Pr. Commissioner of Income-tax-7, Delhi v. Raja Arora

ITA 132/2025

2025:DHC:3749-DB | 2025-05-14

Raja Arora AY 2016–17: manual scrutiny invalid without approval required by CBDT Instruction 5/2017.

Income-tax Act, 1961: sections 260A, 143(3), 143(2), 132, 153A, 153C

High Court of Delhi | 2-judge bench (Division Bench) | Justice Vibhu Bakhru | Justice Tejas Karia

Assessment years: 2016-17

Scope of this order

Assessee: ITAT's setting aside of the AY 2016–17 assessment was sustained.

01 FACTS OF THE CASE

Revenue challenged ITAT's 24 October 2024 order setting aside the AY 2016–17 assessment dated 6 December 2018. The dispute concerned compulsory manual scrutiny without prior approval under CBDT Instruction 5/2017. Revenue relied on an Airwill Group search, but confirmed that no section 153A/153C notice had issued.

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02 DISCUSSION BY THE HON'BLE COURT

The Court found the conditions of the instruction's search category, paragraph 1(iii), unsatisfied. Specific verifiable information could support selection under paragraph 1(vi), but only with prior jurisdictional PCIT/PDIT/CIT/DIT approval. No such approval had been obtained. The Court did not need to determine whether the alleged information actually existed.

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03 JUDICIAL DECISION

No infirmity was found in setting aside the assessment. Revenue's section 260A challenge was dismissed because no substantial question of law arose.

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04 OUTCOME / IN WHOSE FAVOUR

Assessee: ITAT's setting aside of the AY 2016–17 assessment was sustained.

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05 EXPERT COMMENTS

Identify the applicable selection category — A reference to another group's search was insufficient on these facts to invoke paragraph 1(iii). The source explains the required search or incriminating-material connection rather than treating every search reference alike.

Information and approval are separate requirements — Even verifiable government information under paragraph 1(vi) did not dispense with prior approval. The Court expressly avoided finding whether such information existed because the approval failure was decisive.

Keep the rule tied to its period and procedure — The decision applies Instruction 5/2017 for FY 2017–18 manual selection. It should not be extended without checking the governing procedure for another year or a different selection route.

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SOURCE & VERIFICATION

High Court of Delhi official judgment PDF — AKHB Repository (20250514_DLHC010273962025.pdf)

5-page official High Court of Delhi order/judgment PDF (20250514_DLHC010273962025.pdf, 71,150 bytes).

Complete source text and every original page visually reviewed; identity and SHA-256 checked. AI-assisted source analysis.

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STATUTORY SCOPE

The decisive rule is paragraph 1(vi) of CBDT Instruction 5/2017 dated 7 July 2017, contrasted with paragraph 1(iii). The decision concerns that manual-scrutiny regime, not every scrutiny selection.

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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