

Commissioner of Income-tax, Gujarat v. A. Raman & Company

Civil Appeal No. 768 of 1966

[1968] 1 SCR 10 | 1967-07-18

Whether historical section 147(b) permitted reopening on later-obtained information about resale profits earned by related HUF concerns, and whether the officer had reason to believe that taxable income of the assessee-firm had actually escaped assessment.

147(b), historical text (report prints 147(1)(b))

3-judge bench; one opinion | J.C. Shah, J. | S.M. Sikri, J. | V. Ramaswami, J.

Assessment years: 1959-60, 1960-61, 1961-62

IMPORTANT: HISTORICAL REASSESSMENT TEST, QUALIFIED TAX-PLANNING LANGUAGE AND SOURCE LIMITS

This preserved eSCR-mirror report decides the historical section 147(b) test for three 1959-60 to 1961-62 reassessments; it is not an independently authenticated signed original. Section 147 was later substituted with effect from 1 April 1989, and the original information discussion is not permission to reopen on a mere change of opinion. The tax-planning passage must be read with the judgment's own sham/benami limitation and the later McDowell debate addressed in Azadi; it is not a blanket licence for colourable devices. Bounded checks below do not certify present enforceability. Comprehensive later treatment, current law and Income-tax Act 2025 mapping remain NOT VERIFIED.

01 FACTS OF THE CASE

A. Raman & Company dealt in mill stores. Its two partners were also managers of their respective Hindu undivided families, which traded as A.M. Shah & Co. and R. Ambalal & Co. The firm sold goods to these concerns and other dealers. For AYs 1959-60, 1960-61 and 1961-62 the firm, its partners and the two HUFs were assessed in different circles. Their cases were later transferred to the Income-tax Officer, Group Circle-I, Ahmedabad (physical 2/SCR 11 C-F).

By letter dated 20 March 1964, the officer said that the assessment records showed profits being diverted from the firm to the partners' HUFs and invited objections to reopening the three years. The firm maintained that complete returns, account books, quantity details and all material information had already been supplied. The officer issued three separate reassessment notices under the provision described in the report as section 147. The Gujarat High Court, exercising Article 226 jurisdiction, quashed the notices and restrained further proceedings. Revenue appealed by special leave from the High Court's 18 December 1964 order in Special Civil Application 332/1964 (physical 2-3/SCR 11 B-H and 12 A). No income, tax, transfer-price differential or refund amount is quantified in the Supreme Court report.

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

Shah J.'s single opinion treated two jurisdictional requirements as distinct: information in the officer's possession, and reason arising from it to believe that income chargeable to tax had escaped assessment. The Court quoted the then section 147(b), which operated notwithstanding the absence of an omission or failure of the kind described in clause (a), subject to sections 148 to 153. Drawing on *Calcutta Discount Co.*, it held that the High Court could prohibit reassessment where a jurisdictional condition was absent. It could examine whether information existed and whether that information could support the requisite belief; it could not substitute its own appraisal of evidentiary sufficiency for the officer's (physical 3-5/SCR 12 B-14 B).

Information was described as instruction or knowledge from an external source about relevant facts, particulars or law. It had to come into the officer's possession after the original assessment. But the possibility that a diligent officer could previously have discovered it from the existing record, enquiry or research did not itself destroy jurisdiction. The High Court had therefore taken an incorrect approach in treating earlier discoverability as decisive. It had also exceeded its role by examining whether the officer's inference about the HUFs' larger resale profits was correct or proper (physical 4-5/SCR 13 C-14 G). These observations do not say that a new opinion on exactly the same already-considered material is invariably fresh information.

Revenue nevertheless failed on the other branch. The officer's affidavit said that the firm had sold to the HUF concerns, which then earned substantial resale profits, and characterised the arrangement as a contrivance. As the Court understood that case, the complaint was about income the firm could have earned but had not earned. A trader was not legally obliged to extract the maximum possible profit from every transaction; tax attached to income accruing to it, not to a hypothetical profit opportunity (physical 5-6/SCR 14 H-15 E).

The Court distinguished genuine pre-accrual arrangements from a device presenting the assessee's own income as another person's. Its historical tax-planning observations addressed distributing the tax charge through commercial arrangements and diverting income before accrual, with effectiveness governed by the Act. It expressly preserved taxation and possible reassessment where the income truly belonged to the assessee, including nominal transfers with the HUFs acting merely as benamidars. No such factual case was attempted in the officer's affidavit here. The record therefore did not support reason to believe that the firm's income had escaped assessment (physical 6-7/SCR 15 E-16 A). The judgment does not find that every connected-party sale is immune from scrutiny, establish the HUFs as benamidars, or quantify a permissible profit margin.

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

The Commissioner's appeal was dismissed and the Gujarat High Court order was confirmed. All three challenged reassessment notices remained quashed and the restraint on proceedings remained effective. The affirmance rested on the absence of the necessary belief in escaped income on the materials presented, despite the Court's rejection of the High Court's approach to earlier discoverability and evidentiary reappraisal. There was no order as to costs in either the Supreme Court or the High Court (physical 7/SCR 16 A-B).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: A. Raman & Company, the assessee-firm

Revenue appeal dismissed; High Court quashing and restraint confirmed

Reasoned final jurisdictional determination; no remand

The three notices and the officer's actual affidavit/materials; no general exemption for related-party arrangements

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

Separate the information question from the escaped-income question. New knowledge about another person's profit does not, by itself, show that the assessee's income escaped assessment. Identify what was newly learned, when it was learned, whose income actually arose, and whether the alleged arrangement conceals the assessee's own income. Keep an objection to the existence of jurisdiction distinct from asking a writ court to reweigh evidence.

The historical information language needs care. Indian and Eastern Newspaper Society (31 August 1979), physical 6/SCR 447 E-F and physical 10/SCR 451 A-H, expressly uses Raman's definition but rejects reopening on a mere reconsideration of the same material. It distinguishes an audit party's communication of existing law from its own legal opinion. Kelvinator (18 January 2010), paragraph 6 on physical 5-6/SCR 772-773, addresses the changed post-1 April 1989 regime and retains the change-of-opinion safeguard and tangible-material requirement. That is a statutory-era comparison, not a claim that Kelvinator directly overruled Raman. The 2011 government-hosted compilation and the Department's version labelled 2006 independently record the 1989-effective substitution and amendment; neither is a present-law certification.

Treat the tax-planning language as a separate proposition. Azadi Bachao Andolan (7 October 2003), physical 67-68/SCR 288 B-289 B, expressly records Chinnappa Reddy J.'s criticism of Shah J.'s Raman observations in McDowell, then distinguishes that view from the majority's acceptance of planning within law and rejection of colourable devices. At physical 72-73/SCR 293 E-294 E, Azadi treats Raman's observations as relevant in its own context and rejects a universal condemnation of lawful tax planning. This is bounded treatment read in Azadi itself; McDowell has not been independently reread here. It neither establishes wholesale overruling of Raman nor validates any present scheme. Verify the applicable anti-avoidance provisions, actual transaction and subsequent authorities before reliance. AKHB REVIEW POINT is editorial analysis.

Source: See the proposition-specific paragraph and PDF-page references below.

DETAILED DISPOSITION AND CONNECTED GROUPS

Costs: No order as to costs in the Supreme Court or High Court

Monetary effect: No fresh taxable amount, refund or payment direction quantified

Proceeding outcomes

1.

Case number: Civil Appeal No. 768 of 1966

Parties: Commissioner of Income-tax, Gujarat v. A. Raman & Company

Appellant role: Revenue

Assessment years: 1959-60; 1960-61; 1961-62

Underlying proceeding: Gujarat High Court Special Civil Application No. 332 of 1964, judgment/order dated 18 December 1964

Outcome: Appeal dismissed; quashing of all three reassessment notices and restraint on proceedings confirmed, on the absence of reason to believe escaped income rather than the High Court's information/evidentiary approach

Costs: No order as to costs in the Supreme Court or High Court

Pinpoint: Physical 2/SCR 11 B; physical 7/SCR 16 A-B

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, decision date and complete appeal

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: Title/date/bench at physical 1/SCR 10 A-B; appellate recital at physical 2/SCR 11 B-C

Source role: reported identity and jurisdiction

2.

Topic: Assessment years, related concerns and reopening history

Source url: [Open cited source](#)

Pdf pages: 2; 3

Paragraphs: Unnumbered opening judicial paragraphs: SCR 11 C-H to 12 A

Source role: judicial text

3.

Topic: Historical statutory text and jurisdictional conditions

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: SCR 12 B-H to 13 C

Source role: judicial text

4.

Topic: Meaning of information, earlier discoverability and writ-review limit

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: SCR 13 C-H to 14 G

Source role: judicial text

5.

Topic: Officer's affidavit, actual accrual and sham/benami distinction

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7

Paragraphs: SCR 14 H to 16 A

Source role: judicial text

6.

Topic: Final dismissal, High Court result and costs in both courts

Source url: [Open cited source](#)

Pdf pages: 7

Paragraphs: SCR 16 A-B; operative judicial ending

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

148 to 153, mentioned in the quoted historical provision; not individually decided; Constitution of India, Article 226

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

J.C. Shah, J., for the Court

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED STATUTORY CHECKS AND THEIR LIMITS

1.

Source: Income Tax Act 2011, Directorate of Income Tax (PR, PP & OL), government-hosted Taxmann compilation

Url: [Open cited source](#)

Pinpoint: Physical 720/printed 1.679, footnotes 71 and 74

Result: Historical substitution of section 147 by the 1987 Act and amendment by the 1989 Act effective 1 April 1989. Later statutory change established; current law and complete legislative chain not verified.

2.

Source: Income Tax Department, section 147, version labelled 2006

Url: [Open cited source](#)

Pinpoint: Year 2006 label and footnotes 4 and 7

Result: Corroborating official web-extracted historical text only; not an original Gazette, raw retained HTML or 2026 statute.

SPECIFIED LATER TREATMENT CHECKS AND THEIR LIMITS

1.

Source: Indian and Eastern Newspaper Society, New Delhi v. CIT, 31 August 1979

Url: [Open cited source](#)

Pinpoints: Physical 6/SCR 447 E-F, 10/SCR 451 A-H, 11/SCR 452 A-D and 14/SCR 455 A-B

Result: Uses Raman information definition; same-material reconsideration and an audit party's legal opinion do not suffice. Communication of law distinguished. No comprehensive citator claim.

Status: bounded only

2.

Source: CIT, Delhi v. Kelvinator of India Ltd., 18 January 2010

Url: [Open cited source](#)

Pinpoints: Paragraphs 2-6, physical 3-6/SCR 770-773

Result: Later statutory-era comparison: section 147 changed from 1 April 1989; change of opinion remains constrained and tangible material required in the regime decided. No direct overruling attribution.

Status: bounded only

3.

Source: Union of India and Another v. Azadi Bachao Andolan and Another, 7 October 2003

Url: [Open cited source](#)

Pinpoints: Physical 67-68/SCR 288 B-289 B; 72-73/SCR 293 E-294 E

Result: Direct discussion of adverse McDowell separate-opinion treatment of Raman and the majority distinction, followed by context-specific continued relevance of Raman. No standalone McDowell rereview or present enforceability conclusion.

Status: bounded only

BOUNDED NON-PDF SOURCES AND READING LIMITS

1.

Kind: official departmental statutory web text

Title: Income Tax Department, section 147, version labelled 2006

Url: [Open cited source](#)

Source url: [Open cited source](#)

Source format: Official departmental web extraction with Taxmann copyright footer

Read bounds: Version year and substantive text/footnotes at web lines 38-94 read; bounded reliance only on footnotes 4 and 7 recording 1 April 1989 historical substitution/amendment.

Physical text pages read:

Physical image pages read:

Raw source retained: False

Raw source sha256: Not stated in the reviewed record

Provenance: Returned web extraction retained in provenance/bounded_web_evidence.json. No original HTML/PDF bytes, page count, images or current-law certification claimed.

Current law certification: False

Evidence recorded at utc: 2026-10-05T23:38:05.915917+00:00

Accessed date utc: 2026-10-05

Selected version: 2006

Year: 2006

Version scope: Historical version explicitly labelled 2006 on the official departmental page; not current-law certification.

RETAINED PDF SOURCE CHECKS AND READING LIMITS

1.

Kind: bounded auxiliary primary or official source

Title: Indian and Eastern Newspaper Society, New Delhi v. CIT, 31 August 1979

Url: [Open cited source](#)

Source url: [Open cited source](#)

Source file: later_checks/Indian_Eastern_1979.pdf

Sha256: 9fec570a477dd2b7061f504a98b3516cba6141fef120b8784a26b3eeef66bf0f

File bytes: 486536

Pdf pages: 14

Physical text pages read: 1; 2; 3; 4; 5; 6; 7; 8; 9; 10; 11; 12; 13; 14

Physical image pages read: 1; 6; 10; 14

Full document read: True

Read bounds: Full 14-page extracted text read for context, including the judicial body at physical 4-14/SCR 445-455; images checked only at listed pages. Direct reliance: Raman information definition, SCR 447 E-F; independent legal evaluation and change-of-opinion limit, SCR 451 A-H; holding at SCR 455 A-B. This auxiliary comparison does not create a second primary note.

Provenance: Unchanged retained source reused and exact hash/bytes/page count reverified. Bounded reading only as listed; no fresh signed-original authentication or live-source availability certification.

Current law certification: False

2.

Kind: bounded auxiliary primary or official source

Title: CIT, Delhi v. Kelvinator of India Ltd., 18 January 2010

Url: [Open cited source](#)

Source url: [Open cited source](#)

Source file: later_checks/Kelvinator_2010.pdf

Sha256: cc18ad49419166de7ba5061fa93955805078d7cb08049acda980af79ab11ac94

File bytes: 171129

Pdf pages: 6

Physical text pages read: 3; 4; 5; 6

Physical image pages read: 1; 5; 6

Full document read: False

Read bounds: Complete judicial paragraphs 1-6 and final dismissal on physical 3-6/SCR 770-773 read; identity cover image checked. Direct reliance on historical substitution and paragraph 6's change-of-opinion/tangible-material limitation. Editorial text is not used as holding.

Provenance: Unchanged retained source reused and exact hash/bytes/page count reverified. Bounded reading only as listed; no fresh signed-original authentication or live-source availability certification.

Current law certification: False

3.

Kind: bounded auxiliary primary or official source

Title: Union of India and Another v. Azadi Bachao Andolan and Another, 7 October 2003

Url: [Open cited source](#)

Source url: [Open cited source](#)

Source file: later_checks/Azadi_2003_reported.pdf

Sha256: 58c84f8a855a51a14615c7d6788194669ddbb0f0732d2afbbf55720689f2f594

File bytes: 2979326

Pdf pages: 79

Physical text pages read: 1; 65; 66; 67; 68; 69; 70; 71; 72; 73; 74; 78; 79

Physical image pages read: 1; 67; 68; 72; 73

Full document read: False

Read bounds: Selected identity, McDowell discussion and outcome context only; not the complete 79-page case. The complete Raman/McDowell comparison across physical 67-68/SCR 288 B-289 B and physical 72-73/SCR 293 E-294 E is relied upon. Neighbouring discussion on physical 65-74 and 78-79 was read for context. No independent reread of McDowell or present treaty-law certification.

Provenance: Unchanged retained source reused and exact hash/bytes/page count reverified. Bounded reading only as listed; no fresh signed-original authentication or live-source availability certification.

Current law certification: False

4.

Kind: bounded auxiliary primary or official source

Title: Income Tax Act 2011, Directorate of Income Tax (PR, PP & OL), government-hosted Taxmann compilation

Url: [Open cited source](#)

Source url: [Open cited source](#)

Source file: later_checks/DOR_2011_Act.pdf

Sha256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

File bytes: 8394755

Pdf pages: 1251

Physical text pages read: 720; 721

Physical image pages read: 1; 720

Full document read: False

Read bounds: Cover checked; section 147 and continuation at physical 720-721/printed 1.679-1.680 read. Footnotes 71 and 74 establish the 1987 substitution and 1989 amendment effective 1 April 1989. A 2011 compilation is not a current 2026 statute or independently authenticated Gazette. No complete amendment/commencement/transition chain checked.

Provenance: Unchanged retained source reused and exact hash/bytes/page count reverified. Bounded reading only as listed; no fresh signed-original authentication or live-source availability certification.

Current law certification: False

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 7 PDF pages; SHA-256

d299908e990849144e17738dc1b786ddce70196c821d82312b7191a9e3304aeb. Original bytes preserved.

Open cited source rendition

full primary text read: True; all primary page images reviewed: True; material primary page images reviewed: True; source integrity verified: True; actual statutory scope verified: True; all listed proceedings accounted for: True; all authored opinions separately accounted for: True; material later treatment limits prominent: True; comprehensive later treatment verified: False; current law verified: False; mapping 2025 verified: False; independent QA complete: True; parent full prose approval: True

Printed SCR citation, judgment date, full docket and bench verified. Frozen INSC label retained solely as catalogue metadata. The 1968 report year is not the decision year.

These are the three reassessment years. The judgment directly applies the 1961 Act reassessment provision despite the earlier assessment years; it does not separately decide a savings or transition question.

STATUTORY SCOPE

No Income-tax Act 2025 section-equivalence, commencement, transition, savings or automatic precedent carryover certified.

LATER TREATMENT

Source checked 2026-10-05. not_verified

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 7

SHA-256: d299908e990849144e17738dc1b786ddce70196c821d82312b7191a9e3304aeb

bounded auxiliary primary or official source - PDF pages: 14

SHA-256: 9fec570a477dd2b7061f504a98b3516cba6141fef120b8784a26b3eeef66bf0f

bounded auxiliary primary or official source - PDF pages: 6

SHA-256: cc18ad49419166de7ba5061fa93955805078d7cb08049acda980af79ab11ac94

bounded auxiliary primary or official source - PDF pages: 79

SHA-256: 58c84f8a855a51a14615c7d6788194669ddb0f0732d2afbbf55720689f2f594

bounded auxiliary primary or official source - PDF pages: 1251

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

Income Tax Department, section 147, version labelled 2006

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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