

S. Narayanappa & Ors. v. Commissioner of Income-tax, Bangalore

Civil Appeal No. 562 of 1965

[1967] 1 SCR 590 | 1966-09-27

Historical reassessment jurisdiction: the existence and rational nexus of the Income-tax Officer's reason to believe were reviewable, but the sufficiency of relevant grounds was not; the section 34(1)(a) reopening was upheld.

Indian Income-tax Act, 1922: sections 22(2), 22(4) and 34(1)(a)

3-judge bench | J. C. Shah, J. | V. Ramaswami, J. | V. Bhargava, J.

Assessment years: 1951-52

Historical section 34 standard

The decision concerns the 1922 Act's section 34(1)(a), including its then four-to-eight-year setting and pre-notice sanction stage. Do not transpose its notice, reasons-disclosure or limitation conclusions mechanically to a later reassessment statute.

01 FACTS OF THE CASE

For AY 1951-52, concerning the previous year ended 30 June 1950, the assessee did not comply with notices under sections 22(2) and 22(4) and filed no return. A best-available-material assessment fixed income at Rs.36,068 on 23 February 1955. During the AY 1955-56 proceedings, a wealth statement showed Rs.39,000 of investment in the earlier year; scrutiny of that statement, the bank account and the scale of business also disclosed omitted house-property items. The Officer reopened under section 34(1)(a) and reassessed income at Rs.89,002 on 31 March 1960. The assessee contested jurisdiction, not quantum.

Source: [Assessment history and jurisdictional challenge: SCR p.591 / PDF p.2](#)

02 DISCUSSION BY THE HON'BLE COURT

For a reopening beyond four but within eight years, the Officer needed reason to believe both that chargeable income had been under-assessed and that the under-assessment resulted from the assessee's failure to return income or to disclose fully and truly all material facts. Those were conditions precedent. The Court could examine whether the belief existed in good faith and whether the stated reasons had a rational connection or relevant bearing; a mere pretence or extraneous grounds would not suffice. But once some reasonable relevant grounds existed, their adequacy or sufficiency was not for the Court to reweigh. The investment, omitted property, bank material and the original failure to return supplied the required nexus. The Court also held that, under this historical scheme, recording reasons and obtaining the Commissioner's sanction preceded notice and were administrative; the Act did not make communication of the reasons inducing sanction a condition for initiation.

Source: [Conditions precedent, limited judicial review, nexus and historical communication issue: SCR pp.592-594 / PDF pp.3-5](#)

03 JUDICIAL DECISION

The Court upheld the Tribunal and High Court findings that the Officer had reasonable grounds and a direct nexus between the assessee's failure to file a return and the under-assessment. It rejected the jurisdictional and reasons-communication objections and dismissed the appeal with costs.

Source: [Application and final dismissal: SCR pp.593-594 / PDF pp.4-5](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue. The AY 1951-52 reopening under historical section 34(1)(a) remained valid and the assessee's appeal was dismissed with costs. The Court did not independently redetermine the reassessed quantum.

Source: [Qualified outcome: SCR p.594 / PDF p.5](#)

05 AKHB REVIEW POINT

AKHB analysis: separate the existence and relevance of recorded material from its persuasive sufficiency. Build a chronology linking each item to the assessee, the relevant year, the alleged return or disclosure failure and the escaped income. At the same time, do not use this 1922 Act decision as a standalone answer on present notice, sanction, reasons-supply or limitation requirements; verify the governing statutory version and later judicial treatment.

Source: [AKHB analysis based on the jurisdiction and rational-nexus reasoning](#)

SOURCE & VERIFICATION

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

Full 5-page SCR report read and visually reviewed. The editorial headnote is on PDF p.1; the unnumbered judicial text begins on PDF p.2/SCR p.591 and ends on PDF p.5/SCR p.594. No neighbouring judgment is included.

[Open cited source rendition](#)

Exact source bytes and 5-page count match catalogue asset 1967_1_590_594.

The report identifies Civil Appeal No.562 of 1965, decided 27 September 1966 by J.C. Shah, V. Ramaswami and V. Bhargava JJ.; Ramaswami J. delivered the judgment.

PDF p.1 is an editorial headnote; judicial reasons were taken from PDF pp.2-5/SCR pp.591-594.

The Court addressed reasons leading to reopening and sanction under the historical scheme; no current-law reasons-supply proposition is certified.

STATUTORY SCOPE

This judgment applies the reassessment scheme in sections 22 and 34 of the Indian Income-tax Act, 1922 for AY 1951-52. It does not certify the requirements, disclosure rules or limitation periods under any later reassessment regime.

LATER TREATMENT

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

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