

Director General of Income Tax (Investigation), Pune & Ors. v. M/s. Spacewood Furnishers Pvt. Ltd. & Ors.

Civil Appeal No. 4394 of 2015

[2015] 6 SCR 807 | 2015-05-13

Whether the High Court had exceeded Article 226 review when it set aside the section 132 authorisation and stopped consequent proceedings, including by examining sufficiency of the information, treating the approval chain as defective, suspecting manipulation of the notes and requiring disclosure at the authorisation stage.

132 | 153A

Two-judge bench | Ranjan Gogoi, J. | Pinaki Chandra Ghose, J.

Assessment years: 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10

Search review only; historical disclosure setting

Spacewood restores proceedings for AYs 2004-05 to 2009-10; it does not decide tax liability or validate every search. Relevance, bona fides and statutory conditions remain reviewable. Its assessment-material observation is not an unconditional right to satisfaction reasons: the bounded Laljibhai check records the later retrospective section 132 disclosure explanation. The report also conflicts on Delhi/Bombay High Court identification, expressly disclosed here. Verify the applicable search regime and later law; no current-law or 2025-Act certification is supplied.

[paragraphs 22-23 / PDF pages 16, 17 / judicial text](#); [paragraphs 20; 32-34 / PDF pages 23, 24, 31, 32, 33 / judicial text](#)

01 FACTS OF THE CASE

A search of the respondent company and connected persons/premises was conducted between 19 June and 21 July 2009. Notices under section 153A sought assessments for AYs 2004-05 to 2009-10. The High Court set aside the section 132 authorisation and interdicted the consequent proceedings; Revenue appealed. The jurisdiction entry identifies the Bombay High Court order of 9 December 2011 in W.P. No. 2150/2010, although judicial paragraph 2 says Delhi. The conflict is retained as a source caution rather than silently corrected (paragraphs 1-4; report page 4).

The Assistant Director and Additional Director recorded notes on 8 June 2009. The Director (Investigation), Nagpur considered them and recorded his own satisfaction on 9 June that search was warranted, then sought the Director General's administrative approval. That approval followed on 11 June. The High Court regarded the notes as four separate satisfactions without a valid final decision by the appropriately satisfied authority; it also questioned loose-sheet records and the quality/details of the information (paragraphs 10-20). These recorded suspicions were grounds for search, not findings of taxable concealed income by the Supreme Court.

Source: [reported judgment / paragraphs 2-4; 10-20 / PDF pages 5, 11, 12, 13, 14, 15 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court applied the limits developed in *Seth Brothers*, *Pooran Mal* and the analogous search discussion in *Dr. Pratap Singh*. Information must be held by the authorised officer before the belief is formed, must bear on a statutory search condition, and must be considered honestly and bona fide. Extraneous material, mala fides, collateral purpose or absence of the statutory conditions remain reviewable. Recorded reasons permit judicial supervision. Article 226 does not authorise the High Court to substitute its assessment of the sufficiency or adequacy of the reasons for that of the designated officer (paragraphs 5-9).

Recording and disclosure were treated separately. Even after removal of the express rule 112(2) requirement, reasons still had to be recorded for accountability and judicial scrutiny. That did not confer a right to inspection or communication at the authorisation stage. The Court said requisite material may have to be disclosed when assessment proceedings commence after search and seizure; it did not declare an unconditional right to the whole satisfaction note. It disapproved the High Court's detailed premature reproduction of the notes (paragraphs 21-23).

The Court examined the actual decision chain against the territorial notification, search manual and requirement of administrative approval. The Director had independently recorded the statutory satisfaction; the Director General approved that decision as an additional safeguard, rather than substituting an unsatisfied decision-maker. The Court also recorded the historically specific position of the Additional Director and the Finance Act, 2009 change, without needing to invalidate the Director's satisfaction. The suspicion of manipulated loose sheets lacked a factual basis. The remaining High Court reasoning impermissibly evaluated sufficiency, adequacy and acceptability as if on appeal (paragraphs 10-17, 24-26).

Source: [reported judgment / paragraphs 5-9 / PDF pages 6, 7, 8, 9, 10 / judicial text](#); [reported judgment / paragraphs 10-17 / PDF pages 11, 12, 13, 14 / judicial text](#); [reported judgment / paragraphs 21-26 / PDF pages 16, 17, 18 / judicial text](#)

03 JUDICIAL DECISION

The Revenue appeal was allowed. The High Court order dated 9 December 2011 in W.P. No. 2150/2010 was set aside, and proceedings against the assessee were to recommence at the stage where the High Court had stopped them. The Court resolved the search-authorisation/judicial-review challenge; it did not determine the eventual section 153A assessments, any addition, or the amount of tax (paragraph 27).

Source: [reported judgment / paragraphs 27 / PDF pages 18 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on search authorisation and resumption of proceedings

Revenue civil appeal allowed; High Court order set aside; proceedings to recommence from the interdicted stage

Final on the search-authorisation and Article 226 issues; underlying assessment merits unresolved

Not a substantive finding that the suspicions of undisclosed income are proved, nor a decision on the correctness of future assessment additions. Judicial scrutiny of relevance, bona fides and statutory conditions remains distinct from sufficiency review.

Source: [reported judgment / paragraphs 9; 22-27 / PDF pages 9, 10, 16, 17, 18 / judicial text](#)

05 AKHB REVIEW POINT

Separate three questions in a search file: the competent officer's contemporaneous information and bona fide belief; the administrative route to authorisation; and the later assessment of alleged income. Spacewood protects the first two from appellate-style reweighing, without deciding the third or removing relevance/mala-fides review. Its account of an internal suspicion should not be republished as a proved tax-evasion finding.

There is a bounded later check: Laljibhai Kanjibhai Mandalia (13 July 2022), paragraph 20, quotes Spacewood and paragraphs 32-33 restate confined judicial review. Paragraph 33(ix) also records the Finance Act, 2017 explanation, retrospective from 1 April 1962, against disclosure of reasons to persons, authorities or the Appellate Tribunal. Keep Spacewood's historical reference to possible disclosure of requisite assessment material distinct from access to the satisfaction reasons. This comparison is limited to the identified later passages and does not certify present disclosure rights or comprehensive treatment.

Source: [reported judgment / paragraphs 9; 22-27 / PDF pages 9, 10, 16, 17, 18 / judicial text](#); [reported judgment / paragraphs 20; 32-34 / PDF pages 23, 24, 31, 32, 33 / judicial text](#)

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: Scope of Article 226 review

Result: High Court could test relevance and lawful formation of belief, but not reassess sufficiency or adequacy as an appellate body

In whose favour: Revenue on this challenge

Pinpoints

1.

Source url: [Open cited source](#)

Source sha256: 43be14018506b4f7768ccce8aef50135cf800187679e7bb2b04bc42af3786649

Asset id: 2015_6_807_824

Pdf pages: 9; 10; 18

Printed scr pages: 815; 816; 824

Paragraphs: 9; 26

Source role: judicial text

2.

Issue: Recording and communication of reasons

Result: Reasons must be recorded; the assessee had no right to their inspection/communication at the authorisation stage; premature detailed reproduction was disapproved

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Source sha256: 43be14018506b4f7768ccce8aef50135cf800187679e7bb2b04bc42af3786649

Asset id: 2015_6_807_824

Pdf pages: 16; 17

Printed scr pages: 822; 823

Paragraphs: 22-23

Source role: judicial text

3.

Issue: Competent satisfaction and administrative approval

Result: Director recorded the relevant statutory satisfaction; Director General approval was administrative and the prescribed chain was followed

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Source sha256: 43be14018506b4f7768ccce8aef50135cf800187679e7bb2b04bc42af3786649

Asset id: 2015_6_807_824

Pdf pages: 17; 18

Printed scr pages: 823; 824

Paragraphs: 24

Source role: judicial text

4.

Issue: Possible manipulation of records

Result: Suspicion unsupported by a basis could not sustain the High Court order

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Source sha256: 43be14018506b4f7768ccce8aef50135cf800187679e7bb2b04bc42af3786649

Asset id: 2015_6_807_824

Pdf pages: 18

Printed scr pages: 824

Paragraphs: 25

Source role: judicial text

5.

Issue: Assessment liability and further proceedings

Result: Proceedings resume from the stage of interdiction; no tax addition or assessment merits adjudicated

In whose favour: Open for subsequent proceedings

Pinpoints

1.

Source url: [Open cited source](#)

Source sha256: 43be14018506b4f7768ccce8aef50135cf800187679e7bb2b04bc42af3786649

Asset id: 2015_6_807_824

Pdf pages: 5; 18

Printed scr pages: 811; 824

Paragraphs: 2; 27

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

120(1); 120(2); 131; 142(1)

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Ranjan Gogoi, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

VERIFIED RELATIONSHIPS BETWEEN SPECIFIED JUDGMENTS

1.

Earlier case id: sc-2015-05-13-spacewood-furnishers

Later case id: sc-2022-07-13-laljibhai-kanjibhai-mandalia

Relationship: quoted and limited search review restated with later statutory disclosure explanation

Evidence

1.

Source url: [Open cited source](#)

Source sha256: 43be14018506b4f7768ccce8aef50135cf800187679e7bb2b04bc42af3786649

Asset id: 2015_6_807_824

Pdf pages: 16; 17

Printed scr pages: 822; 823

Paragraphs: 22-23

Source role: judicial text

2.

Source url: [Open cited source](#)

Source sha256: 632bb55d8815033c3d6494d96b2f45d758d3147cd9b1b3eae00a9d470431041f

Asset id: 2022_15_232_264

Pdf pages: 23; 24; 31; 32; 33

Printed scr pages: 254; 255; 262; 263; 264

Paragraphs: 20; 32-34

Source role: judicial text

Scope limit: Actual reading confined to specified Laljibhai pages; it is not a complete later-treatment audit. The paragraph numbers inside the later quotation differ by one from this eSCR Spacewood rendition.

SCOPE AND LIMITS OF THE RECORDED TREATMENT CHECKS

1.

Checked at: 2026-10-04T12:18:20+00:00

Method: Bounded name search in the consolidated page-text index for Spacewood, followed by primary-text reading of the identified later decision

Result: Laljibhai identified; its comparison passages and operative conclusion were actually read

Source asset id: 2022_15_232_264

Pdf pages read: 1; 23; 24; 25; 31; 32; 33

Scope limit: Corpus name search can miss spelling/OCR variants and decisions outside the corpus.

2.

Checked at: 2026-10-04T12:18:20+00:00

Method: Public-web search restricted in query text to Supreme Court sources for Spacewood and Laljibhai

Result: An official 13 July 2022 PDF was located, but opening it timed out; no signed-original byte/hash or full reading is claimed. The preserved eSCR rendition supplies the actual comparison evidence.

Scope limit: Search discovery only; no comprehensive web treatment audit.

SOURCE & VERIFICATION

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

Identified source rendition: 18 PDF pages; SHA-256

43be14018506b4f7768ccce8aef50135cf800187679e7bb2b04bc42af3786649. Original bytes preserved.

Judgment paragraphs 1-27 on physical pages 5-18 (SCR 811-824), fully read, including all quoted authorities, administrative instructions and satisfaction-note passages. Pages 1-4 are editorial headnote, references, jurisdiction and appearances. The final operative paragraph and reporter ending occupy page 18; no adjacent opinion.

Open cited source rendition

Paragraph 2 expressly gives AYs 2004-05 to 2009-10 for the proposed section 153A assessments. The report calls them block assessment; no separate Chapter XIV-B proceeding is inferred.

Section 132 search-authorisation validity is adjudicated; section 153A proceedings supply the consequence/background, without a determination of assessment additions. Section 120 supports the territorial notification; sections 131 and 142(1) occur in the recorded satisfaction. Income-tax Rules, 1962 rule 112(2), Constitution articles 226 and 136, and the 2001 notifications/manual are considered in their reported historical setting. The bounded later note refers to the section 132 explanation described in Laljibhai; no complete statutory consolidation is claimed.

The preserved reported eSCR rendition is the primary source; no newly retrieved signed original or original-PDF hash is claimed.; The image confirms that paragraph 2 says High Court of Delhi; the jurisdiction statement identifies Bombay High Court and paragraph 27 identifies the same 9 December 2011 order and W.P. 2150/2010. This note discloses rather than silently amends that discrepancy.; The phrase block assessment in paragraph 2 accompanies express section 153A notices for AYs 2004-05 to 2009-10; it is not used to infer a Chapter XIV-B proceeding.; Paragraph 24 recounts the Additional Director position as at 8 June 2009 and the Finance Act, 2009 change with retrospective effect. This is a historical judicial description, not an independent present competence certification.; The headnote pinpoint for paragraph 25 prints SCR 825 although the judgment ends at SCR 824; the judicial paragraph on physical page 18 is used. Embedded quotation numbering in Laljibhai differs from the original Spacewood rendition.

The preserved report identifies one civil appeal. No additional connected appeal number is inferred.

STATUTORY SCOPE

Historical Income-tax Act, 1961 provisions and source-described periods only. No automatic mapping to the Income-tax Act, 2025.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment or present-law audit has been performed. Actual bounded checks are separately described; a limited search or comparison does not establish that no other later authority exists.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 18](#)

SHA-256: 43be14018506b4f7768ccce8aef50135cf800187679e7bb2b04bc42af3786649

[reported judgment - PDF pages: 33](#)

SHA-256: 632bb55d8815033c3d6494d96b2f45d758d3147cd9b1b3eae00a9d470431041f

[Related note: Principal Director of Income Tax \(Investigation\) & Ors. v. Laljibhai Kanjibhai Mandalia](#)

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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