

Union of India and Others v. M/s. Agarwal Iron Industries

Civil Appeal Nos. 7499 and 7502 of 2004

[2014] 11 SCR 181 | 2014-11-12

Section 132 search authorization: judicial scrutiny of recorded reasons, confidentiality of the underlying information and the error of quashing on non-traverse alone

Income-tax Act, 1961: sections 132(1), 132(1A), 132(13), 132(14), 132A(1) and 133(6) | Code of Civil Procedure, 1908: Order VIII Rule 5 and section 141 (discussed)

Two-judge bench; judgment delivered by Dipak Misra, J. | Dipak Misra, J. | Uday Umesh Lalit, J.

Remand, not final validation of the search

The Supreme Court corrected the High Court's method and required scrutiny of the Revenue file. It did not decide that the recorded material ultimately satisfied section 132.

01 FACTS OF THE CASE

Income-tax officers searched the respondent's residential and factory premises on 16 February 2000. The assessee alleged that the authorization lacked information capable of supporting a reasonable belief; Revenue asserted suppression of production and sales, supported by seized records. The Allahabad High Court appointed an Advocate Commissioner, treated an insufficiently specific counter-affidavit denial as an implied admission and quashed the search and seizure.

Source: [Primary judgment: search facts and High Court reasoning](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court held that the High Court should not have decided the authorization issue from non-traverse principles or required Revenue to reproduce confidential foundational material in its pleading. If necessary, the Court could call for and inspect the file. Section 132 uses "reason to believe" and contemplates a reasonable, prudent opinion based on material. Search and seizure is an interim investigative measure, not confiscation; the seized articles remain subject to enquiry and hearing. The statutory safeguards and recorded-reason requirement remain relevant to judicial review.

Source: [Primary judgment: file scrutiny and section 132 standard](#)

03 JUDICIAL DECISION

The High Court had not examined whether reasons were recorded or whether they met the law. Its reliance on the pleading omission and its appointment of an Advocate Commissioner did not answer the section 132 question. The proper course was to inspect the confidential file and adjudicate the challenge on the recorded reasons.

Source: [Primary judgment: error identified and required judicial inquiry](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue's appeals were allowed, the High Court orders were set aside and both matters were remanded for fresh disposal. Revenue was directed to produce its file before the High Court. No costs were ordered, and the Supreme Court made no final finding that the searches were valid.

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

05 AKHB REVIEW POINT

AKHB analysis: in a section 132 challenge, separate confidentiality from reviewability. Revenue need not plead the underlying intelligence in public detail, but the court can inspect the authorization file to determine whether recorded reasons and relevant material satisfy the statute. Record the outcome as a remand unless the court finally rules on validity; do not convert a procedural Revenue success into merits approval of the search.

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

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

Complete ten-page SCR report, including paragraphs 1-10, read in page-preserving text and every page image inspected; exact source bytes match the catalogue SHA-256.

[Open cited source rendition](#)

Exact catalogue SHA-256 and ten-page count verified; all pages and paragraphs 1-10 were read and visually inspected.

The result was a remand. It is not represented as a final merits victory establishing that the particular search was valid.

The reporter renders the second judge's surname imperfectly in OCR; the signed/report caption identifies Uday Umesh Lalit, J.

STATUTORY SCOPE

Income-tax Act, 1961, section 132 as applied to a February 2000 search. Later amendments, disclosure rules and current procedural safeguards were not surveyed.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. The Court remanded the section 132 challenge and did not finally uphold or invalidate the underlying search authorization.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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