# Tax Treatment of Cash Credit U/s. 68, 69, 69A, 69B, 69C and 69D

This Article discusses Tax Treatment of Cash Credit,*Unexplained investments*, Unexplained money, Amount of investments not fully disclosed in books of account, Unexplained expenditure and Amount borrowed or repaid on hundi in cash under section 68, 69, 69A, 69B,69C and 69D respectively of Income Tax Act, 1961.

TAX TREATMENT OF CASH CREDITS

Any sum found credited in the books of the taxpayer, for which he offers no explanation about the nature and source thereof or the tax authorities are not satisfied by the explanation offered by the taxpayer, is termed as cash credit. In this part you can gain knowledge about various provisions relating to tax treatment of cash credit.

**Basic provisions**

The provisions relating to tax treatment of cash credit are given in section 68. As per section 68, any sum found credited in the books of a taxpayer, for which he offers no explanation about the nature and source thereof or the explanation offered by him is not, in the opinion of theAssessing Officer, satisfactory, may be charged to incometax as the income of the taxpayer of that year.

In case of a taxpayer being a closely held company (i.e., not being a company in which the public are substantially interested), if the sum so credited consists of share application money, share capital, share premium or any such amount by whatever name called, any explanationoffered by such company shall be deemed to be not satisfactory, unless:

* the person, being a resident in whose name such credit is recorded in the books of such company, also offers an explanation about the nature and source of such sum so credited; and
* such explanation in the opinion of the Assessing Officer has been found to be

The above discussed provisions of share application money, share capital, etc., shall not apply if the person, in whose name such sum is recorded, is a venture capital fund or a venture capital company as referred to in section 10(23FB).

**Conditions to be satisfied for applicability of section 68**

From the reading of section 68, following conditions can be stated to attract the applicability of section 68 :

* Assessee has maintained ‘books’
* There has to be credit of amounts in the books maintained by the taxpayer of a sum during the year.
* The taxpayer offers no explanation about the nature and source of such credit found in the books or the explanation offered by the taxpayer in the opinion of the Assessing Officer is not satisfactory.
* If the taxpayer is a closely held company and the sum so credited consists of share application money, share capital, share premium or any such amount by whatever name called, any explanation offered by such company shall be deemed to be not satisfactory, unless:

(a) the person, being a resident in whose name such credit is recorded in the books of such company, also offers an explanation about the nature and source of such sum so credited; and

(b) such explanation in the opinion of the Assessing Officer has been found to be satisfactory.

If all the above conditions exist, sum so credited may be charged to tax as income of the taxpayer of that year.

**Other provisions to be kept in mind**

Apart from the provisions relating to taxing of cash credit given under section 68, similar provisions are designed under section 69, 69A, 69B, 69C and 69D in respect of certain other items. The provisions in this regard are as follows:

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| *Section* | *Brief overview* |
| 69 | *Unexplained investments*  Where in a year the taxpayer has made investments which are not recorded in the books of account, if any, maintained by him for any source of income, and he offers no explanation about the nature and source of the investments or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, than the value of the investments may be deemed to be the income of the taxpayer of such year. |
| 69A | *Unexplained money, etc.*  Where in any year the taxpayer is found to be the owner of any money, bullion, jewellery or other valuable article and such money, bullion, jewellery or valuable article is not recorded in the books of account, if any, maintained by him for any source of income, and the taxpayer offers no explanation about the nature and source of acquisition of the money,  bullion, jewellery or other valuable article, or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, than the money and the value of the bullion, jewellery or other valuable article may be deemed to be the income of the taxpayer for such year. |
| 69B | *Amount of investments, etc., not fully disclosed in books of account*  Where in any year the taxpayer has made investments or is found to be the owner of any bullion, jewellery or other valuable article, and the Assessing Officer finds that the amount expended on making such investments or in acquiring such bullion, jewellery or other valuable article exceeds the amount recorded in this behalf in the books of account maintained by the taxpayer for any source of income, and the taxpayer offers no explanation about such excess amount or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, than the excess  amount may be deemed to be the income of the taxpayer for such year. |
| 69C | *Unexplained expenditure, etc.*  Where in any year the taxpayer 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, then the amount covered by such expenditure or part thereof, as the case may be, may be deemed to be the income of the taxpayer for such year. Aforesaid unexplained expenditure which is deemed to be the income of the taxpayer by virtue of section 69C shall not be allowed as a deduction under any head of income. |
| 69D | *Amount borrowed or repaid on hundi*  Where any amount is borrowed on a hundi from, or any amount due thereon is repaid to, any person otherwise than through an accountpayee cheque drawn on a bank, the amount so borrowed or repaid shall be deemed to be the income of the person borrowing or repaying the such amount. It will be treated as income for the year in which it was borrowed or repaid, as the case may be.  However it should be noted that if any amount borrowed on a hundi has been treated as income of any person by virtue of section 69D, than such person shall not be liable to be assessed again in respect of the same amount on repayment thereof.  Amount repaid shall include the amount of interest paid on the amount borrowed. |

**Tax rates applicable to amount charged to tax by virtue of sections 68, 69, 69A, 69B, 69C and 69D**

As per section 11 5BBE, where the total income of a taxpayer includes any income referred to in section 68, section 69, section 69A, section 69B, section 69C or section 69D, the incometaxpayable shall be the aggregate of—

a) The amount of incometax calculated on income referred to in section 68, section 69, section 69A, section 69B, section 69C or section 69D, at the rate of 30% (plus surcharge and cess as applicable); and

b) the amount of incometax payable on his other income (i.e., income other than covered by sections 68, 69, 69A, 69B, 69C, and 69D) at the rates applicable to such other income.

Section 11 5BBE further provides that no deduction in respect of any expenditure or allowance or set off of any loss shall be allowed to the taxpayer under any provision of Incometax Act in computing his income referred to in sections 68 to 69D.

Thus, the taxpayer is neither entitled to claim any deduction nor entitled to set off any loss for the unexplained expenditure and nor entitled to adjust the basic exemption limit against cash credits charged to tax by virtue of provisions of sections 68 to 69D.

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