

Indian and Eastern Newspaper Society, New Delhi v. Commissioner of Income Tax, New Delhi

Tax Reference Case Nos. 1 to 4 of 1973

[1980] 1 SCR 442 | 1979-08-31

Whether an internal audit party's legal view supplied information permitting reopening under former section 147(b), where the Officer had already considered the relevant charging-head provisions.

147(b) (former information-based reopening provision) | 147(a) (contrasting statutory limb quoted) | 148–153 (statutory qualifications to reopening quoted) | 257 (direct reference to Supreme Court)

Three-judge bench | P.N. Bhagwati, J. | V.D. Tulzapurkar, J. | R.S. Pathak, J.

Assessment years: 1960-61, 1961-62, 1962-63, 1963-64

Former section 147(b); audit opinion is not every audit communication

This is a 31 August 1979 decision under former section 147(b). It rejects audit's legal opinion as information while preserving the distinctions for factual information and communication of law overlooked by the Officer. Kalyanji Mavji is qualified only to the extent explained in the judgment. The later Larsen comparison is under a different State-tax provision; P.V.S. Beedies was checked only as quoted there. Comprehensive later treatment, current-law status and 2025 mapping are not verified.

01 FACTS OF THE CASE

The Society was a professional association of newspapers, registered under the Indian Companies Act, with a building whose conference hall and rooms were let to members and outsiders. It also provided services to members. The relevant receipts had consistently been assessed as business income, including for AYs 1960-61 to 1963-64 (physical page 4/SCR 445 D–E).

The Department's internal audit party took the view that the receipts should instead have been assessed as income from property. Treating the audit report as information, the Income Tax Officer reopened and reassessed under section 147(b). The Appellate Assistant Commissioner allowed the Society's appeals, including on the ground that the statutory information requirement was absent. The Tribunal followed the then Delhi High Court view and held that reopening was within jurisdiction. Because High Court opinions differed, it referred four cases directly under section 257. The question concerned legality of reopening on the subsequently received audit view, not a freestanding final determination of the correct income head (physical pages 4–5/SCR 445 F–446 D).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court began with finality: an assessment is quasi-judicial and may be disturbed only through the procedures and within the boundaries provided by law. It reproduced the former section 147. Clause (b) applied notwithstanding the absence of the assessee omission or failure described in clause (a), but required the Officer, in consequence of information in his possession, to have reason to believe that chargeable income had escaped assessment. The power remained subject to sections 148–153 and extended, as then worded, to assessment, reassessment or recomputation of loss or depreciation allowance. Information and the resulting belief were distinct statutory elements (physical pages 5–6/SCR 446 F–447 F; page 11/SCR 452 B–D).

Information could concern facts or the true legal position. The Court distinguished law declared by a competent legislature, court or quasi-judicial authority from another person's legal opinion. Neither internal audit nor the Comptroller and Auditor-General's audit organisation exercised judicial supervision over the Officer's quasi-judicial assessment. Their interpretation of the Act did not acquire the status of law merely by appearing in an audit note (physical pages 7–9/SCR 448–450).

That did not disqualify every communication from audit. Anyone could communicate knowledge of law. The portion of a note drawing attention to law which had escaped the Officer's notice could supply information; audit's own opinion on its interpretation or application could not. The Officer had to evaluate the law himself and form the necessary belief without audit's opinion adding to or colouring that evaluation. Here the Officer had already considered the historical sections 9 and 10; a different view of their application on the same material was only a change of opinion (physical pages 9–10/SCR 450 F–451 D).

The Court rejected the overly broad proposition in *Kalyanji Mavji* insofar as it would permit reopening merely because the Officer reappraised the same material and discovered his own error. It also held the contrary conclusion in *R.K. Malhotra v. Kasturbhai Lalbhai* erroneous. These are the judicially stated limits; the reporter's shorthand must not become a claim that every proposition in *Kalyanji Mavji* was overruled. The Court separately explained that *Vashist Bhargava's* result could be supported by the factual information that interest was paid into the assessee's own provident-fund account, although that High Court's reasoning about audit/legal advice was incorrect (physical pages 10–13/SCR 451 E–454 E).

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

03 JUDICIAL DECISION

The Court held that an internal audit party's opinion on a point of law was not information within former section 147(b). It answered the referred question in the negative, in favour of the Society and against the Revenue. The Society was entitled to one set of costs. Although the report's closing text uses the language of appeals, the matter reached the Court as Tax Reference Case Nos. 1–4 of 1973 under section 257 (physical page 14/SCR 455 A–B).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Direct reference answered negatively for the assessee; audit-opinion-based reopening not legally justified; one set of costs to the assessee

Final reasoned jurisdictional answer under former section 147(b); not an independent final adjudication of the correct income head

Does not prohibit all factual information or communication of authoritative law through audit, and does not certify any later reopening regime.

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

05 AKHB REVIEW POINT

Read the actual audit note, the original assessment and the applicable statutory text together. The operative distinction is between audit's legal conclusion, communication of overlooked law, factual information and the Officer's independent belief. A general statement that an audit objection can never support reopening would misstate even this judgment. A statement that a newly realised mistake automatically supplies information would also reverse its reasoning.

A bounded later comparison is supplied by *Larsen & Toubro v. State of Jharkhand* (21 March 2017), under section 19 of the Bihar Finance Act, 1981. At paragraphs 21–23 it distinguished a mere second view from overlooked factual information and reproduced P.V.S. Beedies' treatment of factual audit information under former section 147(b). Yet Larsen's own reassessment failed because the assessing authority lacked the independent satisfaction required by that State provision (paragraphs 29–30). This is a comparison of distinct statutory settings, not a present income-tax reopening rule. P.V.S. Beedies has been read here only as reproduced in Larsen, not through an independently verified original.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, date, bench and all four references

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4

Paragraphs: SCR 442 heading; 444 G–H; 445 B–C

Source role: reported metadata and judicial text

2.

Topic: Facts, four AYs, appellate history and referred question

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: SCR 445 D–446 D

Source role: judicial text

3.

Topic: Former statutory wording, information and resulting belief

Source url: [Open cited source](#)

Pdf pages: 5; 6; 11

Paragraphs: SCR 446 F–447 F; 452 B–D

Source role: judicial text

4.

Topic: Nature of audit and authoritative legal information

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9; 10

Paragraphs: SCR 448–451 D

Source role: judicial text

5.

Topic: Change of opinion, precise prior-case treatment and factual distinction

Source url: [Open cited source](#)

Pdf pages: 10; 11; 12; 13

Paragraphs: SCR 451 E–454 E

Source role: judicial text

6.

Topic: Answer to reference and one set of costs

Source url: [Open cited source](#)

Pdf pages: 14

Paragraphs: SCR 455 A–B

Source role: judicial text

7.

Topic: Bounded later State-tax comparison and factual audit quotation

Source url: [Open cited source](#)

Pdf pages: 12; 13; 20

Paragraphs: Paragraphs 21–23 and 29–30; SCR 691–692, 699

Source role: bounded later statutory comparison

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R.S. Pathak, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961 (historical provisions adjudicated in this judgment)

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Indian Income-tax Act, 1922: section 34(1)(b) in earlier authorities; historical property/business sections 9 and 10 discussed in the assessment context; Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971: section 16; Internal Audit Manual and Board Circular No. 14/19/56-II dated 28 July 1960, as described by the Court

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 14 PDF pages; SHA-256

9fec570a477dd2b7061f504a98b3516cba6141fef120b8784a26b3eeef66bf0f. Original bytes preserved.

Judicial body begins physical page 4/SCR 445 B and ends page 14/SCR 455 B. Pages 1–3 contain reporter material and reference metadata; page 4 begins with appearances. No neighbouring judgment.

Open cited source rendition

Decision is dated 31 August 1979, despite the 1980 SCR volume and asset year.; The governing text is the former section 147(b), including the information-to-belief sequence and the section 148–153 qualifications; no present reopening route is certified.; Historical sections 9 and 10 are retained as the source discusses them; they must not be silently recast as the corresponding numbering in the 1961 Act.; Kalyanji Mavji is disapproved only to the extent identified in the judicial reasoning; the report's broad overruled headnote is not adopted.; The source uses reference metadata and an answer to a referred question, while the closing language says appeals and awards one set of costs; both features are disclosed.; Larsen & Toubro concerns Bihar Finance Act section 19. Its quoted P.V.S. Beedies passage is not an independently authenticated original P.V.S. Beedies judgment and no quoted recognition-expiry date is relied upon.

All four assessment years are expressly included in the section 257 question at physical page 5/SCR 446. The earlier years do not alter the actual adjudicated section 147(b) jurisdiction. No section 297 transition ruling is supplied or inferred. The 1980 report/asset year is not the decision year.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 and no present-law certification. Identify the applicable statutory version and procedural route separately.

LATER TREATMENT

Source checked 2026-10-05. not_verified. Bounded later primary comparison: Larsen & Toubro v. State of Jharkhand, 21 March 2017, physical pages 12–13 (paragraphs 21–23) and 20 (paragraphs 29–30), read with the full judicial body at pages 4–20. Indian and Eastern Newspaper Society appears in counsel's authorities at paragraph 11; this is not described as an express later overruling or comprehensive direct-treatment check. P.V.S. Beedies is used only through the quotation in Larsen. No comprehensive citator search, current statutory validation, complete amendment history or 2025 mapping.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 14

SHA-256: 9fec570a477dd2b7061f504a98b3516cba6141fef120b8784a26b3eeef66bf0f

later judgment bounded comparison - PDF pages: 20

SHA-256: 64d46c1277789eaab14070ad898923f71fb3ba859f69b2fcb6576c1669e30ae2

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