

Income Tax Officer, I Ward, Dist. VI, Calcutta & Ors. v. Lakhmani Mewal Das

Civil Appeal No.2526 of 1972

[1976] 3 SCR 956 | 1976-03-30

Whether the recorded report about named creditors and an undated, unconnected name-lending confession had a rational link to escapement caused by untrue disclosure in AY 1958-59, sufficient for former section 147(a) jurisdiction.

147(a) (former omission/failure-based reason-to-believe jurisdiction) | 147(b) and Explanations 1-2 (historical text reproduced; disclosure qualification relevant) | 148(1)-(2) (notice and prior recorded reasons) | 149(1)(a)-(b) (historical four/eight/sixteen-year limits reproduced) | 151(1)-(2) (historical Board/Commissioner sanction provisions reproduced; after-four-year Commissioner requirement applied)

Two-judge bench | H.R. Khanna, J. | P.K. Goswami, J.

Assessment years: 1958-59

Historical reason-to-believe test, limited review and source negative

The ruling concerns former section 147(a), the after-four/before-eight-year setting and the specific absence of a link between these reports and AY 1958-59. Courts may test existence, good faith and relevance of the belief, but not replace the Officer's judgment about sufficiency of reasonably connected material. The source at SCR 965 C-D prints "cannot" in a sentence whose surrounding reasoning rejects vague information; this internal inconsistency is disclosed and the original is unchanged. The ruling neither finds every loan genuine nor bars all later creditor information. Phool Chand later distinguished it on specific evidence tied to the claimed loan period. Comprehensive later treatment, current law and 2025 mapping are not verified.

01 FACTS OF THE CASE

The respondent's AY 1958-59 assessment was made under 1922 section 23(3) on 14 June 1960. Total income was Rs.37,872, with expenses of Rs.15,991 allowed, including interest of Rs.10,494, 4 annas and 3 pies. The respondent claimed to have produced the books, bank statements and necessary documents; the Revenue disputed full disclosure. A section 148 notice dated 8 March 1967, received on 14 March, stated that income had escaped assessment and that the Commissioner's satisfaction had been obtained. After his lawyer's 2 May 1967 objection brought no satisfactory response, the respondent sought a writ (physical page 3/SCR 958 A-H).

The High Court obtained the Officer's sanction report. It identified Narayansingh Nandalal, D.K. Naraindas, Bhagwandas Srichand and others as known name-lenders, and said Mohansingh Kanayalal had confessed that he did only name-lending. It added that the credits had not been investigated in detail originally and were still claimed genuine in AY 1962-63. The report sought reopening of AY 1958-59 to assess the credits as undisclosed income. Its date, subsequently stated by the Supreme Court, was 13 February 1967 (physical page 4/SCR 959 A-C; physical page 9/SCR 964 H).

The Calcutta High Court Full Bench unanimously treated the allegation as untrue disclosure rather than failure to mention the loan transactions at all. Its majority nevertheless quashed the notice for deficient grounds/report and also criticised the Commissioner's sanction; Sabyasachi Mukherji, J. dissented. The Revenue's certificate appeal challenged the majority's decision of 13 January 1972 in Matter No.326 of 1967. Before the Supreme Court, the assessee also contested the disclosure characterisation and the rational connection between the information and the required belief (physical page 2/SCR 957 F-H; physical pages 4-5/SCR 959 D-960 C).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court reproduced the former sections 147 and 148, historical notice limits in section 149 and sanctions in section 151. For a notice beyond four but within eight years, the Officer needed both reason to believe that chargeable income had escaped assessment and reason to believe that the escape resulted from the assessee's return default or failure to disclose material facts fully and truly. Reasons had to precede the notice; the Commissioner's satisfaction on them was required after four years. The reproduced eight-to-sixteen-year/rupees-fifty-thousand and Board-sanction provisions describe the then scheme, not this notice's governing longer-period route or present law (physical pages 5–7/SCR 960 D–962 E).

The assessee's duty was true and full disclosure of primary facts. Merely producing books from which the Officer could discover material evidence did not necessarily satisfy it. Once the primary facts were truly and fully disclosed, drawing correct inferences was the Officer's responsibility; a later change of opinion on an inference would not alone justify reopening (physical page 7/SCR 962 E–G).

The jurisdictional reasons had to bear materially on escapement caused by the specified default. Courts do not judge the adequacy or sufficiency of reasonable grounds or substitute their assessment for the Officer's. They can examine whether the belief actually existed, was held in good faith rather than as a pretence, and rested on reasons rationally connected with the statutory belief rather than irrelevant or extraneous material. The Court cited Calcutta Discount and S. Narayanappa for this limited review (physical pages 7–8/SCR 962 G–963 C).

The unsupported assertion that Narayansingh Nandalal, D.K. Naraindas and Bhagwandas Srichand were known name-lenders supplied neither how nor when this had become known. All three High Court judges had excluded that ground. Applying Chhugamal Rajpal, the Supreme Court agreed it could not sustain the required belief. The separate Rs.1,00,000 figure and creditor list reproduced while discussing Chhugamal belong to that earlier case, not this respondent's alleged escapement (physical pages 8–9/SCR 963 D–964 F).

Mohansingh Kanayalal's alleged confession was equally deficient in its connection to this assessment. The respondent's books showed a Rs.2,500 loan and Rs.74, 3 annas of interest associated with him. Nothing connected the confession to a loan to this respondent rather than to someone else; neither its date nor its relation to 1 April 1957–31 March 1958 was shown. Inferring that connection would have been far-fetched. The Court's live-link test requires a rational connection to the assessee, relevant period and failure of disclosure; it does not invite a judicial sufficiency trial. Vague, indefinite or remote material is not transformed into reason to believe merely by suspicion (physical pages 9–10/SCR 964 F–965 G).

The conclusion was that the link was missing or too tenuous to support reopening. The Supreme Court affirmed the majority's result on that basis. The recounted High Court criticism of mechanical sanction is not treated here as a separate Supreme Court finding on the actual sanction form, and the judgment does not adjudicate whether the loans were ultimately genuine (physical page 10/SCR 965 G–H).

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

03 JUDICIAL DECISION

The Revenue's appeal was dismissed with costs and the Calcutta High Court majority's view upheld. The quashing of the section 148 notice therefore stood. The Court did not remand, compute an addition, or finally determine the genuineness of the individual loan transactions (physical page 10/SCR 965 G-H).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Revenue appeal dismissed with costs; High Court quashing of notice upheld

Final jurisdictional ruling on absence of a sufficient rational nexus, rather than a trial of the loan additions or the sufficiency of otherwise relevant evidence

Not a rule that a creditor confession or subsequent information can never justify reopening. No independent finding that all loans were genuine; no separate Supreme Court determination of the sanction-form defect recounted from the High Court.

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

05 AKHB REVIEW POINT

Test the actual recorded material for a connection to this taxpayer, transaction and year. A generic label or undated admission cannot automatically bridge those gaps. Keep the existence and relevance of the belief separate from the sufficiency of reasonably connected evidence. The original-assessment disclosure question concerns truth as well as completeness; stating a transaction does not conclusively prove it true.

Two bounded later checks qualify the use of this decision. Parashuram Pottery, decided on 16 November 1976, expressly cited it for the primary-facts/inference distinction and applied that rule to the Officer's depreciation mistake (physical page 8/SCR 99 A-B). Phool Chand Bajrang Lal, decided on 13 July 1993, expressly distinguished Lakhmani because a later jurisdictional Officer's communication identified a lender that advanced no money during the very period in which the assessee claimed its cash loan (physical pages 16-17/SCR 43-44). That Court separated fresh, specific and reliable information exposing an earlier factual falsehood from a new inference on the same facts (physical pages 20-21 and 24-25/SCR 47-48 and 51-52). It upheld initiation, while expressly reserving reassessment merits (physical page 26/SCR 53). This bounded treatment does not establish current law or a comprehensive citation history.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Actual date, caption and bench

Source url: [Open cited source](#)

Pdf pages: 1

Paragraphs: SCR 956 heading

Source role: reported metadata

2.

Topic: Docket, High Court date and notice issuer

Source url: [Open cited source](#)

Pdf pages: 2

Paragraphs: SCR 957 F–H

Source role: reported metadata and judicial text

3.

Topic: Original assessment, expenses, notice and objections

Source url: [Open cited source](#)

Pdf pages: 3

Paragraphs: SCR 958 A–H

Source role: judicial text

4.

Topic: Actual sanction report and High Court positions

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: SCR 959 A–960 C

Source role: judicial text

5.

Topic: Historical statutory text, notice limits and sanctions

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7

Paragraphs: SCR 960 D–962 E

Source role: judicial text

6.

Topic: Primary facts and inference; no mere change of opinion

Source url: [Open cited source](#)

Pdf pages: 7

Paragraphs: SCR 962 E–G

Source role: judicial text

7.

Topic: Judicial-review limits

Source url: [Open cited source](#)

Pdf pages: 7; 8

Paragraphs: SCR 962 G–963 C

Source role: judicial text

8.

Topic: Unsupported known-name-lender allegation and Chhugamal distinction

Source url: [Open cited source](#)

Pdf pages: 8; 9

Paragraphs: SCR 963 D–964 F

Source role: judicial text

9.

Topic: Specific loan, confession and missing year/transaction nexus

Source url: [Open cited source](#)

Pdf pages: 9; 10

Paragraphs: SCR 964 F–965 A

Source role: judicial text

10.

Topic: Live link, printed negative anomaly, finality and operative dismissal with costs

Source url: [Open cited source](#)

Pdf pages: 10

Paragraphs: SCR 965 B–H

Source role: judicial text

11.

Topic: Bounded later direct citation on primary facts and inferences

Source url: [Open cited source](#)

Pdf pages: 8

Paragraphs: SCR 99 A–B

Source role: bounded later judicial treatment

12.

Topic: Bounded later direct distinction tied to specific lender and period

Source url: [Open cited source](#)

Pdf pages: 16; 17

Paragraphs: SCR 43 D–44 C

Source role: bounded later judicial treatment

13.

Topic: Fresh information versus fresh inference; qualified review

Source url: [Open cited source](#)

Pdf pages: 20; 21; 24; 25

Paragraphs: SCR 47 F–48 D and 51 G–52 E

Source role: bounded later judicial treatment

14.

Topic: Later initiation upheld and reassessment merits expressly reserved

Source url: [Open cited source](#)

Pdf pages: 26

Paragraphs: SCR 53 B-F

Source role: bounded later judicial treatment

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

H.R. Khanna, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961 (former section 147(a) and associated notice/sanction scheme); Indian Income-tax Act, 1922 (original assessment)

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Indian Income-tax Act, 1922: section 23(3) (original assessment) and section 34 (historical corresponding reopening provision); Constitution of India: article 226 (writ route)

SOURCE & VERIFICATION

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

Identified source rendition: 10 PDF pages; SHA-256

904af88e4c3df3186b72b6c15e8615e471299ffaf4bf3de64a1934527c227410. Original bytes preserved.

Judicial body begins physical page 2/SCR 957 G-H and ends page 10/SCR 965 H. Page 1 and upper page 2 contain reporter material, appellate metadata and appearances. No neighbouring judgment.

[Open cited source rendition](#)

The caption identifies Income Tax Officer, I Ward, Dist. VI and others; the judicial body identifies appellant No.2, Income Tax Officer E Ward, Hundi Circle, Calcutta, as the notice issuer. They are not silently merged.; At physical page 10/SCR 965 C-D, the original prints "action cannot be taken" in the sentence about disappearance of the old words "definite information". Read literally, that negative conflicts with the surrounding reasoning rejecting vague material. The note states the repeated live-link holding without silently altering the original.; The Rs.1,00,000 and listed creditors in the quotation of Chhugamal Rajpal are facts of that precedent, not this case.; AY 1962-63 is a report reference to a continuing claim; the impugned notice concerns only AY 1958-59.; Mechanical-sanction criticism is recounted from the High Court; the Supreme Court's dispositive analysis concerns the defective nexus. No universal invalidity of third-party confessions or definitive genuineness finding is inferred.; The original assessment used the 1922 Act, but the actual notice jurisdiction was decided under the 1961 Act. No independent section 297 transition holding is inferred.

The original assessment and challenged notice concern AY 1958-59. The relevant period identified in the Court's nexus analysis is 1 April 1957 to 31 March 1958. AY 1962-63 appears only in the Officer's report about a continuing claim of genuineness; it is not another assessment under appeal.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 and no current-law carryover certification. Identify and verify the statutory version applicable to the notice separately.

LATER TREATMENT

Source checked 2026-10-05. not_verified. Actual bounded primary checks: Parashuram Pottery (16 November 1976), full ten-page text/image reading, with direct reliance at page 8/SCR 99; Phool Chand Bajrang Lal (13 July 1993), specified fifteen text pages and nine images, with express distinction at pages 16–17 and reserved merits at page 26. No comprehensive subsequent-treatment search, current-law validation, amending-Gazette chain or 2025 mapping.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 10](#)

SHA-256: 904af88e4c3df3186b72b6c15e8615e471299ffaf4bf3de64a1934527c227410

[later judgment bounded treatment - PDF pages: 10](#)

SHA-256: 1075f25c6b596d71ece51d412b73a79de7b72cf2b5c1e31d500671796f6caa4a

[later judgment bounded treatment - PDF pages: 26](#)

SHA-256: 7395f7c8ad65c0b4b1d9ba448026f723365d317ba914316fb84f2be25dd8132e

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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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