

Commissioner of Income Tax, Calcutta (Central) v. M/s Paharpur Cooling Towers Pvt. Ltd.

Civil Appeal Nos. 1000–1005 of 1979

[1996] 3 SCR 187 | 1996-03-11

Could a settlement of AY 1975-76, coupled with limited-purpose spreading of disclosed income across earlier years, confer jurisdiction to drop or waive penalties for wholly different concealments in AYs 1970-71 to 1974-75?

245A(a) (historical definition) | 245C | 245D(1), second proviso (historical) | 245D(4) | 245E (historical) | 245F(1)–(2) | 245H | 245I | 147–150 (alternative argument left open as to power)

Two-judge bench | B.P. Jeevan Reddy, J. | M.K. Mukherjee, J.

Assessment years: 1970-71, 1971-72, 1972-73, 1973-74, 1974-75, 1975-76

Historical, limited reopening does not settle unrelated penalties

Only the AY 1970-71 to 1974-75 penalty-dropping/waiver relief was set aside; penalty merits were left to lawful proceedings, and other settlement directions were not adjudicated. Section 147 power was not decided. The eight-year rule belongs to the 1977 application's historical law; its later statutory replacement and 2007 restriction must be checked. The Commission ceased operating under the 2021 changes, with specified pending matters assigned to Interim Boards. No current remedy, comprehensive later treatment or 2025 Act mapping is certified.

01 FACTS OF THE CASE

The cooling-tower manufacturer's AY 1975-76 assessment remained pending when searches were conducted in October 1976. It applied under section 245C on 24 June 1977. Although its form used general words about other proceedings, the Commissioner raised no objection only for AY 1975-76, and the Commission admitted that application on 21 July 1977 (physical page 5).

In a later statement the company disclosed stock undervaluation and capital expenditure previously claimed as revenue expenditure. It sought to spread the additions over AYs 1970-71 to 1975-76 and consented to reopening the five earlier assessments for that purpose. The Commissioner objected that those assessments had long been completed and that pending penalty proceedings concerned different concealments already detected by the Income Tax Officer. The Commission's majority nevertheless dropped or waived the earlier-year penalties; its Chairman dissented (physical pages 6–9).

The Revenue's six appeals challenged only that penalty-related exercise of jurisdiction. The Court expressly declined to address the Commission's other directions, which had not been argued before it (physical page 7).

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

02 DISCUSSION BY THE HON'BLE COURT

Under the historical Chapter XIX-A scheme applicable to this 1977 application, the Commission's powers followed the case admitted for settlement. Section 245D(4) permitted consideration of material outside the application only when it related to that case; it did not give unrestricted control over other assessment years. The historical second proviso to section 245D(1), including the Commissioner's concealment-or-fraud objection, also constrained jurisdiction (physical pages 9–12).

Section 245E was a conditional exception for connected completed proceedings: reopening had to be necessary or expedient for proper disposal of the pending settlement case, supported by written reasons and the applicant's concurrence, and subject to the quoted historical eight-year limit. The Court explained that this was not a device for indirectly obtaining settlement of matters outside the admitted case. The quoted proviso measured its limit from the end of the assessment year of the proceeding to be reopened; this was not an adjudication calculating a limitation deadline (physical pages 10–13).

The assessee had asked for a benefit through spreading the disclosed amounts, rather than the Commission finding a need to reopen the old cases for proper settlement. Even its concurrence was for that limited purpose. The Court did not permit that limited exercise to become comprehensive jurisdiction over all earlier-year matters. The penalties concerned other concealments, wholly distinct from the two settlement disclosures, so the consequential increases in assessed income did not automatically extinguish those penalty proceedings (physical pages 13–15).

The alternative reliance on section 245F(1) and reassessment powers under section 147 did not assist. The Court expressly left open whether the Commission possessed that power; even assuming it did, the requirements of sections 147–150, including sections 148 and 149, had not been followed (physical page 15).

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

03 JUDICIAL DECISION

All six Revenue appeals were allowed. The Settlement Commission's order was set aside only to the extent that it dropped the AY 1970-71 to 1974-75 penalty proceedings or waived penalties for those years. Its remaining orders and directions were not to affect those proceedings, which could continue according to law, and the Commission was directed to modify its order accordingly. Consolidated costs of Rs 20,000 were awarded to the appellants. The Court neither imposed a quantified penalty nor decided the merits of those concealment proceedings (physical page 16).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue, on the limited earlier-year penalty-jurisdiction issue

Civil Appeals 1000–1005/1979 allowed; penalty-dropping/waiver portion set aside; proceedings may continue according to law; Rs 20,000 consolidated appellants' costs

Final decision on historical settlement jurisdiction; underlying penalty liability and amount not adjudicated

Only the earlier-year penalty relief was disturbed. The Court expressed no opinion on the other settlement directions and did not decide that section 147 power was available to the Commission.

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

05 AKHB REVIEW POINT

Identify the admitted assessment year, the actual disclosure, the precise concurrence and the subject of each penalty before asserting that a settlement or connected reopening controls everything in an earlier year. This decision rejects unlimited jurisdiction from limited-purpose reopening; it does not decide the validity of each restored penalty, approve every spreading arrangement or establish an unconditional section 147 power.

Keep the statutory dates separate from the 1996 judgment date. The Court applied the historical provisions governing the 1977 application and 1979 order. The checked Department of Revenue-hosted compilation records replacement of section 245E's proviso by the Finance Act 1987, effective 1 June 1987, with a nine-year test measured to the application date, and the Finance Act 2007 bar on section 245E reopening for applications made on or after 1 June 2007 (physical page 887). The historical eight-year discussion must not be transplanted into a later case.

The bounded official-text checks also show the 2021 cessation of the Commission, the statutory bar on applications on or after 1 February 2021 and Interim Board modifications for allotted pending applications. These checks do not establish the availability of a present settlement remedy or resolve transitional relief. Comprehensive later judicial treatment and any mapping to the Income-tax Act, 2025 remain unverified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, complete appeal group and settlement history

Source url: [Open cited source](#)

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

Pdf pages: 1; 4; 5

2.

Topic: Distinct disclosures, limited concurrence and expressly confined appellate issue

Source url: [Open cited source](#)

Paragraphs: Unnumbered judicial text

Source role: judicial text

Pdf pages: 6; 7; 8; 9

3.

Topic: Historical statutory quotations and jurisdictional limits

Source url: [Open cited source](#)

Paragraphs: Unnumbered judicial text

Source role: judicial text

Pdf pages: 10; 11; 12; 13

4.

Topic: No comprehensive earlier-year control; distinct penalties; section 147 question reserved

Source url: [Open cited source](#)

Paragraphs: Unnumbered judicial text

Source role: judicial text

Pdf pages: 14; 15

5.

Topic: Limited operative setting-aside and consolidated Rs 20,000 costs

Source url: [Open cited source](#)

Paragraphs: Unnumbered judicial text

Source role: judicial text

Pdf pages: 16

6.

Topic: Historical 245E amendments: nine-year proviso and 2007 application-date bar

Source url: [Open cited source](#)

Paragraphs: Section 245E and footnotes 74–76

Source role: official hosted statutory compilation

Pdf pages: 887

7.

Topic: Commission cessation

Source url: [Open cited source](#)

Paragraphs: Finance Act 2021, section 64

Source role: official statutory text

8.

Topic: Statutory filing bar

Source url: [Open cited source](#)

Paragraphs: Section 245C(5), footnote 36

Source role: official statutory text

9.

Topic: Allotted pending-application Interim Board modifications

Source url: [Open cited source](#)

Paragraphs: Section 245D(9)–(10)

Source role: official statutory text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B.P. Jeevan Reddy, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961 (historical Chapter XIX-A settlement regime)

ASSESSMENT-YEAR SCOPE AND LIMITS OF THE OPERATIVE DIRECTION

The settlement application and admission concerned AY 1975-76 alone. The disputed penalty proceedings concerned AYs 1970-71 through 1974-75. Those earlier years were not independently admitted settlement cases.

SPECIFIED LATER CHECKS AND THEIR LIMITS

Kind: statutory comparison only

Scope: Only the historical amendment and institutional-transition provisions expressly identified in sources and pinpoints were checked. No later judicial-treatment search is certified.

Current law certification: False

QUALIFIED DECISION DATE AND UNRESOLVED SOURCE CONFLICT

Printed primary cover and frozen source metadata agree.

SOURCE & VERIFICATION

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

Identified source rendition: 16 PDF pages; SHA-256

5f03318ba20206f3654756490ff69aa69f2260f2172ba56d52f12499a81e4a42. Original bytes preserved.

Complete judicial text on physical pages 5–16; all preceding headnote and front-matter pages also read and distinguished. No adjacent judgment occurs in this PDF.

[Open cited source rendition](#)

The frozen index's single CA 1000/1979 is incomplete: the reported front matter and operative result concern CA 1000–1005/1979.; The stock narrative on physical page 6 uses opening/closing-stock terminology and accounting-date references that should not be silently reconstructed into a new valuation schedule. This note does not calculate a revised stock amount.; The statutory quotation on pages 10–11 and discussion on page 12 measure eight years from the end of the year of the proceeding being reopened; the compressed four-condition restatement on page 13 uses different relative-year wording. No actual limitation computation was decided. The later nine-year application-date proviso is separately identified, not substituted into the judgment.; The Court's observation that this was not the situation envisaged by section 245E coexists with its discussion of the most that limited-purpose reopening could accomplish. It expressly left unargued settlement directions outside these appeals; do not treat the judgment as affirmatively approving the entire reopening or spreading arrangement.; Section 147 jurisdiction was assumed only for argument and left unresolved. Non-compliance with sections 147–150 independently defeated the alternative submission.; This is a historical 1977-application ruling. The second proviso to section 245D(1), section 245E time limit and institutional framework later changed; no universal present-day settlement or penalty rule is certified.

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: 16](#)

SHA-256: 5f03318ba20206f3654756490ff69aa69f2260f2172ba56d52f12499a81e4a42

[official hosted statutory compilation - PDF pages: 1251](#)

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

[official statutory html](#)

SHA-256: a5b129f53579039494df30669d1821b98f8225def247566eeae5b347dcd13999

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SHA-256: 80ae4a15974d16a9ad8ddf6808d5c60f3031b924fcf1e02294111c5768dd7acd

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