

# Janatha Textiles and Others v. Tax Recovery Officer and Another

Civil Appeal No. 6539 of 2003

[2008] 8 SCR 1148 | 2008-05-16

**Whether the Department was justified in auctioning partners' attached agricultural property for the enforceable AY 1985-86 dues, and whether the objections advanced warranted disturbing the confirmed sale to an outsider purchaser.**

Second Schedule | 220(2) | 271(1)(c)

2 Judges | Ashok Bhan, J. | Dalveer Bhandari, J.

Assessment years: 1985-86

## **IMPORTANT: CONFIRMED TAX AUCTION; PROTECTION DEPENDS ON THE FACTS AND PURCHASER'S POSITION**

The Court upheld this 1961 Act recovery sale on its record of enforceable arrears, procedural compliance, notice and an outsider purchaser. The general protection discussed when a decree is later reversed does not mean every defective, fraudulent or statutorily challengeable auction is immune. Penalty and interest merits were not independently decided. Historical enactments, comprehensive later treatment and 2025 transition are not fully verified; the original is a retained e SCR mirror report.

## 01 FACTS OF THE CASE

Janatha Textiles, a registered partnership, and its partners challenged a tax-recovery auction. The four partners named in paragraph 3 are Radhey Shyam Modi, Pawan Kumar Modi, Padmadevi Modi and Indira Chirmar. The Department had demands for several years, but orders of the income-tax authorities stayed the later-year demands. The Court repeatedly confined the recovery being enforced to AY 1985-86. Agricultural land belonging to partners at Bodametlapalem was attached and auctioned on 5 August 1996 under the Second Schedule to the Income-tax Act, 1961. Nine persons participated; the sale was confirmed in favour of the highest bidder, L. Krishna Prasad, respondent 2 (physical 4/SCR 1151, paragraphs 2-4).

The original firm demand of Rs. 7,84,072 was reduced in appeal to Rs. 4,65,174. Payments of Rs. 4,34,927 left Rs. 30,247. The judgment also records a Rs. 5,65,538 penalty under section 271(1)(c), confirmed by CIT(A), and individual demands of Rs. 2,82,160, Rs. 3,42,518 and Rs. 2,86,075 against appellants 2, 3 and 4. After partial relief and adjustment of payments, paragraph 5 gives net arrears of Rs. 4,99,133 plus Rs. 7,56,017 interest, totalling Rs. 12,55,150 as on the auction date. These are the report's successive figures, not amounts newly assessed by the Supreme Court; the earlier components cannot be added again to the final total (physical 4-5).

A communication in SR No. 2/94 dated 15 July 1996, acknowledged on 17 July, stated Rs. 5,68,913 towards tax, interest and penalty, expressly excluding section 220(2) interest. The appellants had not contradicted its stated quantum. Paragraph 7 then repeats the auction-date total Rs. 12,55,150. The report does not give a full ledger reconciling the letter's subtotal with the later net-arrears figure. The Andhra Pradesh High Court's Division Bench rejected the writ challenge in WP 22038/1996 on 6 September 2001; the sole Supreme Court proceeding is Civil Appeal 6539/2003 (physical 3, 5).

The appellants said objections to the sale notices remained undecided, an interest-waiver application and a stay application were pending, the proclamation wrongly described valuable mango-orchard/building land as dry land, and notices omitted their respective partnership shares despite reaching each partner individually and as a partner. The Department maintained that only the unstayed AY 1985-86 dues were being recovered and that the prescribed procedure was followed. The purchaser said the land was dry agricultural land with scattered mango trees, not a mango garden, denied undervaluation and asserted bona fide purchase for value. The reserve prices/sale values were Pawan Kumar Rs. 89,800/Rs. 1,67,800; Radheshyam Modi Rs. 96,000/Rs. 1,84,400; and Padmadevi Modi Rs. 40,000/Rs. 76,600 (physical 5-7, paragraphs 8-17).

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

## 02 DISCUSSION BY THE HON'BLE COURT

Dalveer Bhandari J. delivered the sole opinion for the two-judge bench. The Court treated the relevant arrears as enforceable and the auction as conducted according to the Second Schedule. It separated the stayed later years from AY 1985-86 and found the Department justified in selling to recover the outstanding dues. The presence of pending waiver/stay requests in the appellants' submissions was not treated as proof that an effective stay covered this demand. The Court did not separately adjudicate those requests or pronounce a general rule about every pending stay or waiver application (paragraphs 3-9; physical 4-6).

The demand-notice objection concerning each partner's share was expressly rejected as hypertechnical on these facts. Each partner had received notice both individually and in the partnership capacity; no prejudice had been caused. This is not an authority dispensing with mandatory notice where notice is absent. Although paragraph 4 says no procedural irregularity or illegality in the auction process was even alleged, the later paragraphs record objections about pending applications, description and notices. Read the report as a whole: those objections were advanced, but the Court did not find a defect warranting interference (paragraphs 4, 8-12; physical 4-7).

The Court recorded the reserve and sale figures, the absence of any complaint about reserve prices before the auction despite the proclamation, and the competing descriptions of the land. It accepted the High Court's result and the Department's justification on the record; it did not conduct a new market valuation or hold that sale above reserve price invariably proves full market value. Paragraph 16 records the Department's contention that applications under Second Schedule rules 60/61 provided an efficacious alternative remedy. The ultimate decision is reasoned on the recovery and purchaser-protection merits, rather than a categorical holding that every writ against a tax sale is barred (physical 7).

The Court then gave substantial attention to the rights of a genuine outsider purchaser. Paragraph 18 states the protection afforded to a third-party auction purchaser even if the underlying decree is later set aside. Nawab Zain-Ul-Abdin Khan distinguished a bona fide stranger purchaser from the decree-holder. Janak Raj explained why purchasers need protection from the fortunes of the underlying litigation: otherwise court sales would attract fewer buyers and prejudice debtor and creditor. Gurjoginder Singh distinguished an auction purchaser from a tenant deriving possession from the decree-holder landlord (paragraphs 17-21; physical 8-9).

The quoted Padanathil Ruqmini Amma passages further distinguish the decree-holder who buys at auction, the independent outsider who buys through the court, and a subsequent assignee buying from the decree-holder purchaser. A decree-holder purchaser may have to restore the property when the decree is reversed, and its assignee takes a defeasible derivative title; the policy favouring court-auction strangers does not automatically extend to such an assignee. Ashwin S. Mehta repeats the ordinary protection for a bona fide purchaser. Paragraph 26 adopts the stranger/decreed-holder distinction, explaining its connection to fair auction prices. These comparisons support the confirmed outsider purchase here; the

## **02 DISCUSSION BY THE HON'BLE COURT**

judgment does not report that Janatha's underlying demand had actually been set aside (paragraphs 22-27; physical 9-11).

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

## **03 JUDICIAL DECISION**

The sole appeal was dismissed as devoid of merit. The High Court judgment and the confirmed tax-recovery sale therefore remained undisturbed. The parties were directed to bear their own costs. There was no remand, fresh tax/penalty/interest calculation, refund order, annulment of any assessment, or disposition granting the pending waiver/stay requests (paragraphs 27-28, physical 11/SCR 1158).

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

## **04 OUTCOME / IN WHOSE FAVOUR**

In whose favour: Tax Recovery Officer/Revenue and the bona fide auction purchaser; against the firm and appellant partners

Sole appeal dismissed; sale left undisturbed

Final substantive application of 1961 Act tax-recovery law and purchaser protection

The recovery-sale challenge on the stated facts; no fresh determination of penalty, interest waiver or underlying assessments.

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

## 05 AKHB REVIEW POINT

Analyse an auction challenge in separate steps: identify the exact enforceable demand and any actual stay covering it; preserve service, proclamation, valuation and confirmation records; identify the defect and resulting prejudice alleged; and determine whether the purchaser bought as an independent outsider, as decree-holder or through a decree-holder. The judgment's treatment of notices depends on actual service and absence of prejudice. A pending request, a stayed different year and a bare undervaluation assertion should not be conflated with proof that this sale was legally unauthorised.

The Department's rules 60/61 submission should lead a researcher to the appropriate version and available challenge, not to an invented absolute writ bar. A bounded departmental guidance table labelled Finance Act 2026 lists separate deposit-based and non-service/irregularity routes and states 30-day periods; it expressly disclaims being a legal document. It does not authenticate the 1996 rules or establish any present client deadline, extension, deposit requirement, substantial-injury test, or 2025 Act transition.

In a bounded later check, the three-judge judgment in Jagan Singh & Co. v. Ludhiana Improvement Trust, 2 September 2022, paragraph 37, reproduces Sadashiv Prasad Singh's discussion of Janatha and its outsider-purchaser protection. The surrounding discussion preserves fraud/collusion and statutory challenge safeguards. This is limited later judicial use through a quoted authority, not comprehensive citator clearance. Its embedded quotation labels Janatha's final distinction as paragraph 20, whereas the frozen SCR prints it as paragraph 26; use the target's own page/paragraph pinpoints. No automatic application across every auction statute or current-law/2025 equivalence is asserted.

Om Sakthi Sekar v. V. Sukumar, 13 March 2026, 2026 INSC 237, records Janatha in counsel's submissions (paragraph 6.4). The Court rejected absolute immunity where credible valuation or reserve-price issues arose and upheld only a limited DRT enquiry, leaving the auction and bank recovery undisturbed (paragraphs 12–21). It did not expressly overrule Janatha. This bounded check does not provide comprehensive current-law clearance.

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

## DETAILED DISPOSITION AND CONNECTED GROUPS

**Costs:** Parties bear their own costs

**Remand:** False

## INDIVIDUAL PROCEEDING OUTCOMES

1.

**Case number:** Civil Appeal No. 6539 of 2003

**Underlying proceeding:** Andhra Pradesh High Court WP 22038/1996, judgment 6 September 2001

**Outcome:** Dismissed; refusal to disturb the confirmed 5 August 1996 sale affirmed

**Costs:** Each party to bear its own costs

## PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

**Topic:** Identity, only enforced year, auction and initial amounts

**Source url:** [Open cited source](#)

**Pdf pages:** 3; 4

**Paragraphs:** paragraphs 1-5; SCR 1150-1151

**Source role:** judicial text

2.

**Topic:** Net demands, objections, notice prejudice, valuation table and remedy submission

**Source url:** [Open cited source](#)

**Pdf pages:** 5; 6; 7

**Paragraphs:** paragraphs 5-16; SCR 1152-1154

**Source role:** judicial text

3.

**Topic:** Outsider/decreed-holder/assignee distinctions and precedents

**Source url:** [Open cited source](#)

**Pdf pages:** 8; 9; 10; 11

**Paragraphs:** paragraphs 17-26; SCR 1155-1158

**Source role:** judicial text

4.

**Topic:** Dismissal and own costs

**Source url:** [Open cited source](#)

**Pdf pages:** 11

**Paragraphs:** paragraphs 27-28; SCR 1158

**Source role:** judicial text

## AMOUNTS AND THEIR DISTINCT REPORTED ROLES

1.

**Amount:** Rs. 7,84,072 → Rs. 4,65,174; paid Rs. 4,34,927; balance Rs. 30,247

**Role:** Successive firm demand, appellate reduction, payment and balance for AY1985-86

**Pinpoint:** paragraph 5, physical 4

2.

**Amount:** Rs. 5,65,538

**Role:** Section 271(1)(c) penalty stated to have been confirmed by CIT(A); not a fresh Supreme Court penalty

**Pinpoint:** paragraph 5, physical 4

3.

**Amount:** Rs. 2,82,160; Rs. 3,42,518; Rs. 2,86,075

**Role:** Stated individual demands on appellants 2,3,4 before ensuing relief/adjustment

**Pinpoint:** paragraph 5, physical 4-5

4.

**Amount:** Rs. 4,99,133 + Rs. 7,56,017 = Rs. 12,55,150

**Role:** Final stated auction-date net arrears plus interest; total described as tax, interest and penalty

**Pinpoint:** paragraphs 5, 7, physical 5

5.

**Amount:** Rs. 5,68,913

**Role:** 15 July 1996 communication subtotal expressly excluding section 220(2) interest; source does not fully reconcile it to the later subtotal

**Pinpoint:** paragraph 7, physical 5

6.

**Amount:** Rs. 89,800/Rs. 1,67,800; Rs. 96,000/Rs. 1,84,400; Rs. 40,000/Rs. 76,600

**Role:** Reserve/sale pairs for Pawan Kumar, Radheshyam Modi, Padmadevi Modi respectively

**Pinpoint:** paragraph 13 table, physical 7

## QUANTIFICATION AND MONETARY LIMITS

Every amount is attributed to its procedural role; no new tax computation or distribution is invented.

## REPORTED SOURCE ANOMALIES AND THEIR LIMITS

1.

**Location:** paragraphs 3, 6; physical 4-5

**Issue:** Initial arrear-year list omits 1988-89, while the stayed range is 1986-87 to 1989-90.

**Handling:** Only AY 1985-86 is the enforced demand; preserve the differently expressed background years without inventing another adjudicated assessment.

2.

**Location:** paragraph 4 versus 8-12; physical 4-7

**Issue:** Statement that no auction-process irregularity was even alleged sits alongside recorded objections.

**Handling:** Acknowledge the objections and their rejection/absence of a demonstrated actionable defect; do not state that appellants raised no objections at all.

3.

**Location:** paragraph 5 versus 7; physical 4-5

**Issue:** Different historical figures, and letter subtotal Rs. 5,68,913 versus auction-date net arrears Rs. 4,99,133.

**Handling:** Record each amount's time and role; no invented reconciliation or cumulative double counting.

4.

**Location:** paragraph 7, physical 5

**Issue:** Printed sentence says there was no warrant to mix up demands relatable to AY 1985-86, although surrounding discussion contrasts stayed later years.

**Handling:** Preserve the wording anomaly; rely on repeated explicit finding that only AY 1985-86 was enforced.

5.

**Location:** paragraph 3 versus 13 table

**Issue:** Radhey Shyam Modi/Radheshyam Modi display variation; table covers three named owners although four firm partners are listed.

**Handling:** Retain printed name variants and do not invent an auction parcel or sale value for Indira Chirmar.

## **ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS**

1.

**Provision:** Second Schedule

**Role:** The actual tax-recovery auction procedure affirmed on the facts; rules 60 and 61 are identified in the Department's alternative-remedy submission, not reproduced or exhaustively construed.

2.

**Provision:** 220(2)

**Role:** Interest omitted from the 15 July 1996 communication's subtotal; no standalone interpretation or fresh interest computation.

3.

**Provision:** 271(1)(c)

**Role:** Historical penalty component, stated to have been confirmed by CIT(A); its merits were not reopened in this recovery appeal.

## **JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS**

Dalveer Bhandari, J., for the Court

## **ACT IDENTIFIED IN THE REVIEWED SOURCE**

Income-tax Act, 1961

## **SPECIFIED STATUTORY CHECKS AND THEIR LIMITS**

1.

**Source:** Target judicial text

**Status:** historical recovery application verified within judgment

**Pinpoint:** paragraphs 3-16, physical 4-7

**Result:** 1961 Act Second Schedule and sections 220(2), 271(1)(c) roles verified as used; full original operative enactments and amendments not independently authenticated.

2.

**Source:** Income Tax Department limitation guidance

**Url:** [Open cited source](#)

**Version:** Page labels Finance Act 2026 and AY 2026-27

**Status:** bounded official informational web text read

**Pinpoint:** Web lines 38-51 and 454-455

**Result:** Guidance table describes Rule 60 deposit and Rule 61 non-service/irregularity applications and 30-day periods; its own disclaimer says it is not a legal document. No 1996 operative-rule, present deadline or 2025 transition authentication.

## SPECIFIED LATER TREATMENT CHECKS AND THEIR LIMITS

1.

**Source:** Jagan Singh & Co. v. Ludhiana Improvement Trust & Others, Supreme Court, 2 September 2022

**Url:** [Open cited source](#)

**Status:** bounded official judicial web text read

**Pinpoint:** Identity at physical page 1; paragraphs 29-41 physical 17-26, particularly paragraph 37 physical 22-24; date and signatures at physical page 26

**Result:** Paragraph 37 reproduces Sadashiv Prasad Singh's Janatha discussion within an affirmative analysis of outsider-purchaser protection and fraud/collusion/statutory safeguards. Target SCR paragraph 26 is labelled 20 in the embedded quotation. No full 26-page reading, raw PDF/hash/images or comprehensive later-treatment claim.

2.

**Source:** Other official search lead

**Status:** not adopted as verified treatment

**Urls:** <https://api.sci.gov.in/jonew/judis/43067.pdf>

**Result:** This remaining indexed lead has not been opened or adopted. The author's original unreviewed 2026 lead is now addressed only by the separately attributed independent bounded Om Sakthi Sekar check.

3.

**Source:** Om Sakthi Sekar v. V. Sukumar & Others, 13 March 2026, 2026 INSC 237

**Url:** [Open cited source](#)

**Status:** bounded official judicial web text read by independent

**Reviewer role:** independent

**Pinpoint:** Adopted identity/date/signature lines; paragraph 6.4 and paragraphs 12-21, including embedded valuation discussion in paragraph 15. Other returned context is not promoted to a complete 23-page merits review.

**Result:** Om Sakthi Sekar v. V. Sukumar, 13 March 2026, 2026 INSC 237, records Janatha in counsel's submissions (paragraph 6.4). The Court rejected absolute immunity where credible valuation or reserve-price issues arose and upheld only a limited DRT enquiry, leaving the auction and bank recovery undisturbed (paragraphs 12-21). It did not expressly overrule Janatha. This bounded check does not provide comprehensive current-law clearance.

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## PDF TEXT-ONLY SOURCE CHECKS AND READING LIMITS

1.

**Kind:** bounded later judgment

**Source role:** auxiliary only

**Role:** auxiliary only

**Title:** Jagan Singh & Co. v. Ludhiana Improvement Trust & Others, Supreme Court, 2 September 2022

**Url:** [Open cited source](#)

**Source url:** [Open cited source](#)

**Reported web pdf pages:** 26

**Physical text pages read:** 1; 17; 18; 19; 20; 21; 22; 23; 24; 25; 26

**Physical image pages read:**

**Full bounded judicial text read:** False

**Read bounds:** Identity at physical page 1; paragraphs 29–41 physical 17–26, particularly paragraph 37 physical 22–24; date and signatures at physical page 26

**Reliance limit:** Paragraph 37 reproduces Sadashiv Prasad Singh's Janatha discussion within an affirmative analysis of outsider-purchaser protection and fraud/collusion/statutory safeguards. Target SCR paragraph 26 is labelled 20 in the embedded quotation. No full 26-page reading, raw PDF/hash/images or comprehensive later-treatment claim.

**Provenance:** Official web-extracted PDF text only; no raw PDF hash or image read is claimed.

2.

**Kind:** bounded later judgment

**Source role:** auxiliary only

**Role:** auxiliary only

**Reviewer role:** independent

**Title:** Om Sakthi Sekar v. V. Sukumar & Others, 13 March 2026, 2026 INSC 237

**Url:** [Open cited source](#)

**Source url:** [Open cited source](#)

**Case numbers:** Civil Appeal No. 3362 of 2026; Arising out of SLP(C) No. 2122 of 2022

**Reported web pdf pages:** 23

**Physical text pages read:** 1; 8; 18; 19; 20; 21; 22; 23

**Physical image pages read:**

**Full document text read:** False

**Full bounded judicial text read:** False

**Bounded passages read completely:** True

**Read bounds:** Adopted identity/date/signature lines; paragraph 6.4 and paragraphs 12–21, including embedded valuation discussion in paragraph 15. Other returned context is not promoted to a complete 23-page merits review.

**Reliance limit:** Om Sakthi Sekar v. V. Sukumar, 13 March 2026, 2026 INSC 237, records Janatha in counsel's submissions (paragraph 6.4). The Court rejected absolute immunity where credible valuation or reserve-price issues arose and upheld only a limited DRT enquiry, leaving the auction and bank recovery undisturbed (paragraphs 12-21). It did not expressly overrule Janatha. This bounded check does not provide comprehensive current-law clearance.

**Provenance:** Independent official web-extracted text check after the coordinator first-read gate. No raw PDF, PDF byte/hash or image verification.

**Independent review recorded at utc:** 2026-10-06T08:08:13.670555+00:00

## SOURCE & VERIFICATION

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

Identified source rendition: 11 PDF pages; SHA-256 bf0f9f71ce39970eec4d1d394acc2d91c61b0f5e0a93b4a3b6f5c5ed507a9927. Original bytes preserved. All 11 physical pages, SCR 1148-1158: editorial headnote on pages 1-3; jurisdiction on page 3; the sole Supreme Court opinion on pages 3-11, paragraphs 1-28. One appeal; no adjacent judgment.

### Open cited source rendition

Frozen 2008 INSC 699 is catalogue metadata; the read report is[2008]8 SCR 1148-1158. The bounded later Jagan Singh quotation supplies(2008)12 SCC 582 as secondary citation context, not a separate target source.

Only AY 1985-86 demands were enforced in the auction. Paragraph 3 separately lists 1986-87, 1987-88 and 1989-90, while paragraphs 3, 6 describe the stayed demands collectively as 1986-87 to 1989-90. Those stayed years are background, not assessments decided here; 1988-89 is not separately enumerated in the initial list.

## STATUTORY SCOPE

Not verified; no automatic equivalence, savings, transition or precedent-carryover claim

## LATER TREATMENT

Source checked 2026-10-06. Comprehensive later treatment is unverified. Any actual bounded check is recorded separately with its precise source, result and limitations.

## IDENTIFIED SOURCE LINKS

### reported judgment - PDF pages: 11

SHA-256: bf0f9f71ce39970eec4d1d394acc2d91c61b0f5e0a93b4a3b6f5c5ed507a9927

Jagan Singh & Co. v. Ludhiana Improvement Trust & Others, Supreme Court, 2 September 2022

Om Sakthi Sekar v. V. Sukumar & Others, 13 March 2026, 2026 INSC 237

## 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.

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