

Union of India & Ors. v. Seth R. Dalmia

Civil Appeals Nos.1107-1112 (NI) of 1970

[1975] 3 SCR 735 | 1975-02-27

Whether a Board member's section 151(1) satisfaction was ineffective because the prior Central Government approval for reallocating sanction work to him was not expressed in a separate formal order, despite affidavits and office records proving the approval.

148 (actual notices dated 7 September 1965) | 151(1) (then Board satisfaction for notices after eight years) | 147 (reopening work entrusted to the Board member)

Three-judge bench | Y.V. Chandrachud, J. | R.S. Sarkaria, J. | A.C. Gupta, J.

Assessment years: 1949-50, 1950-51, 1951-52

Proven prior approval, historical sanction and limited remand

These were actual section 148 notices under the 1961 Act, despite 1922 original assessments for AYs 1949-50 to 1951-52. Former section 151(1) and rule 4 required the relevant authority and prior governmental approval; the Court found that approval proved and held only that a separate formal approval order or publication was unnecessary for this internal allocation. It did not dispense with sanction or approve every reopening ground. All six certificate appeals were allowed, the High Court orders set aside, and remaining writ grounds sent back for decision, with appellants' Supreme Court costs and one hearing fee. The 1971 validation Act was not decided. Judicial author is Gupta J.; reporter special-leave/Rules-year wording and preliminary proposal-date discrepancies are not silently adopted over the judicial text. Original PDF unchanged. Comprehensive later treatment, current law and 2025 mapping are not verified.

01 FACTS OF THE CASE

Six notices dated 7 September 1965 sought to reopen AYs 1949-50, 1950-51 and 1951-52, whose accounting years ended on 30 September 1948, 1949 and 1950. Three notices addressed Dalmia in his individual capacity and three as a member of an association of persons. His original individual assessments were under the 1922 Act. Following facts disclosed by the Vivian Bose Commission's inquiry into associated companies, the Officer, Special Investigation Circle A, New Delhi, issued the notices under section 148 of the 1961 Act, reciting the necessary Board satisfaction (physical page 2/SCR 736 D-H).

Dalmia challenged the notices on several grounds. The Delhi High Court held the Board-sanction requirement unsatisfied, quashed all six notices and prohibited further action on them, without deciding the other objections. The Supreme Court heard six certificate appeals, Civil Appeals Nos.1107-1112 (NI) of 1970, from that decision of 24 March 1970 (physical pages 2-3/SCR 736 C-737 A).

The Officer had submitted a comprehensive note. S.A.L. Narayana Row, then the Board's only member besides its Chairman, was satisfied on the recorded reasons that each year in both capacities was fit for a notice. The problem was his authority: the 1 January 1964 office distribution initially assigned all income-tax assessment work to the Chairman. The Revenue relied on later reassignment with the Central Government's previous approval. An affidavit of Under Secretary P.G. Gandhi expressly stated that approval and reassignment, while former Chairman J.P. Singh's affidavit described the proposal, discussion with Secretary V.T. Dehejia and approval on 18 June 1964. The affidavit stated that Row gave sanction on 11 August 1965 (physical pages 3-4/SCR 737 E-738 H).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court reproduced the then section 151(1): after eight years from the end of the relevant assessment year, a section 148 notice required Board satisfaction, on the Officer's recorded reasons, that it was a fit case. Section 4(1) of the Central Boards of Revenue Act authorised business-transaction rules and deemed acts conforming to them to be acts of the Board. Rule 4 permitted the Chairman, by an order made with the previous approval of the Central Government, to distribute business and identify matters for joint consideration. Thus prior approval was a real condition; the dispute was whether it had been proved and required a separate formal expression (physical page 3/SCR 737 B-E).

The Court reviewed the evidence rather than presume that internal rearrangement dispensed with approval. The office file contained the Chairman's 13 March 1964 proposal, the member's assent the next day, an Under Secretary's 14 May note referring to rule 4 and a proposed amended office order, and the Chairman's 18 June notation recording discussion with the Secretary and stating that no formal order was necessary. The High Court had treated the affidavits as inconsistent with the notes and focused on the absence of a formal order. The Supreme Court observed that the High Court apparently overlooked Gandhi's affidavit and had not disbelieved Singh's account of the Secretary's approval (physical pages 5-6/SCR 739 A-740 D).

The Court rejected the suggestion that the June note meant approval itself was unnecessary. Read with the affidavits, it meant no formal order conveying approval was required. Singh's verification referred to facts within his knowledge also supported by records; absence of a formal order did not render the testimony valueless. The Court found approval actually established on this record (physical pages 6-7/SCR 740 D-741 B).

Fonseca (P) Ltd. was distinguished. There, the relevant official lacked authority under the business rules. Here, the Secretary's authority to approve on the Government's behalf and the Chairman's rule 4 power were not questioned; the proven approval's form was the issue. The Court also rejected the description of work distribution as sub-delegated legislation requiring publication. Allocation and approval were internal arrangements not affecting assessee's rights at that stage. Rule 4 prescribed no special manner of recording approval, but its existence still had to be proved. Even the initial allocation had been approved by signatures on a draft rather than a distinct formal approval order (physical pages 7-8/SCR 741 B-742 C).

It followed that these notices could not be invalidated on the ground that they rested on Row's satisfaction after the proven approved allocation. This was not a finding that the requirement of sanction could be bypassed, that any official could exercise the power, or that all other notice objections failed. Because rule 4 compliance already sustained the Revenue on the decided point, the Court expressly found it unnecessary to examine the 1971 Validation of Proceedings Act invoked by the appellants (physical page 8/SCR 742 C-E).

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

03 JUDICIAL DECISION

The Supreme Court allowed all six appeals and set aside the High Court judgment and orders. It directed the High Court to dispose of the writ petitions according to law on the other grounds raised. The appellants were awarded their Supreme Court costs, limited to one hearing fee. The Court did not itself dismiss the writ petitions, decide all reopening objections, determine escaped income or impose a final reassessment amount (physical page 8/SCR 742 E-F).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the Board-allocation/approval issue; other writ grounds remained open

Six appeals allowed; High Court judgment/orders set aside; writ petitions returned for decision on remaining grounds; appellants' Supreme Court costs, one hearing fee

Final decision of the identified procedural issue with remand for unresolved grounds

Prior governmental approval had to exist and be proved; absence of a separate formal approval document did not defeat this proven internal allocation. No comprehensive ruling validating the notices on all grounds.

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

05 AKHB REVIEW POINT

Distinguish power, prior approval, its proof, its documentary form and the eventual exercise of statutory satisfaction. The decision dispenses with a special formal expression of proven governmental approval under the then business-allocation rule; it does not dispense with approval itself or allow sanction by an unauthorised person. Its evidentiary setting includes affidavits, contemporaneous office notes, unchallenged authority of the approving Secretary and the member's consideration of the Officer's reasons.

For procedural use, retain the narrow remand. The Revenue won the internal-allocation point, while the assessee's remaining writ objections remained for the High Court. Neither the unexamined 1971 validation statute nor the historical eight-year sanction language supplies a certified answer for a later reopening regime.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Caption, date and bench

Source url: [Open cited source](#)

Pdf pages: 1

Paragraphs: SCR 735 heading

Source role: reported metadata

2.

Topic: Six certificate appeals, actual author, AYs, capacities, original assessments and actual notices

Source url: [Open cited source](#)

Pdf pages: 2; 3

Paragraphs: SCR 736 C-737 A

Source role: reported metadata and judicial text

3.

Topic: Former section 151(1), Board deeming provision and rule 4

Source url: [Open cited source](#)

Pdf pages: 3

Paragraphs: SCR 737 B-E

Source role: judicial text and quoted statute

4.

Topic: Officer reasons, initial allocation and affidavits proving later approval

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: SCR 737 E-738 H

Source role: judicial text and quoted affidavits

5.

Topic: Office-note chronology and High Court reasoning

Source url: [Open cited source](#)

Pdf pages: 5

Paragraphs: SCR 739 A-H

Source role: judicial text and quoted records

6.

Topic: Actual approval proved; absence of formal order not absence of approval

Source url: [Open cited source](#)

Pdf pages: 6; 7

Paragraphs: SCR 740 A-741 B

Source role: judicial text

7.

Topic: Fonseca distinguished, internal allocation, proof requirement and no prescribed approval form

Source url: [Open cited source](#)

Pdf pages: 7; 8

Paragraphs: SCR 741 B-742 C

Source role: judicial text

8.

Topic: Validation Act expressly not decided; six appeals allowed, remaining grounds remanded, costs

Source url: [Open cited source](#)

Pdf pages: 8

Paragraphs: SCR 742 C-F

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

Original assessments were under the 1922 Act, but the impugned notices, sanction and independently decided procedural issue arose under actual 1961 sections 148 and 151(1). The historical eight-year wording is not a current limitation rule. The judgment concerns proof and form of prior Central Government approval for internal Board work allocation, not waiver of substantive sanction or validation of every reopening ground.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

A.C. Gupta, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961: actual reopening notices and historical Board-sanction requirement; Central Boards of Revenue Act, 1963 and CBDT business-allocation rules

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Central Boards of Revenue Act, 1963: sections 2 and 4(1); Central Board of Direct Taxes (Regulation of Transaction of Business) Rules, 1964: rule 4; Indian Income-tax Act, 1922: original assessments and section 34 background only; Central Board of Direct Taxes (Validation of Proceedings) Act, 1971, Act No.37 of 1971: raised but expressly unnecessary to decide

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 8 PDF pages; SHA-256

4d4b798274dd3547d1912e9372e072299f8ae9a9e4e3f044de6554d8718315f0. Original bytes preserved. Judicial body begins physical page 2/SCR 736 D (Gupta, J.) and ends physical page 8/SCR 742 F with remand and one hearing fee, followed by reporter Appeals allowed. Page 1 and upper page 2 are headnote; appellate metadata at SCR 736 C-D. No neighbouring judgment.

[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

Decision date and SCR report year both 1975.

The judicial author is A.C. Gupta, J. at SCR 736 D and page headers, not Chandrachud as the catalogue's starred judge might suggest.; The headnote describes special-leave appeal and once prints 1954 Rules; the judicial opening identifies six certificate appeals and the substantive text consistently applies the 1964 Rules.; Appellate metadata at SCR 736 C lists Civil Writ Petition Nos.663D and 668D of 1965, while the judicial opening states six writ petitions. The omitted writ numbers are not reconstructed; the full six-appeal group is preserved.; Singh's affidavit places the initial suggestion on 30 March 1964; the office-note discussion records 13 March proposal and 14 March assent. Both are part of the printed record; neither is silently corrected. The decisive proven approval is dated 18 June 1964.; The Court required actual previous Central Government approval and found it proved. Its form/publication holding is limited to this internal allocation at that stage, not a relaxation of the statutory sanction requirement.; The Validation of Proceedings Act, 1971 was expressly not considered necessary; its application is not a holding.; The High Court must decide remaining writ grounds. Costs awarded to appellants in the Supreme Court comprise one hearing fee; no quantified amount is stated.

All three AYs and corresponding accounting years ending 30 September 1948, 1949 and 1950 are expressly identified at physical page 2/SCR 736 E. Two notice sets covered the same three years, one individual and one association-of-persons capacity.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or certification of present law. Historical enactments and provision versions remain explicit.

LATER TREATMENT

Source checked 2026-10-05. not_verified. No later judicial-treatment search is certified. No comprehensive citation history, amendment chain, current-law certification or 2025 mapping verified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 8](#)

SHA-256: 4d4b798274dd3547d1912e9372e072299f8ae9a9e4e3f044de6554d8718315f0

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