

Chhugamal Rajpal v. S. P. Chaliha & Ors.

Civil Appeal No. 1311 of 1967

[1971] 3 SCR 442 | 1971-01-21

Did a vague report suggesting investigation of alleged name-lender loans, coupled with mechanical Commissioner approval, satisfy the historical jurisdictional conditions for a section 148 notice?

147(a) | 147(b) | 148(1) | 148(2) | 151(2)

Three judges | J.C. Shah, CJI | K.S. Hegde, J. | A.N. Grover, J.

Assessment years: 1960-61

Historical reopening safeguards; vague suspicion is not enough

This 1971 ruling quashed the notice for a deficient factual basis and mechanical sanction under the then sections 147, 148 and 151(2). It did not decide that the loans were genuine or that no reasons had ever been recorded. The source gives inconsistent original-income figures and prints 1951 in a reproduced report heading. Phool Chand later distinguished the case where specific relevant information existed, and section 147 was subsequently replaced. Original PDF unchanged; comprehensive later treatment, current law and 2025 mapping are not verified.

01 FACTS OF THE CASE

The assessee partnership carried out construction contracts for the Railways and Government. For AY 1960-61, corresponding to accounting year 1959-60, it produced its books, relevant papers, and a statement naming and giving the addresses of creditors from whom it said it had borrowed on hundis. The narrative records an assessment after enquiry of Rs. 69,886. The reproduced reopening report instead records original assessed income of Rs. 73,604; the source does not reconcile those amounts (physical page 2/SCR 443 D-F; page 5/SCR 446 A).

On 3 June 1966 the Income-tax Officer, A Ward, Muzaffarpur, issued a section 148 notice. The assessee challenged the notice and consequent proceedings under Articles 226 and 227. The Patna High Court dismissed the petition in limine, and the assessee appealed by special leave. The Supreme Court required the Department's records because the officer's affidavit was vague and indefinite. At the resumed hearing on 18 January 1971, only the officer's report and the Commissioner's approval were produced. The order sheet recording reasons under section 148(2) was not produced; the judgment does not find as a historical fact that no reasons had ever been recorded (physical pages 2-4/SCR 443 C-445 F).

The report dated 30 April 1966 invoked section 147(a), referred generally to departmental communications suggesting certain Calcutta creditors were name lenders and their transactions bogus, and said investigation of the loans was necessary. It estimated escapement at Rs. 1,00,000. Against the form's question whether this was a fit case for issue of notice, the Commissioner wrote Yes and signed on 13 May 1966. These were recorded allegations and administrative entries, not judicial findings that the loans were fictitious or that Rs. 1,00,000 was taxable (physical pages 4-5/SCR 445 G-446 H).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court selected the section 151(2) objection and expressly left the assessee's other contentions unexamined. Under the provision then applicable, a notice after four years from the end of the relevant assessment year required the Commissioner's satisfaction, on reasons recorded by the Income-tax Officer, that the case was fit for notice. Historical section 148(2) separately required the officer to record reasons before issuing notice. The judgment describes the notice as after four but before eight years; that description is not a present-day limitation rule (physical pages 3-4/SCR 444 E-445 B).

The report did not state the facts contained in the communications or explain why they supported reopening this assessee's assessment. The officer had not reached even a prima facie conclusion that the particular transactions were not genuine. A vague feeling that the transactions might be bogus, and a desire to investigate their truth, were not equivalent to reasons for issuing a section 148 notice. Some prima facie grounds had to precede the exercise of that jurisdiction (physical pages 5-6/SCR 446 G-447 B).

The Court explained the alternative routes under the then section 147: clause (a) required belief in escaped income attributable to the assessee's failure to make the return or disclose fully and truly the material facts; clause (b) addressed belief based on information notwithstanding the absence of such failure. It did not require both alternatives cumulatively. On the report produced, the Court was not satisfied that material existed meeting either route. The report's formal invocation of section 147(a) could not supply the missing factual basis (physical page 6/SCR 447 B-G).

The Commissioner also acted mechanically. In this record, simply writing Yes on the deficient report showed no meaningful application of mind; careful reading could not have supported permission on the material presented. The Court condemned substitution of form for substance in the safeguards imposed by sections 147 and 151. Its reasoning must be read with the underlying absence of articulated grounds; it should not be enlarged into an abstract rule that every brief approval is invalid regardless of the record (physical pages 6-7/SCR 447 G-448 B).

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

03 JUDICIAL DECISION

The appeal was allowed, the Patna High Court order set aside, and the impugned section 148 notice quashed. Respondent No. 2 was directed to pay the appellant's costs in both the Supreme Court and High Court. No reassessment merits or quantified escaped income was decided, and no remand was ordered (physical page 7/SCR 448, final operative paragraph).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Appeal allowed; High Court order set aside; notice quashed; costs in both courts payable by Respondent No. 2

Reasoned determination of jurisdictional prerequisites for historical reassessment notice

Notice jurisdiction only; other pleaded grounds and the ultimate genuineness or taxability of the loans were not decided.

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

05 AKHB REVIEW POINT

For a historical reopening challenge, keep the officer's contemporaneous reasons, the information they identify, the connection to the assessee and year, and the approving authority's consideration separate. A form or borrowed allegation cannot replace those links. Equally, distinguish non-production of the reasons sheet in litigation from a proved failure ever to record reasons.

The later cases prevent overstatement in either direction. Lakhmani Mewal Das expressly applied Chhugamal to unsupported name-lender allegations and insisted on a real connection to the assessee and relevant year, while preserving the distinction between review of a relevant basis and judicial reweighing of its sufficiency (physical pages 8-10/SCR 963-965). Phool Chand Bajrang Lal expressly distinguished Chhugamal: specific information obtained by enquiry into the identified creditor and period was materially different from the earlier general communication. Phool Chand upheld initiation while reserving the actual reassessment merits. This case therefore does not immunise disclosed loan entries from reopening upon genuinely relevant later information (physical pages 15-16/SCR 42 G-43 D; page 26/SCR 53 B-F).

Use the statutory version governing the notice. The government-hosted 2011 compilation records replacement of section 147 with effect from 1 April 1989 and the related 1989 wording amendment (physical page 720/printed 1.679, footnotes 71 and 74). That bounded historical check establishes that the 1971 clause structure cannot simply be quoted as unchanged present law. Comprehensive later treatment, current reassessment procedure and 2025 mapping remain not verified.

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

DETAILED DISPOSITION AND CONNECTED GROUPS

Proceeding outcomes

1.

Case number: Civil Appeal No. 1311 of 1967

Outcome: Allowed with the specified notice-quashing relief and costs

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, year and narrative assessment amount

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: SCR 442 heading; 443 A-F

2.

Topic: Selected objection, historical statutes and missing reasons sheet

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: SCR 444 E-445 F

3.

Topic: Officer report, amount discrepancy, alleged escapement and approval

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: SCR 445 G-446 H

4.

Topic: Jurisdictional reasoning and mechanical sanction

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7

Paragraphs: SCR 446 G-448 B

5.

Topic: Exact relief and two-court costs

Source url: [Open cited source](#)

Pdf pages: 7

Paragraphs: SCR 448, final operative paragraph

6.

Topic: Later application and live-link limit

Source url: [Open cited source](#)

Pdf pages: 8; 9; 10

Paragraphs: SCR 963 A-965 H

Source role: later treatment

7.

Topic: Later factual distinction

Source url: [Open cited source](#)

Pdf pages: 15; 16

Paragraphs: SCR 42 G-43 D

Source role: later treatment

8.

Topic: Later notice ruling reserves reassessment merits

Source url: [Open cited source](#)

Pdf pages: 26

Paragraphs: SCR 53 B-F

Source role: later treatment

9.

Topic: Historical section 147 replacement

Source url: [Open cited source](#)

Pdf pages: 720

Paragraphs: Printed 1.679, footnotes 71 and 74

Source role: historical statutory change

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

139(2), historical notice requirements quoted with the proviso omitted

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

K.S. Hegde, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961, historical sections 147, 148 and 151(2)

SPECIFIED LATER DECISION AND LIMITS OF THE CHECK

1.

Asset id: 1976_3_956_965

Classification: Express application to unsupported creditor allegations

Pinpoint: Physical pages 8-10/SCR 963-965

Holding limit: Relevant link, not judicial reassessment of evidentiary sufficiency; primary text contains a double-negative printing anomaly not adopted here.

2.

Asset id: S 1993 1 28 53

Classification: Express factual distinction, not overruling

Pinpoint: Physical pages 15-16/SCR 42 G-43 D; page 26/SCR 53 B-F

Holding limit: Specific creditor/period information supported initiation; ultimate merits expressly reserved.

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Constitution of India, Articles 226 and 227

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 7 PDF pages; SHA-256

dcd261598121bb01b0b1ff50fad72e57d42df6ba2437c8eb5b3c54e6fe2c5782. Original bytes preserved.

Open cited source rendition

full primary text read: True; all primary page images reviewed: True; source integrity verified: True; actual statutory scope verified: True; later treatment comprehensive: not_verified; current law status: not_verified; statutory mapping 2025: not_verified

Date, report citation, bench and author checked from source images. The catalogue INSC identifier is not printed or independently authenticated in this rendition.

The judicial narrative's Rs. 69,886 differs from Rs. 73,604 in the reproduced officer report; neither figure is silently substituted for the other.; The reproduced report heading at SCR 445 G prints Income-tax Act, 1951. The actual notice, quoted provisions and judicial analysis unmistakably concern the 1961 Act.; The headnote describes clauses (a) and (b) together; the judicial reasoning requires the applicable alternative, not cumulative satisfaction of both.; The reasons order sheet was not produced. The note does not convert that evidentiary fact into a finding that reasons never existed.; The notice extract contains uncompleted or awkward form wording. Other objections to the notice were left undecided.; Historical sanction and limitation wording is not current law; later specific information can distinguish the result.

Accounting year 1959-60. The challenged reopening notice was dated 3 June 1966. An old assessment year does not change the Court's express adjudication of the 1961 Act notice.

Special-leave appeal from the Patna High Court judgment dated 17 January 1967 in C.W.J.C. No. 952 of 1966.

STATUTORY SCOPE

No automatic Income-tax Act, 2025 crosswalk. Complete amendments, commencement, savings and case-specific present applicability have not been verified.

LATER TREATMENT

Source checked 2026-10-05. not_verified. Bounded primary checks verified direct application in Lakhmani Mewal Das (1976) and factual distinction in Phool Chand Bajrang Lal (1993). They are not an exhaustive review/stay/reversal/citator search or a current-law certificate.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 7

SHA-256: dcd261598121bb01b0b1ff50fad72e57d42df6ba2437c8eb5b3c54e6fe2c5782

later reported judgment bounded - PDF pages: 10

SHA-256: 904af88e4c3df3186b72b6c15e8615e471299ffaf4bf3de64a1934527c227410

later reported judgment bounded - PDF pages: 26

SHA-256: 7395f7c8ad65c0b4b1d9ba448026f723365d317ba914316fb84f2be25dd8132e

official government hosted statutory compilation bounded - PDF pages: 1251

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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