M/s. Naandi Foundation v. Assistant Commissioner of Income Tax, Exemption Circle 1(1), Hyderabad and others

WP Nos.30560, 30573 and 30574 of 2025

WP Nos.30560, 30573 and 30574 of 2025; decided 7 September 2026 | 2026-09-07

Reassessment cannot proceed on unexplained suspicion while ignoring the trust's bank and ledger explanations.

Income-tax Act,1961: sections 131(1A), 148, 148A

High Court for the State of Telangana | Division Bench | P. Sam Koshy | Narsing Rao Nandikonda

Assessment years: 2019-20, 2020-21, 2021-22

01 FACTS OF THE CASE

Naandi Foundation, a charitable trust, challenged reassessment proceedings in three connected petitions. For lead AY 2019-20, its nil return claiming exemption under sections 11/12 had been accepted under section 143(1). Following summons and an investigation report treating expenditure as unexplained, it supplied bank records, ledgers and explanations of donor-specific accounts. The challenged section 148A(3) order dated 27 June 2025 nevertheless called for deeper scrutiny.

Source: PDF pp.7–17

02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished the wide inquiry power under section 131(1A) from the material and reasoned consideration required for reassessment. The investigation had expanded the alleged unexplained expenditure without corresponding inquiry or identified sources. The order did not address the documents or identify a false explanation or specific unaccounted sum; a desire for further verification did not establish escapement.

Source: PDF paras 35–41, pp.26–30

03 JUDICIAL DECISION

The section 148A(3) order of 27 June 2025 and consequential section 148 notice for AY 2019-20 were set aside. WP 30573 and 30574/2025 were also allowed on similar lines in the common judgment.

Source: PDF paras 42–43, p.30

04 OUTCOME / IN WHOSE FAVOUR

All three writ petitions were allowed; pending miscellaneous applications were closed without costs. This is relief against the challenged reassessment initiation, not a final computation of the trust's taxable income or a blanket ruling on every receipt or expenditure.

Source: PDF paras 42–44, pp.30–31

05 EXPERT COMMENTS

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

Inquiry power does not establish escapement: Section 131(1A) permits investigation, but does not itself establish escapement. The judgment distinguishes an evidenced discrepancy from treating reported expenditure wholesale as unexplained merely because further inquiry is desired. (PDF paras 36–41, pp.27–30)

Test the order against the actual reply: Bank movements, donor-specific accounts and records were supplied, yet the order neither explained their failure nor identified an unaccounted sum. A useful challenge aligns each alleged discrepancy with the contemporaneous explanation and the order's actual response. (PDF paras 38–40, pp.28–29)

Keep the threshold ruling within its limits: The relief concerns defective reassessment initiation. It does not certify every transfer as exempt, decide expenditure on merits, or convert a section 143(1) intimation into a scrutiny assessment. (PDF pp.7–8 and paras 35–42, pp.26–30)

Preserve all three petitions: All three petitions were allowed. The lead discussion identifies AY 2019-20 and companion years 2020-21 and 2021-22, without expressly assigning each companion year to a docket. No individual mapping is inferred. (PDF p.17 and paras 42–44, pp.30–31)

Source: PDF paras36–41, pp.27–30

SOURCE & VERIFICATION

Original High Court judgment PDF — AKHB source repository

Complete 31-page common judgment and all three two-page proceedings-sheet originals reviewed together. All three writ-petition identities retained.

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

Open cited source rendition

Original proceedings sheets incorporate the separate common order. Complete court-copy judgment recovered from LiveLaw; its caption, date, bench and all three dockets match the sheets. No individual companion docket-to-assessment-year mapping inferred.

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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