

K.M. Sharma v. Income Tax Officer, Ward 13(7), New Delhi

Civil Appeal No. 7742 of 1997

[2002] 2 SCR 1047 | 2002-04-11

Whether the 1 April 1989 amendment extending section 150(1) to court orders under other laws revived reassessment powers for years already barred by limitation before the amendment, notwithstanding section 150(2).

142 (operative notices) | 147 | 148 | 149 | 150(1) | 150(2)

Three-judge bench | S.P. Bharucha, C.J. | N. Santosh Hegde, J. | D.M. Dharmadhikari, J.

Assessment years: 1968-69, 1969-70, 1970-71, 1971-72, 1981-82

1989 limitation ruling; preserve the exact years quashed

The Court construed the amendment to section 150(1) effective 1 April 1989 with section 150(2); this is not a ruling on every later reassessment regime or current land-acquisition-interest taxation. Paragraph 6 names 1982-83, but operative paragraph 21 quashes 1981-82 along with AYs 1968-69 to 1971-72, not all 16 notice years. Later treatment and current statutory versions remain unverified.

01 FACTS OF THE CASE

The appellant's land had been acquired and compensation enhanced in land-acquisition proceedings. Following a reference judgment dated 31 July 1991, amounts including reported interest of Rs. 76,84,829 were paid between 15 October 1992 and 26 May 1993, with tax deducted. In September 1993 he supplied a year-wise interest breakup, said earlier years were time-barred, and requested the necessary action to file returns and pay tax for the relevant open periods (paragraphs 1-4).

Notices were served on 31 March 1994 for 16 assessment years. The challenge concerned older years asserted to be barred by section 149. The Delhi High Court's 24 May 1996 judgment in CWP No. 1152/1996 upheld reopening under amended section 150(1), reasoning that the corresponding subsection (2) had not been amended to include orders under other laws. The report's paragraph 6 and operative paragraph 21 give different single-year labels; the precise operative relief is retained below (paragraphs 5-8).

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

02 DISCUSSION BY THE HON'BLE COURT

Section 150(1) allowed notices to give effect to specified findings or directions notwithstanding section 149. The 1989 amendment added court orders in proceedings under other laws. Section 150(2), however, limited that exception where assessment/reassessment/recomputation for the year could not have been made at the statutory reference point because of another time-limit provision. Reading the two subsections together, the Court held that the amendment did not revive proceedings already final by limitation before 1 April 1989 (paragraphs 8–14, 17–20).

The Court rejected an interpretation that preserved finality only for orders in Income-tax Act proceedings while removing it for court orders under other laws. Subsection (2) referred to the whole of subsection (1); no matching amendment was needed to protect the already time-barred years. The distinction adopted by the High Court would produce an unjust and discriminatory result (paragraphs 15–18).

Certainty and finality were central to the limitation analysis. The Court said revival required a clearly retrospective legislative intention; this amendment had no such operation. It relied on S.S. Gadgil's limited-retrospectivity reasoning and emphasised that even a procedural amendment could not be given greater retrospective effect than the legislature intended. These observations were applied to the particular 1989 amendment and historical limitation, not to the wording or transitional arrangements of every later reassessment regime (paragraphs 13–14, 19–20).

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

03 JUDICIAL DECISION

The appeal was allowed with costs. The Delhi High Court judgment dated 24 May 1996 was set aside. As specified in paragraph 21, the impugned notices under sections 148 and 142 for AYs 1968-69 through 1971-72 and 1981-82 were quashed. The operative order does not quash all 16 years mentioned in the narrative (paragraph 21).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Appeal allowed with costs; High Court judgment set aside; specified section 148/142 notices quashed

Final statutory-limitation ruling on revival under the amendment effective 1 April 1989

The decision protects years already time-barred before that amendment, applying sections 150(1) and 150(2) together. It does not establish that every earlier assessment is immune from a clearly authorised retrospective law, resolve all modern reassessment amendments, or decide current taxation of land-acquisition interest.

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

05 AKHB REVIEW POINT

Build the limitation chronology before relying on a court finding or direction: identify the relevant assessment year, the applicable section 149 version, when the power became barred, the order and proceedings referred to by section 150(2), and the commencement and express reach of the amending provision. A finding or direction is not a free-standing answer to the finality protection.

Keep the case's historical non-revival conclusion distinct from later statutory schemes that may have different wording, dates or express transitional provisions. In citing the relief, use paragraph 21's five assessment years and acknowledge paragraph 6's inconsistent 1982-83 label. The narration concerning compensation and interest is background to the limitation dispute, not a substitute for checking later receipt/accrual or exemption law.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity and appeal

Source url: [Open cited source](#)

Pdf pages: 1; 4

Paragraphs: Cover, jurisdiction and judicial introduction

Source role: reported metadata and judicial text

2.

Topic: Facts and notice-year discrepancy

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: 1–7

Source role: judicial text

3.

Topic: Historical section 150 text and issue

Source url: [Open cited source](#)

Pdf pages: 6

Paragraphs: 8–10

Source role: judicial text

4.

Topic: Prospectivity and finality

Source url: [Open cited source](#)

Pdf pages: 7

Paragraphs: 11–14

Source role: judicial text

5.

Topic: Section 150(2), equal scope and S.S. Gadgil discussion

Source url: [Open cited source](#)

Pdf pages: 8; 9; 10

Paragraphs: 15–20

Source role: judicial text

6.

Topic: Exact operative quashing and costs

Source url: [Open cited source](#)

Pdf pages: 10

Paragraphs: 21

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

D.M. Dharmadhikari, J.

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

23f2c936f4be0f3b8ad9ae465d6c0f863faa031f692f4827bc69931bb7587fdb. Original bytes preserved.

Complete judicial introduction and numbered paragraphs 1–21 on physical pages 4–10/SCR 1050–1056, including statutory quotations and the attributed S.S. Gadgil passage. Headnote on pages 1–3 excluded. No adjacent judgment.

[Open cited source rendition](#)

The operative paragraph 21 quashes the challenged notices for AYs 1968-69 through 1971-72 and 1981-82; those are indexed here. Paragraph 6 instead names 1982-83. Paragraph 5 describes service of notices for 16 years, 1968-69 through 1971-72 and 1981-82 through 1992-93. Neither all 16 notices nor a separate 1982-83 quashing is inferred from the final order.

Paragraph 6 (physical page 5/SCR 1051) identifies the single challenged year as 1982-83; the operative paragraph 21 (physical page 10/SCR 1056) expressly quashes notices for 1981-82. The note follows the operative order and discloses the inconsistency.; Paragraph 5 describes 16 notice years, but paragraph 21 grants relief only for 1968-69 to 1971-72 and 1981-82. No blanket cancellation of all 16 years is asserted.; Paragraph 2 reports Rs. 1,10,20,624 alongside principal of Rs. 41,96,496, interest of Rs. 76,84,829 and TDS of Rs. 8,60,701. The stated principal plus interest less TDS reconciles exactly to Rs. 1,10,20,624. The note does not invent a corrected amount or a separate adjudication of the compensation calculation.; The quoted historical section 149 periods and section 150 amendment date are not present-law deadlines. The source's acquisition/interest-tax narrative is not a current-law certification.

The central amendment was the insertion in section 150(1), effective 1 April 1989 by the Direct Tax Laws (Amendment) Act, 1987, of court findings/directions in proceedings under another law. It was read with section 150(2) and the historical section 149 limitation. Section 150(2) refers to the time of the order that was the subject-matter of the appeal/reference/revision; it is not replaced here by an invented current-notice-date test. Sections 148 and 142 are both named in the operative relief. The earlier 1922 Act section 34 comparison is the Court's discussion of S.S. Gadgil, not an independently reviewed source.

STATUTORY SCOPE

Historical provisions identified from the judgment only. No automatic mapping to the Income-tax Act, 2025 or certification of present statutory text.

LATER TREATMENT

Source checked 2026-10-04. Comprehensive subsequent judicial and statutory treatment has not been verified. Only the expressly identified bounded comparisons have been checked. No current-law or Income-tax Act, 2025 mapping is certified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 10](#)

SHA-256: 23f2c936f4be0f3b8ad9ae465d6c0f863faa031f692f4827bc69931bb7587fdb

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.

PROFESSIONAL DISCLAIMER

General research information only; not legal or tax advice, a certified judgment or a substitute for the full order. Applicability depends on facts, assessment year, statutory version and jurisdiction. Subsequent treatment is unverified unless identified sources are expressly stated. Downloading does not create a professional engagement. Obtain case-specific advice before reliance.