

K. C. Thomas, First Income-Tax Officer, Bombay v. Vasant Hiralal Shah and Others

Civil Appeal No. 688 of 1962

[1964] 6 SCR 437 | 1964-01-29

Historical reassessment after eight years: Commissioner sanction was sufficient for a direction-based notice outside clause (ii), and the amended second proviso to section 34(3) extended across section 34's time limits.

Indian Income Tax Act, 1922: section 34(1)(a), clauses (ii) and (iii) of its first proviso, and the second proviso to section 34(3) | Indian Income Tax (Amendment) Act, 1953 (Act 25 of 1953) | Finance Act, 1956 (Act 18 of 1956)

5-judge Constitution Bench | B. P. Sinha, C.J. | K. Subba Rao, J. | Raghubar Dayal, J. | N. Rajagopala Ayyangar, J. | J. R. Mudholkar, J.

Assessment years: 1944-45

Remand, not final notice validation

The Supreme Court decided the sanction and section 34(3) construction issues, then remitted the case because the High Court had not heard the respondents' other objections.

Direction-based exception

The officer relied on the second proviso to section 34(3) because the notice gave effect to a finding or direction of a higher income-tax authority; the result is not a general removal of limitation.

Statutory-version sensitivity

The Court separately discussed the 1953 and 1956 amendments. The exact version governing the notice dated 27 March 1957 was material.

Amount below threshold

The alleged escaped income was Rs. 47,595, so the notice could not issue under clause (ii), which addressed the post-eight-year Rs. 1 lakh threshold. The Court classified the direction-based notice as an 'other case' for Commissioner sanction.

01 FACTS OF THE CASE

The First Income-tax Officer issued the respondents a notice on 27 March 1957 under section 34(1)(a) for Rs. 47,595 of alleged escaped income in assessment year 1944-45. More than eight years had elapsed and the amount was below Rs. 1 lakh. The respondents challenged the notice, arguing that clause (iii) required Central Board of Revenue sanction. The Bombay High Court accepted that point without hearing their other pleaded grounds. The officer maintained that the notice implemented a higher income-tax authority's direction and was protected by the second proviso to section 34(3); Commissioner sanction had been obtained (SCR pp.439-444; PDF pp.3-8).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

Clause (iii)'s Central Board sanction applied to a notice issued in a case falling under clause (ii), which permitted post-eight-year action where escaped income reached Rs. 1 lakh. A below-threshold notice could not issue under clause (ii); if authorised by the second proviso to section 34(3), it fell within clause (iii)'s 'any other case', for which Commissioner sanction sufficed (SCR pp.441-443; PDF pp.5-7). The second proviso had been broadened in 1953 from 'this sub-section' to limits anywhere in 'this section', and revised again in 1956. Its amended language could therefore operate across section 34(1), including the limitation in clause (ii), for action taken in consequence of or to give effect to an appellate finding or direction (SCR pp.443-446; PDF pp.7-10).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court allowed Revenue's appeal, set aside the High Court's order and remitted the writ matter for consideration of the respondents' other grounds. Costs were directed to abide the remanded result (SCR p.446; PDF p.10).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

Procedurally in favour of Revenue/appellant on the issues decided. The absence of Central Board sanction did not invalidate this direction-based notice, but the Court did not finally uphold the reassessment or decide the respondents' unargued objections (SCR pp.442-446; PDF pp.6-10).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: identify the precise statutory source of authority for a late notice before selecting the approval level. Keep apart a threshold-based reopening, a direction-based exception and the ultimate merits of the notice. Preserve the amendment effective dates, alleged escaped amount, elapsed period, underlying finding or direction and all grounds left open on remand (based on SCR pp.442-446; PDF pp.6-10).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

Full 10-page SCR report read and checked. The editorial headnote was distinguished from the judgment text and operative order.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and 10-page count match catalogue asset 1964_6_437_446; the full extracted report and operative pages were reviewed.

The source verifies Civil Appeal No. 688 of 1962, the stated bench, issues, reasoning and operative result. No published AKHB note or archived reviewed record with this source hash, case identity and operative decision was found.

STATUTORY SCOPE

The judgment turns on successive 1953 and 1956 amendments to section 34 of the Indian Income Tax Act, 1922 and a notice issued to give effect to a higher authority's direction. It does not determine current reassessment limitation, approval or direction provisions.

LATER TREATMENT

Source checked 2026-10-10. Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

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