Slimtile Private Limited v. Assistant Commissioner of Income Tax & Anr.

R/Special Civil Application No. 13575 of 2023

R/Special Civil Application No. 13575 of 2023 (Guj HC, decided 03.09.2026) | 2026-09-03

Reference made to the District Valuation Officer under section 142A on 24.06.2023 — one day before the assessment for AY 2021-22 became time-barred on 25.06.2023 — quashed as a colourable exercise of power designed solely to invoke Explanation 1(v) to section 153 to artificially extend limitation.

Income-tax Act, 1961: sections 127, 132, 142(1), 142A, 143(2) and section 153 Explanation 1(v)

High Court of Gujarat | 2-judge bench (Division Bench) | A.S. Supehia, J. | Vaibhavi D. Nanavati, J.

Assessment years: 2021-22

Challenge to show-cause notices dated 17.06.2023 and 20.06.2023 not pressed

As recorded in paragraph 1 on page 1, counsel for the petitioner did not press the prayer against the show-cause notices dated 17.06.2023 and 20.06.2023 and confined the challenge to the DVO reference dated 24.06.2023.

01 FACTS OF THE CASE

Slimtile Private Limited filed its return for AY 2021-22 on 14.03.2022 declaring total income of Rs. 8,17,74,420. Following a search and survey on M/s Ratnakala Exports Pvt. Ltd. in September 2021 and selection of the petitioner's return for scrutiny via notice dated 29.06.2022 under section 143(2), the petitioner submitted a detailed reply on 02.12.2022 to a section 142(1) notice dated 21.11.2022 furnishing full banking details for additions to fixed assets (computers, machinery, factory shed, vehicles, furniture, and office equipment). Thereafter, the Assessing Officer took no action on asset valuation for over six months until issuing show-cause notices on 17.06.2023 and 20.06.2023 (which were silent on fixed-asset valuation). After the petitioner objected on 22.06.2023 that the assessment was time-barred, the AO passed an order on 24.06.2023 — a single day before limitation expired on 25.06.2023 — referring the valuation of fixed assets and depreciation to the District Valuation Officer under section 142A.

Source: PDF p.2

02 DISCUSSION BY THE HON'BLE COURT

Revenue conceded that the depreciation objection did not justify a valuation reference because a bogus depreciation claim could be disallowed by the AO. The Court also rejected the separate asset-valuation rationale after examining the chronology: asset-payment details were supplied on 02.12.2022, search material reached the DCIT on 28.12.2022, and the June 2023 notices addressed unaccounted payments without raising asset valuation. The Court found that both grounds were artificially revived in the 24.06.2023 reference to cover inaction and obtain the limitation exclusion under section 153 Explanation 1(v). Anand Banwarilal Adhukia and Me & Mummy Hospital appear in paragraph 9 as authorities cited by the petitioner; the Court's expressed analysis rests on the established facts and documentary sequence.

Source: PDF p.6

03 JUDICIAL DECISION

Holding that the section 142A valuation reference made one day prior to the expiry of limitation was a colourable exercise of power, the Gujarat High Court allowed the writ petition and quashed the impugned reference order dated 24.06.2023.

Source: PDF p.17

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee (Slimtile Private Limited); section 142A reference order dated 24.06.2023 quashed.

Source: PDF p.19

05 EXPERT COMMENTS

AKHB EXPERT COMMENTS — editorial analysis, distinct from the Court's findings.

Timing mattered with the documentary history — Prior notices, replies and available material undermined the reference's stated purposes. The one-day interval mattered in that sequence; it is not a standalone rule invalidating every reference near limitation. A comparable challenge needs to demonstrate an artificial valuation purpose, rather than timing alone.

Separate eligibility from valuation — Revenue could not justify valuation merely to examine ownership or use for depreciation. This does not establish that the depreciation claim was allowable. The Court separately examined and rejected the investment-based justification on this record.

Relief was confined to the reference — The petitioner abandoned its challenge to the June notices. The operative order quashes the 24 June reference without determining unaccounted income or depreciation. Although the Court treats 25 June as the deadline and rejects the extension device, it does not expressly quash those notices or a later assessment.

Source: PDF p.1

SOURCE & VERIFICATION

Original judgment PDF (20260903_GJHC240480492023.pdf)

Reviewed from the complete 20-page official High Court judgment PDF (20260903_GJHC240480492023.pdf, SHA-256: a821c8bb8e469546d8a377b1ce194453a3762f330923d08534871dcd6cfe7dd1).

All 20 original pages read and visually inspected; all five panels audited.

Open cited source rendition

Primary source verified page-by-page (20 physical pages, 331,828 bytes, SHA-256: a821c8bb8e469546d8a377b1ce194453a3762f330923d08534871dcd6cfe7dd1). Cloud Google Drive File ID: 1zVDG1sWnoAUAqhoYstLLFfD5v3iVOE5i (https://drive.google.com/file/d/1zVDG1sWnoAUAqhoYstLLFfD5v3iVOE5i/view). Source discrepancy: Rs.19,75,00,000 in paragraph 15(d), p.10, versus Rs.90,75,00,000 in paragraph 24, p.15; neither treated as a determined addition.

STATUTORY SCOPE

Refers to the Income-tax Act, 1961 and allied statutory rules/circulars as applicable to the relevant assessment years.

LATER TREATMENT

Source checked 2026-10-21. Subsequent 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.

PROFESSIONAL DISCLAIMER

General research information only; not legal or tax advice, a certified judgment or a substitute for the full order. Applicability depends on facts, assessment year, statutory version and jurisdiction. Subsequent treatment is unverified unless identified sources are expressly stated. Downloading does not create a professional engagement. Obtain case-specific advice before reliance.