

Commissioner of Income Tax, Chennai v. M/s. Alagendran Finance Ltd.

Civil Appeal No. 3301 of 2007

[2007] 8 SCR 558 | 2007-07-27

Whether reassessment on other matters restarted the section 263 limitation clock for an item accepted in the original assessment.

263(1), Explanation (c) | 263(2)

2-judge bench | S.B. Sinha, J. | Harjit Singh Bedi, J.

Assessment years: 1994-95, 1995-96, 1996-97

Inconsistent source chronology; issue-specific holding

The reported narrative contains conflicting initiation and assessment dates. The Court's clear result is that unrelated reassessment did not restart revision limitation for lease equalisation. Verify the underlying orders before any case-specific deadline calculation; no current limitation advice is certified.

01 FACTS OF THE CASE

The original assessments for three years accepted the company's lease-equalisation treatment. Later reassessments concerned share-issue expenses, bad and doubtful debts, and excess depreciation on gas cylinders and goods containers. The Tribunal found that none of those later proceedings concerned lease equalisation (paragraphs 3 and 12).

On 29 March 2004, the Commissioner made revision orders targeting lease equalisation and directing its examination and taxation. The Tribunal vacated the orders as beyond the limitation period referable to the original assessments, and the High Court dismissed Revenue's appeals. Revenue argued that the later reassessment orders dated 28 March 2002 supplied a fresh starting point through merger (paragraphs 3-5).

Source: [reported judgment](#) / [paragraphs 3-5 and 12](#) / [PDF pages 3, 4, 5, 10](#) / [judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The statutory question had to be tied to the item actually revised. Section 263(2), as quoted, barred a revision order after two years from the end of the financial year in which the order sought to be revised was passed, subject to the other statutory provisions. Because lease equalisation had not been part of the reassessment, its original determination did not merge into a fresh determination of that issue (paragraphs 6-8 and 12-15).

The Court read Hind Wire and Jaganmohan Rao in the context explained by Sun Engineering. Reopening an underassessment does not mean that every finally concluded subject of the original assessment is automatically reopened. Both the taxpayer and Revenue remain subject to the proper scope of the later proceedings; isolated language about a fresh assessment cannot be detached from that context (paragraphs 8-12).

Explanation (c) to section 263(1), concerning matters considered and decided in an appeal, reinforced the issue-specific approach. The Court also relied on the binding factual finding that all subsequent events concerned other items. It therefore held that limitation for the attempted lease-equalisation revision ran by reference to the original assessment order, not the unrelated reassessment order. Revision was wholly without jurisdiction (paragraphs 12-15).

Source: [reported judgment / paragraphs 6-15 / PDF pages 6, 7, 8, 9, 10, 11, 12 / judicial text](#)

03 JUDICIAL DECISION

Revenue's appeal was dismissed with costs; counsel's fee was assessed at Rs.25,000. The Tribunal and High Court were upheld. The impugned revision proceedings were time-barred and a nullity. The Court did not determine the underlying substantive correctness of the lease-equalisation deduction (paragraphs 15-16).

Source: [reported judgment / paragraphs 15-16 / PDF pages 12 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Revenue appeal dismissed with costs; counsel fee Rs.25,000; adverse revision remains vacated

Final determination of the revision limitation/jurisdiction issue

The result depends on the revised item being outside the later reassessment. It does not state that a reassessment can never be the relevant order, decide lease-equalisation deductibility, or displace statutory exclusions/special directions affecting limitation.

Source: [reported judgment / paragraphs 15-16 / PDF pages 12 / judicial text](#)

05 AKHB REVIEW POINT

Prepare an issue-by-issue order history. Identify which order first or later decided the precise item the Commissioner seeks to revise; a later date on an unrelated reassessment is insufficient by itself. Apply the statute's end-of-financial-year calculation, not a shorthand assumption of two years from the calendar date of the assessment.

Source chronology requires care here. The reported text contains inconsistent dates, so it is unsafe to build a day-by-day limitation spreadsheet from every printed recital without obtaining the underlying orders. The clear holding rests on the separate subject matter of the reassessment and the expiry of the period for the original item.

Source: [reported judgment / paragraphs 3-6 and 12-16; editorial application / PDF pages 3, 4, 5, 6, 10, 11, 12 / judicial text](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

147; 148; 263(3); 129: quoted limitation exclusion

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: 12 PDF pages; SHA-256

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Judgment paragraphs 1-16 begin at the end of physical page 2 (SCR 559) and end on page 12 (SCR 569). Earlier headnote is editorial; statutory/precedent quotations are separately attributed; no adjacent judgment.

[Open cited source rendition](#)

Reported citation and identity checked from source pages; machine-supplied retrospective neutral citation not independently verified.

Paragraph 3 prints initiation of reassessment on 5 March 2004 while also recording reassessment orders dated 28 March 2002; paragraph 4 describes 5 March 2004 as initiation of section 263 proceedings. The apparent chronology slip is preserved, not silently repaired.; The original second assessment date is printed as 12 May 1997 in the narrative/first Tribunal passage but 25 December 1997 in the later quoted Tribunal conclusion. The note does not certify one date from the inconsistent recitals.; The quoted Tribunal passage also contains an assessment-year 1997-98 reference despite the stated three years 1994-95 to 1996-97. The note follows the Court's expressly identified three-year scope and discloses the inconsistency.; Section 263(2) is reproduced with an end-of-financial-year clock. The concluding reference to running from the order date identifies the relevant order; it should not be treated as rewriting that statutory calculation.; Long passages from Sun Engineering and other cases are quoted authorities, not fresh findings on every historical section 147 scenario.

STATUTORY SCOPE

Historical provision and facts only; current procedure and Income-tax Act, 2025 mapping not certified.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent-treatment or current-law audit. Earlier authorities are discussed only as quoted or considered in this judgment unless expressly stated otherwise.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 12](#)

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