

Commissioner of Income Tax, Bhopal v. Ralson Industries Ltd.

Civil Appeal No. 10 of 2007

[2007] 1 SCR 53 | 2007-01-04

Whether an AO's section 154 rectification proceeding or order, by itself, bars the Commissioner from revising the assessment under section 263.

154 | 263 | 143(3) | 80HH | 80HHC | 80-I

Two-judge bench | S.B. Sinha, J. | Markandey Katju, J.

Assessment years: 1992-93

Revision remains possible, but the Commissioner must reconsider

An AO's section 154 rectification does not by itself bar section 263. Revenue won that jurisdictional point, while the Commissioner was directed to take a fresh look in light of the rectification order. No final deduction or assessment quantum was decided. The source alternates 80HH and 80HHC and has a secondary citation discrepancy; it is not a safe standalone deduction-merits authority. Current law and comprehensive later treatment remain unverified.

01 FACTS OF THE CASE

For AY 1992-93 the assessee returned Rs. 26,66,355; the assessment dated about 10 March 1995 fixed income at Rs. 35,40,414. The Commissioner invoked section 263 concerning transport receipts of Rs. 27,62,982 and interest of Rs. 1,41,878 in the deduction computation and directed fresh assessment. The source's narration alternates between sections 80HH and 80HHC alongside section 80-I (paragraphs 2-5).

The assessee relied on the AO's section 154 proceeding, including a notice dated 26 October 1995 and consideration of its explanation without modification on the disputed deductions, to argue that revision was unavailable. The Tribunal accepted that jurisdictional objection. The High Court declined to require a reference of the proposed legal questions. Revenue appealed (paragraphs 3-6).

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

02 DISCUSSION BY THE HON'BLE COURT

Sections 154 and 263 confer distinct powers on different authorities under different conditions. Section 154 corrects an apparent record error and does not grant general review. Rectification by the AO does not, merely because it occurred, strip the Commissioner of revision jurisdiction. The rectified assessment must be given effect, but it may itself be considered in revision. The statutory text quoted by the Court requires an order erroneous in so far as prejudicial to Revenue, an opportunity of hearing and the appropriate inquiry (paragraphs 7–8 and 12).

The Court reinforced judicial discipline through the cited superior-authority decisions. Its rejection of the merger argument concerned this AO-rectification/Commissioner-revision sequence; it was not a universal abolition of merger or a licence to disregard binding appellate directions. It also distinguished the administrative-discretion precedent on which the lower reasoning relied, rather than immunising judicial or quasi-judicial decisions from lawful review (paragraphs 9–14).

No hard-and-fast bar to revision follows simply from a rectification order or subsequent rectification proceeding. Relevant later events could be brought before the Commissioner, and the assessee must be allowed to address them. The Court considered a fresh look appropriate because its attention had been drawn to the AO's alleged consideration of the deduction provisions in rectification (paragraphs 15–16).

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

03 JUDICIAL DECISION

The impugned High Court judgment was set aside. Revenue's appeal was allowed with a direction that the Commissioner have a fresh look at the matter in light of the AO's rectification order; no costs. The Court did not finally sustain a quantified deduction disallowance or direct automatic restoration of the Commissioner's original substantive conclusion (paragraphs 16–17).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the absence of an automatic jurisdictional bar; substantive revision reconsidered by the Commissioner

Appeal allowed; High Court judgment set aside; Commissioner directed to reconsider in light of rectification; no costs

Final on the distinct-jurisdiction principle; underlying deduction and revised assessment merits remain for fresh consideration

Section 154 does not itself bar section 263, but statutory revision conditions and the assessee's hearing remain necessary. The merger conclusion is confined to this sequence. No fresh quantified assessment or final 80HH/80HHC/80-I entitlement is decided.

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

05 AKHB REVIEW POINT

Prepare the chronology and identify exactly what the AO corrected, considered but left unchanged, or never considered. A section 154 event is neither an automatic shield against section 263 nor proof that revision's substantive conditions are satisfied. Put the actual rectification order before the Commissioner and preserve the assessee's opportunity to address it.

Separate the successful Revenue appeal from the remitted deduction merits. The printed variation between 80HH and 80HHC makes this source unsafe for a provision-specific deduction proposition; the reliable holding concerns sections 154 and 263 and the direction for a fresh look.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity and narrated assessment

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4

Paragraphs: Cover; jurisdiction; 1–3

Source role: reported metadata and judicial text

2.

Topic: Lower proceedings and conflicting deduction references

Source url: [Open cited source](#)

Pdf pages: 4; 5; 9

Paragraphs: 2–6; 16

Source role: judicial text

3.

Topic: Statutory conditions and distinct jurisdictions

Source url: [Open cited source](#)

Pdf pages: 5; 6; 8

Paragraphs: 7–8; 12

Source role: judicial text

4.

Topic: Judicial discipline and contextual merger limit

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8; 9

Paragraphs: 9–15

Source role: judicial text

5.

Topic: Fresh consideration and exact disposal

Source url: [Open cited source](#)

Pdf pages: 9

Paragraphs: 15–17

Source role: judicial text

6.

Topic: Secondary citation variation

Source url: [Open cited source](#)

Pdf pages: 3; 5

Paragraphs: Reporter held item 5; judicial paragraph 6

Source role: reported metadata and judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

154: AO's apparent-error rectification; not general review.

263: Commissioner's distinct supervisory revision, subject to its statutory conditions and hearing.

80hh / 80hhc / 80-i: Underlying deduction narration only. The source alternates 80HH and 80HHC; no corrected underlying deduction provision or merits determination is invented.

143(3): Original assessment route.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.B. Sinha, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 9 PDF pages; SHA-256

4aea158170d2e29d22863345f9527527ac27c068ac17c3f7c0c3ac92aa9a1e11. Original bytes preserved.

Judicial paragraphs 1–17 on physical pages 4–9 (SCR 56–61). Pages 1–3 and page 4 above the author line are reporter material. Embedded precedent quotations in paragraphs 9–11 distinguished. No adjacent judgment.

[Open cited source rendition](#)

Paragraphs 2 and 16 refer to 80HHC, while paragraphs 3–5 and the quoted reference questions refer to 80HH; 80-I appears throughout. These are source inconsistencies, not corrected silently.; The headnote simplifies revision to prejudice to Revenue. Paragraph 7 quotes the fuller statutory requirement that the order be erroneous in so far as prejudicial, together with hearing and inquiry. The note retains those conditions.; The Chunnilal Onkarmal citation appears as 224 ITR 223 in reporter material and 224 ITR 233 in judicial paragraph 6. No independently verified citation correction is claimed.; The judgment narrates a rectification notice and later discusses the rectification order without supplying a complete date-by-date revision/rectification record. The note does not invent a precise final-order chronology.; The operative order directs a fresh look by the Commissioner, not automatic final approval of the challenged deduction adjustment.

STATUTORY SCOPE

Current statutory equivalence and 2025 Act applicability have not been verified.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent judicial or statutory audit. Only actually checked comparisons are separately identified and bounded; no current-law or Income-tax Act, 2025 certification.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 9](#)

SHA-256: 4aea158170d2e29d22863345f9527527ac27c068ac17c3f7c0c3ac92aa9a1e11

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