Deputy Commissioner of Income Tax & Ors. v. Sunil Kumar Sharma; connected appeal against Kandaswamy Rajendra

W.A. 830, 831, 832, 833 and 834/2022

W.A. 830–834/2022 (Karnataka High Court, 22 January 2024) | 2024-01-22

Section 153C jurisdiction, corroboration and transfer safeguards: Revenue appeals rejected; fresh-consideration directions preserved

68 | 69A | 127 | 132 | 153A | 153C | 292C

Karnataka High Court | Division Bench at Bengaluru | K. Somashekar | Rajesh Rai K.

Assessment years: 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19

Final appellate rejection; underlying reconsideration survives

The judgment confirms the Single Judge's order, including remand and rehearing directions. It does not finally compute or extinguish every underlying tax liability.

01 FACTS OF THE CASE

Revenue appealed the common order of 12 August 2022 in five writ petitions. Sunil Kumar Sharma was respondent in W.A. 830–833/2022; Kandaswamy Rajendra in W.A. 834/2022. The litigation arose from the 2 August 2017 searches, diaries and loose sheets, centralization, section 153C notices of 21/22 August 2019 and ensuing assessments. W.P. 9945/2022 also challenged a dismissed statutory appeal. The assessees disputed evidentiary support, transfer safeguards and treatment as persons other than the searched persons.

Source: Caption and paras 1–7,32–37; PDF pp.1–11,48–54

02 DISCUSSION BY THE HON'BLE COURT

The Bench found insufficient corroboration for the loose-sheet entries, applying V.C. Shukla and Common Cause. It accepted the section 127 fair-hearing objection and, on the panchanama record, held the section 153C other-person conditions unmet. It also noted a retracted statement, unavailable seizure record and a consolidated satisfaction note for different years. Jurisdictional defects justified writ scrutiny despite alternative remedies. These are findings on this record; the long quoted passages are not separate findings of fact about these assessees.

Source: Paras 21–31,43–53; PDF pp.23–48,70–91

03 JUDICIAL DECISION

All five Revenue writ appeals were rejected and the Single Judge's common order confirmed. As recited in paragraph 47, the notices and consequential proceedings in W.P. 9937–9939 and 9946/2022 were quashed with fresh-consideration directions; the 3 May 2022 appellate order in W.P. 9945/2022 was quashed with a direction to rehear the appeal after hearing both sides.

Source: Paras 43,47,55–56 and order; PDF pp.70–71,86–87,93–94

04 OUTCOME / IN WHOSE FAVOUR

Final assessee-favourable rejection of Revenue's intra-court appeals, preserving the quashing and reconsideration directions below. The source does not report the subsequent remand result, a refund, or a final computation of all taxable income.

Source: Para 47 and operative order; PDF pp.86–87,94

05 EXPERT COMMENTS

Identify the person, year and evidentiary link separately — The useful audit sequence is the search authorization and panchanama, the seized item, its connection to the particular assessee, the year-specific satisfaction and the resulting addition. The Bench found failures in corroboration and the statutory route, and expressly criticised the consolidated satisfaction note. A label such as diary is insufficient to explain either jurisdiction or proof. Its conclusion must remain tied to the deficiencies it found, not converted into a universal exclusion of every document recovered in a search.

Read the successful appeal outcome with the surviving remand — Paragraph 47 distinguishes quashing of the notices and consequential proceedings from reconsideration of the statutory appeal in W.P. 9945. Paragraph 43 preserves the limitation on reusing the impugned loose-sheet basis in the fresh enquiry. Confirmation on page 94 therefore leaves those directions operative; it does not establish that all income was non-taxable or that the assessees obtained a quantified refund. Each of the five dockets and both assessees must remain visible.

Keep jurisdictional grounds and source limitations explicit — The section 127 objection and section 153C identity objection are distinct from the sufficiency of evidence. Revenue invoked the same-city exception and argued that search was person-specific; the Bench nevertheless upheld relief on the record before it. Its discussion of alternative remedies is grounded in jurisdictional illegality, not a general permission to bypass appeals. Page 91 states a cash figure without a unit: no crore or lakh amount should be supplied editorially. Subsequent treatment remains unchecked.

Source: Editorial analysis; source references in the structured comments

SOURCE & VERIFICATION

Karnataka High Court common judgment; verified source copy

Complete 94-page supplied source; all pages read.

All 94 original pages read and visually inspected; source hash verified. AI-assisted substantive correction.

Open cited source rendition

Source bytes and identity checked; see panel-specific references and disclosed source anomalies.

STATUTORY SCOPE

Only source-supported provisions are indexed; no Income-tax Act, 2025 equivalence is asserted.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment not 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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