

Kantamani Venkata Narayana & Sons v. First Additional Income-Tax Officer, Rajahmundry

Civil Appeals Nos. 154 to 165 of 1966

[1967] 1 SCR 984 | 1966-10-27

Historical reassessment jurisdiction: production of account books did not by itself discharge the assessee's duty to disclose fully and truly the material facts relevant to unexplained wealth accretions.

Indian Income-tax Act, 1922: sections 22(2), 23 and 34(1)(a) | Income-tax and Business Profits Tax (Amendment) Act, 1948

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

Assessment years: 1940-41 to 1951-52

Historical reassessment provision

The holding concerns section 34 of the Indian Income-tax Act, 1922 across assessment years 1940-41 to 1951-52; it is not a statement of the current reassessment regime.

Jurisdiction, not completed reassessment

The Court upheld the existence of conditions permitting reopening; it did not determine the eventual quantum or merits of escaped income.

01 FACTS OF THE CASE

The assessee was a Hindu undivided family earning principally from money-lending. While assessing Motu Industries Ltd., the Income-tax Officer discovered a large accretion to the assessee's wealth not disclosed in its assessment proceedings. Notices were issued for assessment years 1950-51 and 1951-52 and, later, under section 34 for 1940-41 through 1949-50. The assessee sought prohibition against all twelve reopening proceedings. The single judge rejected the petitions and the Andhra Pradesh High Court affirmed that result.

Source: [Assessee, notices, assessment years and writ history: SCR p.985 / PDF p.2](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court first held that a section 34 notice was not invalid merely because it did not identify clause (a) or (b); the operative notice was under section 22(2). For section 34(1)(a), the Officer needed reason to believe both that income was under-assessed and that the under-assessment resulted from the assessee's non-disclosure of material facts. The existence and rational relevance of grounds were reviewable, but their sufficiency was not. Here the affidavits identified disproportionate growth in money-lending investments and wealth, missing earlier books, a non-produced partition deed and unsupported explanations of cash and gifts. That material was not a mere change of opinion and rationally supported the reopening belief. Mere production of account books was not necessarily full and true disclosure; relevant entries or document portions had to be brought to the Officer's notice. The High Court's task was only to decide whether reopening conditions existed, not finally to decide non-disclosure or escaped income.

Source: [Notice form and section 34 conditions: SCR pp.986-987 / PDF pp.3-4](#); [Affidavit material, disclosure duty and judicial-review limit: SCR pp.988-990 / PDF pp.5-7](#)

03 JUDICIAL DECISION

The Court held that the material before the Income-tax Officer supplied prima facie reason to believe that material information had been withheld and income had escaped assessment. It rejected the challenge to the notices and dismissed all appeals with costs, allowing one hearing fee. It did not finally assess the alleged escaped income.

Source: [Prima facie basis, disclosure duty and operative dismissal: SCR pp.989-990 / PDF pp.6-7](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Revenue/proceeding authority on reopening jurisdiction. The assessee's appeals failed and the section 34 proceedings could continue; this was not a final merits determination of escaped income.

Source: [Scope of High Court review and dismissal: SCR p.990 / PDF p.7](#)

05 AKHB REVIEW POINT

AKHB analysis: in any reopening challenge, separate the existence and legal relevance of the recorded material from its evidentiary sufficiency. A file should show what primary fact was not disclosed, where it should have appeared, how it bears on alleged escapement and whether the notice rests on genuinely new material rather than a revised inference. Do not transfer this historical section 34 result to current law without checking the governing assessment year, statutory version, limitation, approval and notice procedure.

Source: [AKHB analysis based on the jurisdictional conditions and full-disclosure reasoning](#)

SOURCE & VERIFICATION

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

Full 7-page SCR source file read. PDF p.1 is the editorial headnote; the unnumbered judicial text begins on PDF p.2 and continues through the operative order on PDF p.7. No neighbouring judgment appears in the file.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and seven-page count match catalogue asset 1967_1_984_990; every page was read.

The judicial text verifies Civil Appeals Nos. 154 to 165 of 1966, decision date 27 October 1966 and the three-member bench.

Search of content/supreme-court-cases.json found no published record matching this title, citation or decision.

STATUTORY SCOPE

This decision interprets the former Indian Income-tax Act, 1922, including section 34 as amended during the relevant period. No equivalence with the present reassessment regime, limitation rules or notice requirements has been assumed or checked.

LATER TREATMENT

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

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