

Phool Chand Bajrang Lal and Another v. Income Tax Officer and Another

Civil Appeal No. 1235 of 1977

[1993] Supp. 1 SCR 28 | 1993-07-13

Whether specific later information exposing the alleged lender as a name-lender can justify reopening under historical section 147(a), even though the assessee disclosed the claimed loan and it was accepted in the original assessment.

147(a) | 148 | 149

Two-judge bench | S. C. Agrawal, J. | Dr. A. S. Anand, J.

Assessment years: 1963-64, 1964-65, 1965-66, 1966-67, 1967-68, 1968-69

Initiation upheld; reassessment merits expressly reserved

The Court upheld initiation under historical sections 147(a) and 148, granted six weeks to reply and expressly left substantive reassessment merits open. The four/eight-year framework and notice mechanics discussed belong to the historical statute. Current-law validity and Income-tax Act, 2025 mapping remain unverified.

01 FACTS OF THE CASE

The Azamgarh assessee-firm claimed a Rs. 50,000 cash loan from Jain Finance Distributors (India) Private Limited, Calcutta, taken on 19 May 1962 and recorded in its books on 25 May 1962. It supplied a confirmatory letter in the original assessment for 1963-64; interest deductions were allowed through 1968-69. The principal was said to have been repaid in cash in 1968, while interest had been paid by cheque or bank draft (SCR 33-34).

After making an enquiry, the assessing officer received the Calcutta officer's letter dated 7 July 1970 stating that the lender's managing director had confessed to name-lending and no actual lending, a position accepted for the lender's 1962-63 to 1964-65 assessments. The Azamgarh officer recorded his belief, obtained the recorded sanction and initiated section 148 proceedings. The assessee relied on a creditor affidavit; the managing director, when examined, admitted making the earlier confession. Before answering the further show-cause notice, the assessee sought writ relief to quash the notices and stop reassessment. The Allahabad High Court dismissed the writ petition on 24 November 1976 but certified an appeal because High Courts differed about disclosure of a loan later alleged to be bogus (SCR 34-37).

Source: [reported judgment / paragraphs Unnumbered judicial reasons, SCR 33-37; loan, information, notices and proceedings / PDF pages 6, 7, 8, 9, 10 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

Under the historical section 147(a) framework, the officer needed reason to believe both that taxable income had escaped assessment and that the escapement resulted from the assessee's failure to disclose all material facts fully and truly. Those conditions had to coexist, and reasons for the belief had to be recorded. The Court addressed those requirements alongside the then sections 148 and 149; its account of four/eight-year limits is historical, not present procedure (SCR 37-39).

Disclosure of the asserted transaction did not itself establish truthful disclosure. The later information here concerned this lender, identified the no-lending period and covered the period of the assessee's claimed loan. It was materially different from the general circular in Chhugamal Rajpal and the confession without a relevant transaction/period link in Lakhmani Mewal Das. The Court therefore considered the information specific and capable of supporting the officer's belief, rather than vague suspicion (SCR 41-44).

The Court distinguished a fresh inference from the same existing material from subsequently obtained, specific and reliable information tending to expose the falsity of the earlier facts. It explained Burlop Dealers in its factual setting and rejected reading it as immunity whenever a transaction had once been disclosed and accepted. An officer's failure to investigate fully before completing the original assessment did not extinguish jurisdiction when qualifying later information arrived and the twin conditions were satisfied (SCR 44-51).

The officer must form his own bona fide belief. A court does not substitute its view on the sufficiency of the reasons, but can examine whether any belief genuinely existed, whether it rested on vague or irrelevant material, and whether the material had a rational connection or live link to the alleged escapement. The holding therefore preserves judicial scrutiny of jurisdiction and distinguishes fresh information from mere change of opinion (SCR 51-53).

Source: [reported judgment / paragraphs Unnumbered judicial reasons, SCR 37 G to 39 B; historical statutory text and twin conditions / PDF pages 10, 11, 12 / judicial text](#); [reported judgment / paragraphs Unnumbered judicial reasons, SCR 41-44; specific information and distinguished authorities / PDF pages 14, 15, 16, 17 / judicial text](#); [reported judgment / paragraphs Unnumbered judicial reasons, SCR 44-53; fresh information, prior inquiry and judicial scrutiny / PDF pages 17, 18, 19, 20, 21, 22, 23, 24, 25, 26 / judicial text](#)

03 JUDICIAL DECISION

The assessee's appeal was dismissed without an order as to costs, leaving the High Court's refusal to quash initiation intact. Because the appeal had been pending since 1977, the Court granted six weeks from judgment to reply to the show-cause notice and directed the officer to conclude reassessment expeditiously. It expressly stated that nothing in the judgment expressed an opinion on the merits of reassessment (SCR 53 B-F).

Source: [reported judgment / paragraphs Unnumbered judicial reasons, SCR 53 B-F; operative order and merits reservation / PDF pages 26 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on validity of initiation; assessee granted time to respond

Appeal dismissed; no order as to costs; six weeks from judgment for assessee's reply; reassessment to be concluded expeditiously

Final decision on jurisdiction to initiate reassessment; substantive tax liability and genuineness on final reassessment expressly left undecided

This is not a final cash-credit addition or a conclusive finding that the Rs. 50,000 was taxable. It does not dispense with the officer's own recorded belief, reliable specific material, the required nexus or the relevant statutory safeguards.

Source: [reported judgment / paragraphs Unnumbered judicial reasons, SCR 53 B-F / PDF pages 26 / judicial text](#)

05 AKHB REVIEW POINT

Test what is genuinely new and what it establishes. A later, specific account concerning the named lender and the relevant period can expose an earlier factual assertion as untrue; a different inference from the same old material, a generic warning or an unlinked confession is a different case. Read the reasons and the information together, keeping the officer's own belief, temporal connection and nexus to the assessee in view. Success at the reopening stage does not decide the eventual addition: Phool Chand expressly preserved the merits and the opportunity to respond.

For a tightly bounded comparison, Kelvinator (18 January 2010), paragraphs 3-6, considered the differently worded post-1 April 1989 section 147 and retained the bar on mere change of opinion, requiring tangible material and a live link to the belief. This is an editorial comparison of the two judgments' distinct statutory settings, not a claim that Kelvinator cited or approved Phool Chand. Neither judgment is certified here as stating present-day notice mechanics or current law.

Source: [reported judgment / paragraphs Unnumbered judicial reasons, SCR 42-44, 47-48 and 51-53 / PDF pages 15, 16, 17, 20, 21, 24, 25, 26 / judicial text; reported judgment / paragraphs 3-6 and unnumbered disposition; distinct statutory setting and change-of-opinion safeguard / PDF pages 3, 4, 5, 6 / judicial text](#)

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: Jurisdiction under historical sections 147(a) and 148

Result: Initiation on the specific subsequent information was valid; writ dismissal upheld

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 24; 25; 26

Paragraphs: Unnumbered judicial reasons, SCR 51 G-H, 52 A-D and 53 B-C

Source role: judicial text

2.

Issue: Opportunity to reply and completion of reassessment

Result: Six weeks from judgment to reply; officer directed to conclude expeditiously

In whose favour: Assessee given procedural time; further proceedings to continue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 26

Paragraphs: Unnumbered judicial reasons, SCR 53 D-E

Source role: judicial text

3.

Issue: Final merits of reassessment

Result: Expressly reserved; no substantive tax liability adjudicated

In whose favour: Neither; not decided

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 26

Paragraphs: Unnumbered judicial reasons, SCR 53 E-F

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

147(b); 139(2)

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Dr. A. S. Anand, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

COMPARISON OF DISTINCT HISTORICAL STATUTORY SETTINGS

1.

Case ids: sc-1993-07-13-phool-chand-bajrang-lal; sc-2010-01-18-kelvinator-india

Relationship: editorial comparison of fresh information and change of opinion in distinct statutory versions

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 24; 25

Paragraphs: Unnumbered judicial reasons, SCR 51 G-H and 52 A-D

Source role: judicial text

2.

Source url: [Open cited source](#)

Pdf pages: 3; 4; 5; 6

Paragraphs: 3-6

Source role: judicial text

Scope limit: No citation, approval, overruling or other treatment relationship is inferred. Phool Chand concerns historical section 147(a); Kelvinator expressly discusses the post-1 April 1989 text.

SOURCE & VERIFICATION

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

Identified source rendition: 26 PDF pages; SHA-256

7395f7c8ad65c0b4b1d9ba448026f723365d317ba914316fb84f2be25dd8132e. Original bytes preserved.

Unnumbered judicial reasons begin at SCR 33 E, physical page 6, and end at SCR 53 F, physical page 26. Earlier headnote and appearances are not judicial reasons.

[Open cited source rendition](#)

The alleged cash loan is disclosed for 1963-64; interest deductions and the return notices are described for 1963-64 through 1968-69. The preliminary-notice narrative on physical page 8 singles out 1965-66 immediately after referring to non-disclosure for 1963-64. That source inconsistency is retained as a caution rather than corrected or used to narrow the entire appeal to one year. The lender's separate 1962-63 to 1964-65 assessments are not added as this assessee's assessment years.

Initiation was upheld under historical sections 147(a) and 148. Section 149 is reproduced for the then four/eight-year framework; the Court explains the twin conditions for clause (a) jurisdiction beyond four years within eight, rather than deciding a separate modern limitation question. Clause (b) appears as a statutory contrast. The section 148 quotation incorporates historical section 139(2). Commissioner sanction is a fact recorded, not an independent section 151 holding; section 68 is not separately decided.

The primary source is the preserved reported eSCR mirror rendition, not an independently obtained signed original.; The judgment is unnumbered. Physical-page and SCR page/letter pins identify judicial text; numbered propositions in the headnote are editorial.; The judicial narrative on physical page 8 refers to non-disclosure for 1963-64 but says the preliminary notice proposed reopening 1965-66. Physical page 9 then identifies returns for 1963-64 through 1968-69. No silent correction or one-year narrowing is made.; The reported chronology prints the assessee's preliminary reply as 25 November 1972 on physical page 8, but the subsequent narrative on page 9 dates the proposal, sanction and filed return to January-February 1972. Both were visually checked. The note does not fabricate a corrected sequence or exact final section 148 notice date.; The loan counterparty appears as Distributor in the opening narrative and Distributors in the quoted letter. The note uses the quoted letter's fuller company name without inferring a separate entity.; The judgment's discussion of alleged falsity establishes the jurisdictional basis only. Its express final merits reservation controls and must accompany any description of a bogus loan.; The Kelvinator comparison relies on judicial paragraphs 3-6, not the contradictory editorial line on its first page saying change of opinion stood obliterated. No Phool Chand citation or treatment by Kelvinator is claimed.

STATUTORY SCOPE

Historical section 147(a)/(b) regime as considered by the Court; notice requirements, time limits, later amendments and Income-tax Act, 2025 mapping are not certified as current law.

LATER TREATMENT

Source checked 2026-10-04. No later case treating Phool Chand has been independently verified in this review. Kelvinator is read only for a bounded editorial comparison of distinct statutory versions, not represented as subsequent treatment of this case.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 26](#)

SHA-256: 7395f7c8ad65c0b4b1d9ba448026f723365d317ba914316fb84f2be25dd8132e

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

SHA-256: cc18ad49419166de7ba5061fa93955805078d7cb08049acda980af79ab11ac94

[Related note: Commissioner of Income Tax, Delhi v. M/s. Kelvinator of India Limited](#)

AI DISCLOSURE

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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