Punia Capital Pvt. Ltd. v. Assistant Commissioner of Income Tax, Circle 13(2)(2), Mumbai & Ors.

WP 1091/2022

WP 1091/2022 (High Court of Bombay, 2023-02-15) | 2023-02-15

Mechanical reopening reasons and failure to identify deficient disclosure invalidate reassessment.

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High Court of Bombay | Division Bench | Justice Dhiraj Singh Thakur | Justice Abhay Ahuja

Assessment years: 2015-16

Scope of this order

The jurisdictional challenge succeeded; the alleged loan transaction was not independently adjudicated genuine on merits.

01 FACTS OF THE CASE

The original AY 2015-16 scrutiny assessment accepted a loss of Rs.4,23,213. A 31 March 2021 notice alleged an accommodation transaction of Rs.2,15,00,000 involving Outstripe Suppliers. The petitioner said it had advanced, rather than borrowed, the loan and disclosed interest.

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02 DISCUSSION BY THE HON'BLE COURT

The recorded reasons both acknowledged scrutiny and asserted that no scrutiny had occurred. The Court found mechanical non-application of mind and no identified failure of full and true disclosure sufficient for reopening beyond four years.

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03 JUDICIAL DECISION

The section 148 notice dated 31 March 2021 and objection-rejection order dated 14 December 2021 were quashed. No costs were awarded.

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04 OUTCOME / IN WHOSE FAVOUR

The jurisdictional challenge succeeded; the alleged loan transaction was not independently adjudicated genuine on merits.

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05 EXPERT COMMENTS

Read the reasons as a complete contemporaneous record — The contradictory treatment of the prior scrutiny was material, not a harmless substitute for applying the reopening conditions. Revenue described the error as inadvertent, but the Court rejected the mechanical approach.

A formula does not identify a disclosure failure — For the old beyond-four-year regime, a general assertion of failure was insufficient without identifying what material fact the assessee had withheld. The Court applied that requirement to the reasons actually recorded.

Distinguish pleaded facts from decided merits — The direction of the loan and disclosed interest were the petitioner's response. The operative relief quashed the notice and objections order; it did not separately determine the transaction's tax treatment or pronounce an independent sanction ruling.

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SOURCE & VERIFICATION

Primary High Court order - verified local repository copy

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STATUTORY SCOPE

The judgment applies the pre-2021 reassessment framework to the impugned notice. It is not current-law clearance.

LATER TREATMENT

Source checked 2026-10-21. Subsequent judicial treatment has not been independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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