

Ajantha Industries and Ors. v. Central Board of Direct Taxes, New Delhi & Others

Civil Appeal No.724 of 1975

[1976] 2 SCR 884 | 1975-12-05

Whether a section 127(1) transfer from Nellore to Hyderabad is valid when reasons were recorded internally but omitted from the communicated order, and whether the show-cause phrase or later production of the file cures that omission.

127(1), provisos, (2) and Explanation (versions reproduced before and after Finance (No.2) Act, 1967) | 121, 123, 124 and 125 (cross-references in the quoted Explanation only)

3-judge bench | K.K. Mathew, J. | P.K. Goswami, J. | N.L. Untwalia, J.

Assessment years: See the source-scope notes; no year inferred.

Communication of transfer reasons within its statutory setting

Reasons existed in the internal file but were absent from the communicated inter-area transfer order; the show-cause phrase did not cure that defect. The ruling preserves the same-locality proviso and distinguishes old section 34 remedies. Biswanath Bhattacharya later rejected a universal extension of Ajantha to every statutory requirement to record reasons; that bounded check does not overrule Ajantha. Biswanath's factual shorthand must not replace the original finding that reasons existed internally. Original PDF unchanged. Comprehensive later treatment, current law and 2025 mapping are not verified.

01 FACTS OF THE CASE

Ajantha Industries was a registered firm, and appellants 2 and 3 were its only partners. Their assessments had ordinarily been made in Nellore District. On 23 January 1973 the CBDT proposed transferring their files from the respective Nellore Income-tax Officers to the Officer, B Ward, Special Circle II, Hyderabad, stating facility of investigation as the purpose and allowing fifteen days for written objections. The appellants objected, but the Board ordered transfer on 26 July 1973 (physical page 2/SCR 885 F-G).

They challenged the transfer under article 226 because reasons had neither been stated nor communicated in the order. The single judge called for the file, found that reasons had been recorded before the order and held that non-communication was not fatal. The Division Bench dismissed their writ appeal. The Supreme Court appeal by special leave arose from the Andhra Pradesh High Court's 12 September 1974 order in Writ Appeal No.626 of 1974. The Court noted that the Act provided no appeal or revision against such a transfer (physical pages 2-3/SCR 885 D-886 C).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court compared old section 5(7A) with section 127, including the wording introduced by section 27 of the Finance (No.2) Act, 1967. Section 127 required an opportunity of being heard wherever possible and recorded reasons before transfer. The reproduced proviso dealt separately with transfers within the same city, locality or place. The older Pannalal Binraj decision had urged notice, an opportunity to represent and briefly written reasons where feasible; the 1961 provision expressly introduced the recording requirement (physical pages 3–5/SCR 886 C–888 H).

The Revenue argued that the phrase facility of investigation in the show-cause notice could be read into the later order. The Court rejected that submission. This was not a finding that investigation can never justify a transfer: the communicated transfer order contained no reasons, despite the intervening objections. The Court also rejected the argument that reasons existing only in the file satisfied the statutory requirement (physical pages 5–6/SCR 888 A–889 E).

A transfer to a distant area could involve substantial inconvenience and expense. Communicating the reasons allowed the assessee to test whether the order was mala fide, arbitrary or founded on irrelevant considerations in the High Court or, in an appropriate case, the Supreme Court. The ultimate success or failure of that challenge did not affect the duty to make the reasons known. Recording and disclosure were therefore mandatory safeguards, not a formality. The contrary Delhi High Court view in Sunanda Rani Jain was held incorrect. Pragdas Umar Vaishya supplied a supporting analogy: reasons for a mineral-concession revision could not be reconstructed from internal file notes (physical page 6/SCR 889 A–H).

Kashiram Aggarwalla did not assist the Revenue because it concerned a same-city or same-locality transfer within the statutory proviso. Ajantha involved different places. The Court's statement that an order requiring reasons and prejudicially affecting interests ceases to be merely administrative was made in answering this statutory-transfer argument; it was not a universal classification of all administrative action (physical page 7/SCR 890 A–C).

S. Narayanappa concerned old section 34 reopening, where the statutory scheme did not make communication of the Commissioner's sanction reasons a condition of initiation. An assessee could contest the assessment in appeal and could explain to the Officer why reopening lacked a basis. Those remedies differed from section 127 transfer, against which there was no statutory appeal or revision. The Court therefore distinguished that decision rather than overruling it or announcing rules for all later reopening statutes (physical page 7/SCR 890 D–F).

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

03 JUDICIAL DECISION

The Court held non-communication of reasons in the section 127(1) order a serious infirmity rendering it invalid. It set aside the High Court judgment, allowed the appeal and quashed the transfer orders. There was no costs order in favour of either side: the express disposition was no costs. No remand or tax-assessment result was ordered (physical page 7/SCR 890 G).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assesseees

Appeal allowed; High Court judgment set aside; transfer orders quashed; no costs

Final statutory procedural ruling on reasons and their communication for the impugned inter-area transfer

No income or tax liability decided; same-locality proviso and distinct reopening remedies preserved.

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

05 AKHB REVIEW POINT

For the relevant transfer provision, examine the proposal, objections, recorded reasons and the order actually communicated. Internal reasons and a generic proposed-transfer purpose are not substitutes for the communication held mandatory here. Preserve the same-locality exception and the remedial context instead of turning the case into a rule that every recorded administrative reason must always be disclosed at initiation.

Bounded later judicial treatment: Biswanath Bhattacharya, decided 21 January 2014 under SAFEMA, paragraphs 14–19, expressly explained that Ajantha did not state such a universal rule. In that different scheme the reasons were subsequently supplied, a response and hearing preceded forfeiture, and an appeal was available. The Court rejected the proposed extension while retaining Ajantha's section 127 context (physical pages 16–19/SCR 900–903). Its paragraph 15 describes Ajantha in shorthand as involving no recorded reasons; the 1975 source specifically records reasons in the internal file and their omission from the communicated order. This note follows the original on that fact.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Date and bench

Source url: [Open cited source](#)

Pdf pages: 1

Paragraphs: SCR 884 heading

Source role: reported metadata

2.

Topic: Docket, author, firm, notice and transfer

Source url: [Open cited source](#)

Pdf pages: 2

Paragraphs: SCR 885 D–H

Source role: reported metadata and judicial text

3.

Topic: Internally recorded reasons; litigation and question

Source url: [Open cited source](#)

Pdf pages: 3

Paragraphs: SCR 886 A–C

Source role: judicial text

4.

Topic: Old and amended section 127 texts

Source url: [Open cited source](#)

Pdf pages: 3; 4; 5

Paragraphs: SCR 886 C–888 A

Source role: judicial text

5.

Topic: Rejected show-cause cure and Pannalal

Source url: [Open cited source](#)

Pdf pages: 5

Paragraphs: SCR 888 A–H

Source role: judicial text

6.

Topic: Mandatory reasons communication; remedies and authorities

Source url: [Open cited source](#)

Pdf pages: 6

Paragraphs: SCR 889 A–H

Source role: judicial text

7.

Topic: Same-locality and reopening distinctions

Source url: [Open cited source](#)

Pdf pages: 7

Paragraphs: SCR 890 A–F

Source role: judicial text

8.

Topic: Invalidity, quashing and no costs

Source url: [Open cited source](#)

Pdf pages: 7

Paragraphs: SCR 890 G

Source role: judicial text

9.

Topic: Bounded later distinction and original-fact caution

Source url: [Open cited source](#)

Pdf pages: 16; 17; 18; 19

Paragraphs: SCR 900–903, paragraphs 13–19

Source role: bounded later judicial treatment

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

P.K. Goswami, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961: historical section 127

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Indian Income-tax Act, 1922: section 5(7A), with section 64(1)–(2) in quoted Pannalal observations; Indian Income-tax Act, 1922: section 34 (Narayanappa distinguished); Finance (No.2) Act, 1967: section 27; Constitution of India: articles 226 and 136; Mineral Concession Rules, 1960: rule 55 (Pragdas analogy)

SPECIFIED PRIMARY-SOURCE CHECKS AND THEIR LIMITS

1.

Kind: direct later judicial treatment

Status: bounded verified

Source url: [Open cited source](#)

Finding: Biswanath paragraphs 14–19 explain why Ajantha does not require universal communication at initiation under every statute; SAFEMA procedure distinguished.

Limit: Only disclosed pages reviewed; no overruling of Ajantha established. Paragraph 15 factual shorthand checked against the original.

SOURCE & VERIFICATION

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

Identified source rendition: 7 PDF pages; SHA-256

32dffe5263d1a846dc763ef0ff11e7136a22d40f2b57c49fdecbe4fc611dc8de. Original bytes preserved.

Judicial body begins physical page 2/SCR 885 F (Goswami, J.) and ends physical page 7/SCR 890 G with transfer orders quashed and no costs. Page 1 and upper page 2 are reporter material and appellate metadata. No adjacent judgment.

[Open cited source rendition](#)

The judgment is dated 5 December 1975, reported in 1976. The judicial author is Goswami, J., not the catalogue's first/starred judge.; The original expressly says reasons were recorded in the file before transfer; absence from the communicated order is the defect.; No finding that investigation is inherently an invalid transfer purpose is made.; The same-city/locality proviso and old-section-34 distinction cannot be omitted from the proposition.; The later Biswanath paragraph 15 shorthand about no recorded reasons differs from the original's internal-file fact; its paragraph 19 limitation is kept distinct.

No assessment years are specified. The challenged act is a transfer of the assessee's cases, not an assessment for a stated year.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or present-law carryover certification. Verify the applicable statutory version separately.

LATER TREATMENT

Source checked 2026-10-05. not_verified. One bounded direct later treatment check: Biswanath Bhattacharya, paragraphs 13–19 and disclosed identity/disposition pages. It limits a universal extension outside section 127; it does not overrule Ajantha. No comprehensive later-treatment search or present section 127 validation.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 7](#)

SHA-256: 32dffe5263d1a846dc763ef0ff11e7136a22d40f2b57c49fdecbe4fc611dc8de

[reported judgment bounded later check - PDF pages: 39](#)

SHA-256: 043094f4a6de58045add97e0db92850b315607a66cbf48f6232888eea7263a7d

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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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