

Sri Krishna Pvt. Ltd. etc. v. Income Tax Officer, Calcutta and others

Civil Appeal No. 1562 of 1977 with Civil Appeal Nos. 2101-2103 of 1980

[1996] Supp 3 SCR 627 | 1996-07-16

Reasonable belief for reassessment after bogus hundi lenders were identified in a succeeding year

Income-tax Act, 1961: sections 147, 148 and 151 (historical versions)

Two-judge bench; judgment delivered by B. P. Jeevan Reddy, J. | B. P. Jeevan Reddy, J. | S. B. Majmudar, J.

Notice-stage ruling

The Court decided whether reasonable grounds existed to reopen; it did not treat escapement or every disputed loan as finally proved at that stage.

01 FACTS OF THE CASE

For assessment year 1959-60 the assessee disclosed Rs.8,53,298 in unsecured hundi loans, which were accepted. In the 1960-61 assessment, many loans were found bogus or linked to directors and principal shareholders. The officer issued section 148 notice for 1959-60; the assessee challenged the existence of reasonable grounds for reopening.

Source: [Primary judgment: facts and historical provisions](#)

02 DISCUSSION BY THE HON'BLE COURT

Reassessment power was safeguarded but depended on full and true disclosure. Whether a claimed loan was genuine was a material fact, not merely a later inference. Ten supposed lenders accounting for Rs.3,80,000 of the earlier total were shown to be bogus or name lenders in the succeeding assessment. A false or misleading disclosure could not satisfy the statutory duty.

Source: [Primary judgment: reasonable-belief analysis](#)

03 JUDICIAL DECISION

The material furnished reasonable grounds to believe that income had escaped through failure to disclose fully and truly. The Court stressed that notice validity asked only whether such grounds existed, not whether the omission and escaped income had already been established.

Source: [Primary judgment: notice-stage holding](#)

04 OUTCOME / IN WHOSE FAVOUR

Civil Appeal No. 1562 of 1977 was dismissed with consolidated advocate's fee of Rs.10,000. Civil Appeal Nos. 2101-2103 of 1980 were also dismissed, without costs.

Source: [Primary judgment: operative disposition](#)

05 AKHB REVIEW POINT

AKHB analysis: separate the threshold for a lawful reopening notice from final reassessment proof. Cross-year evidence about identified lenders can support reasonable belief when it bears directly on the truth of primary loan facts, but current notices must be tested under the present statutory scheme and later precedent.

Source: [Primary judgment: review-point basis](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

Complete 15-page SCR report read in page-preserving text and every page image inspected through both connected dispositions.

[Open cited source rendition](#)

Exact catalogue SHA-256 and 15-page count verified; the complete report was read and every source page image inspected.

STATUTORY SCOPE

Sections 147, 148 and 151 have since changed materially. The note does not clear any notice under the current reassessment regime.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. The reassessment provisions examined were the versions governing assessment year 1959-60.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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