

Sheo Nath Singh v. Appellate Assistant Commissioner of Income Tax, Calcutta

Civil Appeal No. 1477 of 1967 — Supreme Court appeal or expressly printed appeal group decided in this judgment and connected proceedings (full list below)

[1972] 1 SCR 175 | 1971-08-12

“Reason to believe” under 1922 section 34(1A) required relevant factual grounds, not repeated assertions of belief or suspicion; the deficient notices were quashed.

1922 Act: 34(1A)

2 Judges | K. S. Hegde | A. N. Grover

01 FACTS OF THE CASE

Sheo Nath Singh, a shareholder and director in hotel companies, received seven notices dated 5 November 1954 under section 34(1A) of the Indian Income-tax Act, 1922 for assessment years 1940-41 to 1946-47. He maintained that a share-sale receipt had already been disclosed and treated as capital. Assessments followed for four years, and his statutory appeal led to a request for further departmental material. The High Court rejected his writ petition on the availability of that remedy, but also held the reopening preconditions satisfied. He challenged that determination in the Supreme Court.

Source: [SCR 176G-179E](#)

02 DISCUSSION BY THE HON'BLE COURT

Because the High Court's additional merits ruling would bind the appellate authority, the Supreme Court examined it despite the preliminary objection. The Court obtained the recorded reasons. They said the assessee was believed to have made secret profits with the Oberois and to have received Rs 22 lakh, wholly or partly representing escaped income. They identified no supporting material. Applying Chhugamal Rajpal, the Court held that belief must be honest and reasonable, founded on reasonable grounds. Direct or circumstantial evidence may suffice; suspicion, gossip or rumour does not. Courts may examine the existence and relevance of the grounds without weighing their sufficiency as though deciding the assessment.

Source: [SCR 179C-182H](#)

03 JUDICIAL DECISION

The supposed reasons merely repeated beliefs and supplied no material fact capable of supporting the statutory belief. The section 34(1A) requirements were therefore not satisfied and the notices were illegal and invalid. The Court set aside the High Court judgment and allowed the writ to the extent of quashing the notices. This resolved jurisdiction, not the ultimate tax character of every receipt.

Source: [SCR 181H-183C](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee's appeal allowed with costs; impugned notices quashed. The challenged reopening proceedings lost their initiating notices; no remand for Revenue to improve these reasons was ordered.

Source: [SCR 183B-C](#)

05 AKHB REVIEW POINT

Read the reasons actually recorded before notice and separate facts from conclusions. A stated belief is not its own evidentiary basis. The Court's response to the High Court's binding merits ruling is also procedurally significant. This remains a 1922 section 34(1A) decision; the Chhugamal reference does not make modern reassessment procedures identical. Rai Singh Deb Singh Bist(1972) subsequently invokes this requirement in a separate reopening-record dispute.

Source: [SCR 179C-E,181C-183C](#); editorial analysis of recorded grounds and procedural effect; [Own complete primary read of physical 1-5/SCR 102-106](#); [later-use adoption bounded to SCR 104C-106C](#), especially 105A-C expressly applying Sheo Nath Singh.; [OfficialHTML 38-64:Year 2026 identity, whole 147 and Explanation.](#); [OfficialHTML 38-81:Year 2026 identity, whole 148\(1\)-\(3\), provisos and footnotes 75-76.](#); [OfficialHTML 40-70:Year 2026 identity, whole 151 and substitution annotation.](#); [Personally read complete official 1961 Year 2026 sections 147,148\(1\)-\(3\) with provisos/footnotes 75-76, and 151 with annotation, atHTML 38-81/40-70. Personally read entire 2025 Act 279-285, physical 371-376/web 15023-15188, in retained officialFA 2026 web capture. Superseded 283 footnote text distinguished from current body. No full 148A/149/150/152/153/286 read claimed.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 1477 of 1967 — Supreme Court appeal or expressly printed appeal group decided in this judgment / Matter No. 236 of 1961 — Originating High Court appeal/reference docket; not an additional Supreme Court appeal

SOURCE & VERIFICATION

Original reported Supreme Court judgment

9-page retained public-mirror SCR report. The complete report was read as text and page images. The acquisition URL is preserved provenance; current endpoint availability and authentication as a signed original are not newly verified.

Open cited source rendition

The headnote calls the appeal one by special leave; Grover J's opening at SCR 176 says by certificate. The note does not choose an unverified route.

The headnote identifies the original assessment as 1944-45; the judgment at SCR 177-178 says 1945-46. SCR 175 and 177 print the share-sale amount with irregular grouping "20,657,05/13/0"; the judicial narrative also uses Rs 20,00,000 and approximately Rs 22,00,000 in different attributed passages. The note uses only the Rs 22 lakh expressly stated in the recorded reasons, not an invented normalized sale price.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 34(1A)

Personally read official Year 2026 sections 147,148 and 151 now state a reassessment/notice scheme using statutory information suggesting escaped assessment and specified approval authorities. These are differently worded provisions from the 1922 conditions decided here. The surrounding 147-153 family was not comprehensively read.

Bounded counterparts are 147→279, reassessment;148→280, notice/information;151→284, specified authority. Complete 279-285 were read in the FA 2026 compilation, including current 283 rather than its superseded footnote. These comparisons do not decide a modern notice or transplant old limitation periods; applicable tax-year and savings analysis remain separate.

qualified; present applicability is not certified

LATER TREATMENT

Source checked 2026-10-07. Rai Singh Deb Singh Bist,15 December 1972, SCR 105A-C, expressly invokes Sheo Nath Singh in requiring relevant reopening material and genuine scrutiny of recorded reasons. It upheld quashing section 34(1)(a) notices when Revenue failed to produce the reason/sanction record and establish jurisdiction; it did not decide the underlying credits on tax merits.

Comprehensive subsequent history and present-law applicability are not certified.

IDENTIFIED SOURCE LINKS

[Union of India and Others v. M/s. Rai Singh Deb Singh Bist & Anr. \(1972-12-15\)](#)

Own complete primary read of physical 1-5/SCR 102-106; later-use adoption bounded to SCR 104C-106C, especially 105A-C expressly applying Sheo Nath Singh. Reference to the distinct Rai Singh judgment. Text pages read: 1-5. Image pages read: 1-5.

[Income-tax Act,1961: 147](#)

Official displayedYear 2026 OfficialHTML 38-64:Year 2026 identity, whole 147 and Explanation. New personal bounded read of retained official web text. Not a full 147-153 crosswalk or current applicability/savings certification; no raw web-source hash/images claimed.

[Income-tax Act,1961: 148](#)

Official displayedYear 2026 OfficialHTML 38-81:Year 2026 identity, whole 148(1)-(3), provisos and footnotes 75-76. New personal bounded read of retained official web text. Not a full 147-153 crosswalk or current applicability/savings certification; no raw web-source hash/images claimed.

[Income-tax Act,1961: 151](#)

Official displayedYear 2026 OfficialHTML 40-70:Year 2026 identity, whole 151 andsubstitutionannotation. New personal bounded read of retained official web text. Not a full 147-153 crosswalk or current applicability/savings certification; no raw web-source hash/images claimed.

[Income-tax Act,2025: 279-285](#)

FA 2026 compilation Personally read complete official 1961 Year 2026 sections 147,148(1)-(3) with provisos/footnotes 75-76, and 151 with annotation, atHTML 38-81/40-70. Personally read entire 2025 Act 279-285, physical 371-376/web 15023-15188, in retained officialFA 2026 web capture. Superseded 283 footnote text distinguished from current body. No full 148A/149/150/152/153/286 read claimed. New personal bounded read of retained official web text. Not a full 147-153 crosswalk or current applicability/savings certification; no raw web-source hash/images claimed.

AI DISCLOSURE

AI-assisted research. The AKHB Review Point is editorial analysis, not part of the Court's judgment.

PROFESSIONAL DISCLAIMER

AI-assisted legal research note for general information and professional research. It is not legal or tax advice. Verify the original judgment, applicable statutory version and subsequent judicial treatment before relying on it. The AKHB Review Point is editorial analysis, not part of the Court's judgment.