

Income Tax Officer, Jodhpur v. Purushottam Das Bangur and Another

Civil Appeal Nos. 3041–3043 of 1983 (income tax) / Civil Appeal Nos. 3234–3235 of 1983 (companion wealth tax)
[1997] 1 SCR 480 | 1997-01-22

Whether an investigation letter and supporting financial data supplied definite information for the old section 147(b) reopening, and whether next-day action itself showed non-application of mind.

147(b) (historical) | 148–153 (quoted statutory safeguards)

Two-judge bench | S.C. Agrawal, J. | G.T. Nanavati, J.

Assessment years: 1969-70, 1971-72 (second respondent)

Notice-stage information test; no final valuation or fraud finding

Concrete annexed information supported the old section 147(b) notices, and next-day issue alone did not establish non-application of mind. The Court did not fix a share value or finally prove the suspected manipulation. Five appeals, including two wealth-tax companions, succeeded without costs. Printed dates and numerical inconsistencies are preserved; later reopening regimes and comprehensive later treatment remain unverified.

01 FACTS OF THE CASE

Purushottam Das Bangur claimed a Rs 1,57,792 long-term capital loss on March 1969 sales of Maharaja Shree Umaid Mills shares at quoted exchange prices. The original assessment accepted the claim. The investigation department later sent the ITO a letter with financial material showing improving book value, earnings and dividends despite falling quotations, and information questioning whether the quotations reflected genuine market activity (physical pages 3–8).

The ITO received the material on 26 March 1974 and issued a reopening notice on 27 March for AY 1969-70. Similar notices concerned Rang Lal Bangur for AYs 1969-70 and 1971-72. The Rajasthan High Court quashed all three income-tax notices. Two companion appeals concerned wealth-tax notices founded on the same material (physical pages 3–5 and 9–10).

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

02 DISCUSSION BY THE HON'BLE COURT

The applicable section 147(b) required information in the ITO's possession and a resulting reason to believe that taxable income had escaped assessment. The Court found that the letter was not merely an unsupported suggestion: its annexed financial data supplied definite information capable of supporting the belief on this record. The ITO's affidavit described consideration of the data and the inferred discrepancy between the quoted prices and fair value (physical pages 4–9).

Issuing the notice the next day did not by itself prove failure to apply the mind. These particular facts and supporting documents permitted formation of the required belief without a further investigation before notice. The judgment does not say that every investigation letter conclusively establishes escapement, or that later reassessment merits need no proof. The suspected manipulation and the ITO's Rs 250 estimate describe the reopening basis, not a final Supreme Court valuation or finding of tax fraud (physical pages 5 and 8–9).

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

03 JUDICIAL DECISION

The three income-tax appeals were allowed, the High Court judgment set aside and the writ petitions dismissed, without costs. For the same reasons the two wealth-tax appeals were also allowed and their writ petitions dismissed without costs. The notices survived; no fresh capital-gain, wealth or tax amount was assessed by the Supreme Court (physical pages 9–10).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on validity of the challenged notices

All five appeals allowed; respective High Court rulings set aside and writ petitions dismissed; no costs

Final jurisdictional ruling on the notices, not final reassessment or valuation merits

No automatic acceptance of every investigation report, no fixed share value and no waiver of safeguards under later reopening regimes.

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

05 AKHB REVIEW POINT

Examine the actual information and the officer's reasoning rather than treating the elapsed number of days as decisive. A short interval can coexist with a reasoned decision when concrete material is supplied; a long interval cannot cure a bare or irrelevant assertion. Keep the threshold for initiating reassessment distinct from proof of the ultimate adjustment.

This applies the historical clause (b) and the quoted framework subject to sections 148–153. It does not certify a notice under a later statutory version or authorise a current fair-value substitution merely because a security's fundamentals and quoted price diverge. Preserve the separate income-tax and wealth-tax outcomes without converting either into a finding that the alleged manipulation was finally proved.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, appeal/year groups and historical notices

Source url: [Open cited source](#)

Pdf pages: 1; 2; 3; 4

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Applicable clause, affidavit, investigation letter and data

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6; 7; 8

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Definite-information and next-day reasoning

Source url: [Open cited source](#)

Pdf pages: 8; 9

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Separate income-tax and wealth-tax dispositions

Source url: [Open cited source](#)

Pdf pages: 9; 10

Paragraphs: Unnumbered judicial text

Source role: judicial text

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 10 PDF pages; SHA-256

d515926c665536eec88e7209d3dee6bcc22d3b44e5d85089035ebf69b09ea8eb. Original bytes preserved.

Complete judicial text physical pages 3–10/SCR 482–489; separate income-tax and wealth-tax appeal dispositions, notice validity only.

Open cited source rendition

The High Court date appears as 26 November 1979 in the appeal particulars, 29 November 1979 in the opening body, and 26 October 1979 in the common-judgment narrative. No single corrected date is invented.; The paid-up capital is printed as Rs 72,00,000 in the quoted letter and Rs 72,000,000 in a later summary, although both refer to 72,000 shares of Rs 100. The note does not use the inconsistent total for valuation.; The financial comparison's starting date appears as 21 December 1965, 31 December 1965 and, in one restatement, 21 December 1970. The surrounding repeated comparison is 1965–1970, but the literal variations are retained as source defects.; The Rs 250 estimated value in the ITO affidavit is not a judicially fixed sale price. Manipulation is the basis of belief being assessed at the notice stage, not an independently tried fraud finding.; Section 52(2), gift-tax action and valuation circulars appear in the investigator's proposals. Their substantive applicability was not independently adjudicated in this appeal.; The author is not named in the Court's opening delivery line. The listed bench is retained without attributing authorship from ingestion metadata.

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. Comprehensive subsequent judicial and statutory treatment has not been verified. References to other decisions are limited to their treatment within this source judgment; those decisions' originals have not been independently verified for this note. No current-law or Income-tax Act, 2025 mapping is certified.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 10

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