Jasmine Towels (P) Ltd. v. Assistant Commissioner of Income Tax, Circle-I, Madurai

T.C.A. No. 394 of 2012

2025:MHC:2864 | T.C.A. No. 394 of 2012 (Madras High Court, decided 11 December 2025) | 2025-12-11

Reopening upheld where no prior consideration of section 80HHC was shown; excessive-relief computation had attained finality.

Income-tax Act, 1961: sections 80HHC, 142(1), 143(2)–(3), 147 Explanation 2(c)(iii), 148 and 260A

High Court of Judicature at Madras | 2-judge bench (Division Bench) | Hon'ble Dr. Justice Anita Sumanth | Hon'ble Mr. Justice Mummineni Sudheer Kumar

Assessment years: 2004-05

01 FACTS OF THE CASE

The original scrutiny assessment dated 29 December 2006 was wholly silent on section 80HHC. A 31 March 2009 notice reopened AY 2004-05. Recorded reasons identified deduction of Rs.35,45,309 and alleged excess relief of Rs.17,33,542 because a negative adjusted-business-profit component had been omitted. The assessee's 25 April 2009 response sought reasons and was acknowledged on 27 April, although the 13 October 2010 reassessment said no response had been made. CIT(A) and ITAT upheld jurisdiction.

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02 DISCUSSION BY THE HON'BLE COURT

The Court recognised the normal scrutiny-assessment presumption, discussing the Delhi Full Bench Kelvinator decision. Here neither the order nor identified prior correspondence showed consideration of the deduction. Historical Explanation 2 to section 147 applied because excessive relief had become final. TechSpan and Hareshkumar Panchani were distinguished by their documented pre-assessment queries and replies. The non-furnishing-of-reasons objection was too late because it had not been raised before CIT(A).

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03 JUDICIAL DECISION

The admitted change-of-opinion question was answered against the assessee and for Revenue. The appeal was dismissed without costs.

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04 OUTCOME / IN WHOSE FAVOUR

The reassessment jurisdiction challenge failed. The Court did not freshly calculate section 80HHC relief: failure to pursue the merits issue before ITAT had left that computation final.

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05 EXPERT COMMENTS

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

Evidence of prior consideration mattered more than the label of scrutiny — The Court did not reject the scrutiny presumption categorically. It sought some indication that the deduction had been considered, such as issue-specific notices, replies or a mention in the assessment. Its distinction of TechSpan and Panchani shows why preserving the original correspondence can decide a change-of-opinion challenge.

Preserve procedural and merits grounds through the appeals — The acknowledged request for reasons did not rescue an objection omitted before CIT(A). Separately, the deduction computation became final because its non-consideration by CIT(A) was not challenged before ITAT. These are distinct losses of grounds; the judgment cannot be read as a fresh merits approval of every computational premise.

The holding is tied to the historical record and statutory text — The Court relied on excessive relief under the then Explanation 2 and absence of an earlier formed opinion on this issue. It did not cite A.L.A. Firm, IPCA Laboratory or A.M. Moosa or decide a new rule under current reopening procedures. The stated dates, recorded reasons and preserved appellate grounds define its practical reach.

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SOURCE & VERIFICATION

High Court of Judicature at Madras official judgment PDF — AKHB Repository (20251211_HCMA010420712012.pdf)

12-page official High Court of Judicature at Madras order/judgment PDF (20251211_HCMA010420712012.pdf, 203,795 bytes).

All 12 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All twelve original pages read and visually verified; judgment delivered by Dr. Anita Sumanth.

STATUTORY SCOPE

The judgment applies the historical section 147 regime to AY 2004-05. It does not decide the modern reopening provisions. The merits of the section 80HHC computation were not preserved before ITAT.

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.

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