

Smt. Srilekha Banerjee and others v. Commissioner of Income-tax, Bihar and Orissa

Civil Appeal No. 486 of 1962

[1964] 2 SCR 552 | 1963-03-27

Burden of explaining high-denomination notes encashed and taxed as income from an undisclosed source

Indian Income-tax Act, 1922: section 34

Three-judge bench; judgment delivered by M. Hidayatullah, J. | S. K. Das, J. | A. K. Sarkar, J. | M. Hidayatullah, J.

Historical ruling; verify current law

This judgment applies historical legislation and facts. Do not treat this note as a current-law or citator-status certificate.

01 FACTS OF THE CASE

A colliery proprietor and contractor encashed 51 notes of Rs.1,000 during demonetisation, saying the cash was floating business capital for weekly labour payments. The books lacked a central transfer account, personal-expense record and a convincing explanation for retaining this cash while making further bank withdrawals.

Source: [Primary judgment: facts and procedural setting](#)

02 DISCUSSION BY THE HON'BLE COURT

An assessee shown to have received money or converted notes bears an initial source explanation burden. A credible business and cash-position explanation may discharge it, after which rejection cannot be unreasonable; but inherent weakness or contrary evidence permits the inference of income. A valid section 34 reassessment uses the same evidentiary rule as an ordinary assessment.

Source: [Primary judgment: reasoning](#)

03 JUDICIAL DECISION

The factual gaps and conduct supported rejection of the explanation and assessment of Rs.51,000 as income from an undisclosed source.

Source: [Primary judgment: holdings](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee appeal dismissed with costs.

Source: [Primary judgment: operative disposition](#)

05 AKHB REVIEW POINT

AKHB analysis: reconcile cash books, bank withdrawals, transfers and actual cash needs before offering a source explanation. The ruling does not make every unexplained receipt taxable without examining the explanation and record.

Source: [Primary judgment: review-point basis](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

Complete 16-page SCR report read in page-preserving text and every page image inspected, from the reported opening page through the operative disposition.

[Open cited source rendition](#)

Exact catalogue SHA-256 and 16-page count verified; every page was read and visually inspected.

STATUTORY SCOPE

Historical statutory provisions are described as they appeared in the report. Verify the current enactment, amendments and later judicial treatment before reliance.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. The note reports the historical statutory text and result in this primary report only.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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