of the Act provides for launch of prosecution proceedings if a person **willfully attempts** in any manner whatsoever to evade any (i) tax (ii) penalty (iii) interest chargeable/imposable under This Act or (iv) under reports his income, under this Act.
- 7.2. Explanation to section 276C states that a wilful attempt to evade any tax, penalty or interest chargeable or imposable under this Act or the payment thereof shall include a case of:
- false entry or statement in books of account/ other documents; or
 - omission of entry or statement in books of account/ other documents; or
 - any other circumstance which will have the effect of enabling the assessee to evade any tax, penalty or interest chargeable or imposable under this Act or the payment thereof.

Therefore, where an expenditure has been incurred by the assessee and the source is not found satisfactory by the Assessing Officer, it may fall within the ambit of “false entry/omission of entry” depending on the facts of the case.

- 7.3. In a recent case of *Nayan Jayantilal Balu v. UOI and others* (Criminal Writ Petition No. 2698 of 2021) before the Hon'ble Bombay High Court, addition of 12.5% of bogus purchases in case of the assessee was made by the AO and prosecution proceedings were launched under section 276C(1) of the Act. The Hon'ble Bombay High Court noted that the assessee failed to substantiate the claim of purchases and the additions were upheld by the Hon'ble Tribunal. The Hon'ble High Court held that,

“19.....we are satisfied that, prima facie, the ingredients of the offences under Section 276C(1) of the said Act are satisfied...”

- 7.4. The imprisonment term ranges from 3 months to 7 years and with fine – Section 276C

For every second and subsequent offence, the imprisonment term ranges from 6 months to 7 years and with fine – Section 278A

- 7.5. Section 279 of the Act empowers the Pr. CCIT/ CCIT/ Pr. DG/ DG to compound the offences under Chapter XXII of the Act.

The quantum of taxation of unexplained expenditure, penalty and prosecution proceedings and the intricacies therein is discussed in subsequent topic in detail.

8. CONCLUDING THOUGHTS

The taxation of unexplained expenditure has been a vexed issue over the years and is largely dependent on the facts of each case. As seen above, there is no end to the controversies in addition of bogus purchases even after touching the doors of the Hon'ble Apex Court. Therefore, it is of prime importance to maintain robust documentation to prove the genuineness of expenditure incurred so as to avoid facing the harsh consequences there from.

