Jeans Knit Private Limited v. Deputy Commissioner of Income Tax & Anr.

W.P. No. 36150/2013

W.P. No. 36150/2013 (High Court of Karnataka, 2013-08-13) | 2013-08-13

Reasoned reopening objections order sustained; disputed section 10B facts left for enquiry.

Income-tax Act,1961: sections 147, 148, 10B

High Court of Karnataka | Single Bench | Ram Mohan Reddy

Assessment years: 2006-07

01 FACTS OF THE CASE

Jeans Knit challenged reopening and the fresh order dated 2 August 2013 rejecting its objections. In earlier W. P.13174/2013, the Court had required a reasoned decision on those objections. The AO now relied on transfer of premises, machinery, business and employees from Fibres & Fabrics International Pvt. Ltd., together with an employee statement, as grounds to question the section 10B claim.

Source: PDF pp.2–5

02 DISCUSSION BY THE HON'BLE COURT

The Court found a rational nexus between the material and the belief of escaped income. The employee's retraction and alleged coercion required enquiry, as did the asserted job-work relationship between the sister concerns. Reason to believe did not require final proof of the assessment facts at this stage.

Source: PDF pp.6–8

03 JUDICIAL DECISION

The petition was rejected. The fresh reasons for rejecting objections were neither arbitrary nor irrational so as to warrant interference under Article 226.

Source: PDF p.9

04 OUTCOME / IN WHOSE FAVOUR

Reassessment could proceed. This was not a final adjudication quantifying escaped income or conclusively denying section 10B relief after evidence; the disputed transaction and statement issues were left for enquiry.

Source: PDF pp.7–9

05 EXPERT COMMENTS

AKHB Expert Comments — editorial analysis, distinct from the Court's findings.

A procedural remand is not immunity from reopening: The earlier order required the AO to address objections with reasons. It did not decide that reopening was unavailable. The fresh order mattered because it connected the alleged transfer of the undertaking with the deduction claim, curing the earlier lack of reasoned consideration for purposes of this challenge. (PDF pp.3–6)

Separate threshold scrutiny from proof at assessment: The Court accepted an intelligible evidentiary basis for enquiry without treating the employee statement as finally proved. A retraction therefore did not automatically remove jurisdiction, but its circumstances remained a factual issue. The same distinction applies to the asserted job-work arrangement and machinery transfer. (PDF pp.6–8)

The transaction record remains decisive: The apparent continuity of premises, machinery, activity and employees explained the reopening concern. The stated old-machinery percentage alone did not settle the true nature of the arrangement at this stage. Evidence addressing those specific links belongs in the enquiry; the dismissal cannot be substituted for a completed merits determination. (PDF pp.5 and 8–9)

Source: PDF pp.3–6

SOURCE & VERIFICATION

Original High Court judgment PDF — AKHB source repository

Complete 9-page original reviewed; source bytes verified.

Full original and all five panels re-reviewed on 21 October 2026.

Open cited source rendition

Complete original source and all five note panels checked; original docket identities preserved.

STATUTORY SCOPE

Current law and subsequent treatment not independently verified.

LATER TREATMENT

Source checked 2026-10-21. Subsequent proceedings and current judicial treatment have 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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