

Central Provinces Manganese Ore Co. Ltd. v. Income-Tax Officer, Nagpur

Civil Appeal No. 565 of 1976

[1991] 3 SCR 627 | 1991-08-20

Whether the Customs under-invoicing material and the undisclosed overseas transaction records satisfied the two historical section 147(a) conditions for the challenged reassessment notice.

147(a), historical text | 147(b), historical comparison | 148

Two-judge bench | Kuldip Singh, J. | K. Ramaswamy, J.

Assessment years: 1953-54

Historical notice validity, not a tax-quantum determination

The Court upheld the 147(a) notice on recorded reasons and missing primary facts. Customs findings could inform belief without binding the tax assessment; the later 1972 order was not the basis available in 1970. The source image reads Rs 78 lakh, and its headnote differs from the body on notice and buyer-account references. No Customs amount was imposed as income-tax by this judgment. Current notice safeguards, comprehensive later treatment and 2025 mapping remain unverified.

01 FACTS OF THE CASE

The non-resident exporter, headquartered in London with a Nagpur office, ordinarily produced local books and head-office accounts but not the original overseas books, sales contracts or buyer accounts. Customs investigations concerned allegedly understated manganese export prices. The initial Collector order of 2 March 1959 recorded about Rs 78 lakh under-invoicing; it was set aside and remitted, and the later 16 November 1972 order recorded about Rs 44/45 lakh. These are Customs figures, not an income-tax demand determined in this appeal (physical pages 3–4 and 6).

The ITO issued a section 148 notice dated 20 March 1970 for AY 1953–54 while Customs proceedings were pending. Recorded reasons dated 26 February 1970 expressly invoked section 147(a). The company challenged the notice, arguing that the material could at most support section 147(b), whose time limit had expired. The Bombay High Court dismissed the writ on 5 August 1975. The distinction between a time-barred 147(b) route and an available 147(a) route was common ground under the then law (physical pages 3–6).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court required both reason to believe that income had escaped assessment and that the escapement occurred by reason of the assessee's omission or failure to disclose fully and truly all material facts necessary for the assessment. Customs findings were not binding on the income-tax authorities, but could provide a valid basis for the first belief. The relevant inquiry was the existence of reasons, rather than the final outcome of the Customs proceeding (physical page 5).

For the second condition, the Court considered the unproduced London books, original sale contracts and foreign-buyer accounts, together with the unexplained lower declared prices. On that record it treated proven under-invoicing as satisfying the second condition, and explained that undisclosed true prices supported a prima facie conclusion of failure to disclose the material primary facts. It emphasised assessment on the price actually received, not a general power to substitute market value merely because a sale price was low (physical page 6).

The notice did not distinguish between clauses (a) and (b), but the contemporaneously recorded reasons expressly relied on (a). The Court rejected the attempt to reclassify the notice as a time-barred clause (b) action. The parties did not dispute that the reasons could be produced to the High Court without being set out in the notice itself; that common ground is not a certification of modern notice-disclosure requirements (physical pages 4 and 6).

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

03 JUDICIAL DECISION

The appeal was dismissed, sustaining the challenged notice under the historical section 147(a) conditions. Costs were quantified at Rs 15,000. The Supreme Court did not make a final escaped-income computation or adopt either Customs amount as the assessed addition (physical page 6).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on validity of the reassessment notice

Appeal dismissed; costs Rs 15,000

Final reasoned jurisdictional ruling on the historical 147(a) notice

No binding adoption of Customs findings for tax quantum, universal market-price substitution, current limitation rule or completed reassessment result.

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

05 AKHB REVIEW POINT

Separate information sufficient to form a belief from evidence ultimately establishing the assessed income. A finding by another authority can be relevant without becoming conclusive. Then identify the specific primary facts withheld; a notice cannot be justified merely by labelling the material Customs information.

Use the actual recorded reasons and historical statutory route. The Court's result rests on clause (a)'s two conditions and the record before it, not a general right to relabel every late information-based reopening. The notice/reasons practice and limitation concessions belong to the historical scheme. Comprehensive later treatment, later procedural safeguards and 2025 mapping remain unverified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, single appeal and notice facts

Source url: [Open cited source](#)

Pdf pages: 1; 2; 3

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: reported metadata and judicial text

2.

Topic: Customs chronology and historical statutory alternatives

Source url: [Open cited source](#)

Pdf pages: 3; 4; 5

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: reported metadata and judicial text

3.

Topic: Two jurisdictional conditions and non-binding Customs information

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

4.

Topic: Missing primary facts, recorded reasons and actual-price qualification

Source url: [Open cited source](#)

Pdf pages: 6

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

5.

Topic: Final dismissal and quantified costs

Source url: [Open cited source](#)

Pdf pages: 6

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Kuldip Singh, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 6 PDF pages; SHA-256

64dd184561e664ee215f6a432ae54cd07255194bd64545a146bc12d52360cc39. Original bytes preserved.

Complete unnumbered judicial text physical pages 3–6; earlier editorial material separated, no neighbouring judgment.

[Open cited source rendition](#)

The original image at physical page 4 prints Rs 78 lakh for the first Customs order; cached OCR resembles 75/7S. The image amount controls. The later report says Rs 44/45 lakh, not a precise single assessed-income figure.; The headnote at page 2 says foreign banks; the judicial text at page 6 says accounts relating to foreign buyers. The note follows the judicial text.; The headnote prints section 146 for the notice recital; the judicial ending says section 147, while the opening identifies the notice as issued under 148 concerning 147 grounds. No 146 holding is inferred.; The 1972 Customs order followed the 1970 income-tax notice. The note does not present that later order as information already available when the reasons were recorded.; The statement about reasons not being required in the notice was undisputed in this litigation. The note does not export it to later procedural legislation.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or present-law certification. Apply the statutory text for the relevant year.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment search is certified. Any actually checked later judgment or statute is expressly identified in this note.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 6](#)

SHA-256: 64dd184561e664ee215f6a432ae54cd07255194bd64545a146bc12d52360cc39

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