

M/s. Tanna and Modi v. Commissioner of Income Tax, Mumbai XXV and Others

Civil Appeal No. 2696 of 2007

[2007] 7 SCR 233 | 2007-05-17

Whether a partnership could retain VDIS 1997 immunity for income already discovered in a search of its partners and business premises

Voluntary Disclosure of Income Scheme, 1997: sections 64(2) and 68(2) | Income-tax Act, 1961: search and assessment provisions discussed in the report | Indian Partnership Act, 1932: section 19 | Constitution of India: Articles 136 and 142

Two-judge bench; judgment delivered by S. B. Sinha, J. | S. B. Sinha, J. | P. K. Balasubramanyan, J.

Historical ruling; verify current law

The decision interprets the closed VDIS 1997 and its immunity conditions. It does not state the requirements of any later disclosure or settlement scheme and does not erase the separate-entity treatment of a firm and partners for every provision.

01 FACTS OF THE CASE

After a search of three partners and the premises where the firm operated, seized diaries and statements indicated on-money receipts. The firm later declared income for assessment years 1994-95 and 1995-96 under VDIS 1997, without disclosing that the Department already possessed the same information. A certificate was issued and additions were deleted, but the Commissioner subsequently treated the certificate as void; after a court-ordered fresh hearing, that conclusion was maintained.

Source: [Primary judgment: facts and procedural setting](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court accepted that income-tax law may treat a firm and its partners as distinct for particular purposes, but stressed that immunity operates only within the scheme's conditions. A firm acts through its partners, and the firm's declared amounts and source directly matched what the partner and seized records had disclosed. Purposive construction prevented use of the entity distinction to defeat the search exclusion. Fraud vitiates solemn acts, and CBDT clarifications may assist interpretation and bind departmental authorities.

Source: [Primary judgment: reasoning](#)

03 JUDICIAL DECISION

On these facts the declaration did not warrant immunity: the information was already known to the Department and the material connection between the searched partner, premises, records and firm could not be hidden behind formal entity separation.

Source: [Primary judgment: holding](#)

04 OUTCOME / IN WHOSE FAVOUR

The Court found no case for discretionary interference under Article 136 and dismissed the firm's appeal. The Commissioner's refusal to recognise the VDIS certificate therefore stood.

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

05 AKHB REVIEW POINT

AKHB analysis: for any disclosure or immunity scheme, map the applicant, the searched person and premises, the exact income and source already discovered, and every disclosure made to the administering authority. Entity separation does not cure nondisclosure of a scheme-disqualifying search connection.

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

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

Complete 13-page SCR report read in page-preserving text and every page image inspected, from the reported opening page through the operative disposition.

Open cited source rendition

Exact catalogue SHA-256 and 13-page count verified; every page was read and visually inspected.

STATUTORY SCOPE

Historical statutory provisions are described as they appeared in the report. Verify current enactments, amendments and later judicial treatment before reliance.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. The note reports the historical statutory text and result in this primary report only.

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