

WhatsApp chats lead to Rs 22.5 crore tax demand for a taxpayer - ITAT ruling clarifies what counts as evidence - Money News | The Financial Express

Clipped from: <https://www.financialexpress.com/money/whatsapp-chats-lead-to-rs-22-5-crore-tax-demand-for-a-taxpayer-itat-ruling-clarifies-what-counts-as-evidence-4175189/>

ITAT Delhi deleted a Rs 22.5 crore tax addition made on the basis of WhatsApp chats and third-party digital data, ruling that such evidence without corroboration cannot justify tax liability under Section 153C.

In a significant ruling, the [Income Tax Appellate Tribunal](#) (ITAT), Delhi struck down a Rs 22.5 crore tax addition made by the [Income Tax Department](#) based largely on WhatsApp chats and digital images found on a third party's phone, holding that such material alone cannot justify tax liability.

Search action triggers case

The matter dates back to a search conducted on January 6, 2021 in the Hans Group. During the search, tax authorities recovered WhatsApp chats, images of envelopes and some digital sheets from the mobile phone of an alleged intermediary.

Based on this material, the department alleged that the taxpayer had made a Rs 22.5 crore cash investment and earned interest on it.

Proceedings were initiated under Section 153C, and in March 2024, the Assessing Officer made additions of Rs 22.50 crore as unexplained investment, and Rs 22.50 lakh as alleged interest income.

Case built on chats, not documents

The taxpayer denied any such transaction and argued that the entire case was based on uncorroborated third-party digital data, without any agreement, receipt, or financial trail. This became the central issue before the tribunal.

What ITAT found

In its order dated October 15, 2025, the ITAT closely examined the material relied upon by the tax department and found major gaps.

The tribunal noted that the WhatsApp chats were "without context", while the images and sheets relied upon were unsigned, unauthenticated and non-specific. It also found that no documentary evidence or transaction trail was produced. None of the individuals whose phones contained the

chats confirmed any transaction. The alleged company involved denied any dealings with the taxpayer.

Significantly, the tribunal observed that the Rs 22.5 crore figure itself was derived through reverse calculations, rather than any real evidence.

Digital evidence alone not enough

Explaining the broader impact, CA Dr. Suresh Surana said the ruling makes it clear that digital evidence on its own cannot be treated as proof of income.

“The ruling underscores that digital communications such as WhatsApp messages, screenshots, or images recovered from electronic devices cannot, by themselves, be treated as conclusive evidence of undisclosed income in search assessments,” he said.

He pointed out that in this case, the additions were “primarily based on WhatsApp chats and images retrieved from the mobile phone of a third party, without any supporting documentation, independent verification, or corroborative evidence linking the alleged transactions to the taxpayer.”

Surana also noted that the tribunal found the evidence itself weak in nature. The images and calculation sheets were “unsigned, unauthenticated and non-specific,” while the chats were “without context” and not supported by agreements, receipts or confirmations.

“Importantly, none of the individuals from whose phones the chats were retrieved confirmed any transaction with the taxpayer, and the alleged investee company also denied having any dealings with him,” he added.

In such a situation, the tribunal held that untested digital data from a third party’s device has no evidentiary value unless backed by credible corroboration.

Strict test under Section 153C

The ruling also highlights an important legal safeguard in search cases.

Surana explained that the decision reinforces that proceedings under Section 153C require a high threshold of proof, especially when the assessment is already completed.

“The ruling is significant in reaffirming the strict jurisdictional threshold required for invoking proceedings under Section 153C, particularly in cases where the assessment for the relevant year is already completed (unabated),” he said.

He noted that in such cases, additions can be made only if specific incriminating material is found during the search.

In the present case, however, the tribunal found that the action was initiated solely on WhatsApp data and images from a third party's phone, without any independent material establishing the transaction.

It emphasised that incriminating material must be "specific, speaking and must clearly bring out the details of undisclosed transaction."

Surana further highlighted that the alleged ₹22.5 crore investment had no documentary trail and was instead derived through reverse calculations from presumed interest, indicating that the addition was based on conjecture rather than evidence.

Clear message from ITAT

By deleting the addition, the tribunal has reinforced a key principle:

Tax additions cannot be based on presumptions, unverified third-party data, or loose interpretation of digital material.

As Surana summed up, the ruling makes it clear that while digital evidence may trigger an inquiry, it must be backed by tangible proof such as financial records, agreements, or a clear transaction trail before it can sustain a tax addition.

Summing up...

The message from the ruling is clear – WhatsApp chats may raise suspicion—but without solid evidence, they cannot lead to tax demands.

It is important to note that this is a ruling of the Income Tax Appellate Tribunal (ITAT). ITAT decisions can be challenged before the High Court and, thereafter, the Supreme Court. Therefore, legal positions may evolve depending on further appeals.

Disclaimer: This article is for informational purposes only and does not constitute professional tax advice. Tax laws and regimes are subject to frequent changes by the government. Readers should verify details with official Income Tax Department notifications or consult a Chartered Accountant before making any financial decisions.
