

Kuldeep Industrial Corporation v. Income Tax Officer and Others

Civil Appeal Nos. 233–235 of 1982 (assessee) / Civil Appeal Nos. 236–237 of 1982 (assessee) / Civil Appeal Nos. 238–239 of 1982 (Revenue)

[1996] Supp. 9 SCR 782 | 1996-12-10

Under the admission rules applicable to the 1980 settlement application, could the Commission admit two of three years despite common established fraud and an indivisible disclosure, and could filing the application itself prevent further Income Tax Officer investigation?

131 (investigation context) | 144B (historical draft-assessment provision) | 245C | 245D(1) | 245D(1A) (historical, later omitted)

Two-judge bench | B.P. Jeevan Reddy, J. | K.S. Paripoornan, J.

Assessment years: 1977-78, 1978-79, 1979-80

Historical admission regime; Revenue won both appeal groups

Revenue's two appeals were allowed and the assessee's five appeals dismissed, with Rs 50,000 consolidated costs. This was settlement admission, not a final tax or penalty computation. Section 245D(1A), applied to the 1980 application, was omitted from 27 September 1991; the post-filing-investigation ruling also predates the 1 June 2007 exclusive-jurisdiction change. The Commission ceased operating under the 2021 changes, with specified pending matters assigned to Interim Boards. Printed profit and inspection-date differences are unreconciled. Current-law mapping and comprehensive later treatment remain unverified.

01 FACTS OF THE CASE

The firm obtained stainless steel sheets from MMTC while claiming manufacturing activity at Chandigarh. It returned losses of Rs 1,31,113 and Rs 39,939 for AYs 1977-78 and 1978-79 and profit of Rs 7,340 for AY 1979-80. Investigation found no relevant manufacturing and evidence that the sheets had instead been sold through brokers in Bombay, Delhi and Madras. After an additions notice, the firm applied for settlement on 29 February 1980 covering all three years (physical pages 5–7).

The firm asked the Income Tax Officer to stop proceedings but repeatedly refused to supply its settlement application or answer outstanding notices. The officer made a draft assessment under the then section 144B on 19 March 1980, determining proposed AY 1977-78 income of Rs 44,40,590. The Commissioner received the application only on 3 April and objected to admission on 5 June, enclosing the draft assessment. The settlement application admitted that no manufacturing had occurred and offered a combined profit from the sheet sales (physical pages 5–7 and 12).

On 15 October 1980 the Commission unanimously rejected admission for AY 1977-78 but, by a two-to-one majority, admitted AYs 1978-79 and 1979-80. The assessee's five appeals challenged the refusal; Revenue's two appeals challenged the partial admission. The dissent treated the common fabricated accounts and admissions as one case across all three years (physical pages 4–5 and 8–10).

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

02 DISCUSSION BY THE HON'BLE COURT

The governing version of section 245D(1A) barred an application from proceeding if the Commissioner objected on the ground that an income-tax authority had established, or was likely to establish, concealment of income particulars or fraud to evade tax or another chargeable or imposable sum in relation to the case. Under the proviso, the Commission could nevertheless allow the application if it was not satisfied that the objection was correct, after giving the Commissioner an opportunity to be heard. The Court applied that historical text to the 1980 admission decision. It relied on Express Newspapers for the proposition that simply filing under section 245C did not halt investigation: the Income Tax Officer could continue at least to the Commissioner's report, with the judgment adding that continuation might extend further. The case did not establish an unlimited right to disregard an admitted settlement case or later exclusive-jurisdiction provisions (physical pages 10–11).

The allegation that the draft assessment unfairly appropriated the application's disclosure failed factually. The firm had refused copies; the Commissioner received the application after the draft order, the officer had already undertaken extensive independent inquiries, and counsel could identify no particular borrowed fact. The much larger draft income for the first year also differed from the small combined amount disclosed for all three years (physical page 12).

The application combined the stock, sales, costs, transport and brokerage figures for all three years. Neither its account nor its admissions distinguished the later two years. The Commission's majority had made a new case for the assessee by separating those years despite the indivisible factual package. The established facts and the assessee's own admissions satisfied the main limb of section 245D(1A); no valid reason under its proviso supported the partial admission. Admission of already independently discovered fraud did not reverse that conclusion (physical pages 12–13).

The Court characterised its scrutiny of Commission orders as judicial review. It intervened because the majority had misdirected itself in law about post-filing investigation, invented a distinction the application did not make and ignored the common admissions, rather than conducting a fresh final computation of taxable income (physical page 14).

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

03 JUDICIAL DECISION

Revenue's Civil Appeals 238 and 239 of 1982 were allowed with costs. The assessee's Civil Appeals 233–235 and 236–237 of 1982 were dismissed with costs. Consequently, the partial admission for AYs 1978-79 and 1979-80 could not stand, while the refusal for AY 1977-78 remained. Consolidated costs payable by the assessee across all seven appeals were fixed at Rs 50,000. The judgment decided settlement admission, not final assessment quantum or a quantified tax penalty (physical page 14).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue in both opposing appeal groups

Revenue CA 238–239/1982 allowed; assessee CA 233–235 and 236–237/1982 dismissed; Rs 50,000 consolidated costs payable by assessee

Final historical settlement-admission and judicial-review ruling; no final assessment or penalty computation

The three-year unity came from this application's common facts, combined computation and admissions. It is not a rule that every multi-year application is indivisible or that investigation always continues after settlement jurisdiction attaches.

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

05 AKHB REVIEW POINT

Do not detach a favourable year from a common settlement narrative unless the application and evidence actually support the distinction. Here all three years rested on the same admitted activity and fabricated account story, and the officer had independently discovered the fraud. The decision also distinguishes judicial correction of legal misdirection from a rehearing of every settlement fact.

The temporal limits are essential. Section 245D(1A) was inserted from 1 April 1979 and omitted by the Finance (No. 2) Act 1991 with effect from 27 September 1991, before this 1996 judgment. The Court nevertheless decided the older 1980 application under its governing regime. Separately, Finance Act 2007 inserted the section 245F(2) proviso giving the Commission exclusive jurisdiction from the application date for applications made on or after 1 June 2007. The historical post-filing-investigation proposition cannot be carried over without that change (checked compilation physical pages 883 and 888).

Later official provisions record the Commission's cessation from 1 February 2021, the statutory new-application bar and Interim Board modifications for allotted pending applications. These are bounded legislative checks, not a complete audit of transitional relief or later judicial treatment. Do not equate the historical section 144B draft procedure with another statutory version merely because the number is the same. No automatic Income-tax Act, 2025 mapping or present settlement-access advice is supplied.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, opposing appeal groups and three-year application

Source url: [Open cited source](#)

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

Pdf pages: 1; 4; 5

2.

Topic: Investigation chronology, old section 144B draft and Revenue objection

Source url: [Open cited source](#)

Paragraphs: Unnumbered judicial text

Source role: judicial text

Pdf pages: 5; 6; 7

3.

Topic: Majority/dissent distinction and parties' arguments

Source url: [Open cited source](#)

Paragraphs: Unnumbered judicial text

Source role: judicial text

Pdf pages: 8; 9; 10

4.

Topic: Historical section 245D(1A), post-filing investigation and independent discovery

Source url: [Open cited source](#)

Paragraphs: Unnumbered judicial text

Source role: judicial text

Pdf pages: 11; 12

5.

Topic: Common three-year package and established statutory disqualification

Source url: [Open cited source](#)

Paragraphs: Unnumbered judicial text

Source role: judicial text

Pdf pages: 13

6.

Topic: Judicial review, both operative appeal groups and Rs 50,000 costs

Source url: [Open cited source](#)

Paragraphs: Unnumbered judicial text

Source role: judicial text

Pdf pages: 14

7.

Topic: Insertion and omission history of section 245D(1A)

Source url: [Open cited source](#)

Paragraphs: Section 245D(1A) entry and footnote 59

Source role: official hosted statutory compilation

Pdf pages: 883

8.

Topic: 2007 change to application-date exclusive jurisdiction

Source url: [Open cited source](#)

Paragraphs: Section 245F(2), both provisos and footnote 77

Source role: official hosted statutory compilation

Pdf pages: 888

9.

Topic: Official omission entry and Interim Board pending-application modifications

Source url: [Open cited source](#)

Paragraphs: Section 245D(1A) and (9)–(10)

Source role: official statutory text

10.

Topic: 2021 institutional cessation

Source url: [Open cited source](#)

Paragraphs: Finance Act 2021, section 64

Source role: official statutory text

11.

Topic: Statutory new-application bar

Source url: [Open cited source](#)

Paragraphs: Section 245C(5), footnote 36

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

One settlement application covered all three years. The Commission rejected AY 1977-78 unanimously but admitted AYs 1978-79 and 1979-80 by majority. The opposing appeal groups challenged those different admission outcomes.

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: 14 PDF pages; SHA-256

8ec101bd2061777403f412106f001d498cbb80386abedfec6c69d529789b7855. Original bytes preserved.

Complete judicial text on physical pages 4–14; all preceding headnote and front-matter pages also read and distinguished. No adjacent judgment occurs in this PDF.

Open cited source rendition

The headnote and terminal reporter label say only that an appeal was dismissed; the actual operative paragraph both allows Revenue's two appeals and dismisses the assessee's five appeals. Both groups and the single consolidated costs award must be retained.; Physical pages 6 and 12 give combined disclosed profit as Rs 1,28,691; page 13 gives Annexure C's combined profit as Rs 1,28,698.10. These figures are not silently reconciled. They are distinct from proposed AY 1977-78 income of Rs 44,40,590 and proposed additions of Rs 45,71,703.; The introductory history places factory inspection on 13 February 1980, while the recounted majority and dissent refer to 8 February 1980. The note does not choose a corrected date or rely on that difference.; The section 245D quotation on page 11 prints section 254C in its opening line. The application provision throughout the judgment is section 245C; the misprint is not a separate statutory issue.; The Court's discussion of investigation refers to the historical admission regime and does not decide the precise outer endpoint in every circumstance. Section 245D(1A) was later omitted and the 2007 section 245F proviso materially changed jurisdiction timing.; No final tax computation, penalty amount, immunity or fresh settlement admission was awarded. The adverse fraud findings belong to this proved record and cannot be converted into a blanket exclusion under later 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: 14

SHA-256: 8ec101bd2061777403f412106f001d498cbb80386abedfec6c69d529789b7855

official hosted statutory compilation - PDF pages: 1251

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

official statutory html

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