

Principal Commissioner of Income Tax (Central)-1 v. NRA Iron & Steel Pvt. Ltd.

Civil Appeal No. 2463 of 2019 / Arising out of SLP (Civil) No. 29855 of 2018

[2019] 4 SCR 163 | 2019-03-05

Whether the company discharged its section 68 onus for Rs. 17.60 crore credited as share capital/premium when documentary filings and banking-channel receipts were contradicted by detailed field enquiries concerning investor identity, capacity and genuine funding.

68

2-judge bench | Uday Umesh Lalit, J. | Indu Malhotra, J.

Assessment years: 2009-10

01 FACTS OF THE CASE

For AY 2009-10 the company returned income of Rs. 7,01,870 on 29 September 2009. Following a section 148 notice dated 13 April 2012, objections, a show-cause notice and written submissions, the Assessing Officer examined Rs. 17.60 crore credited as share capital/premium from companies said to be based in Mumbai, Kolkata and Guwahati. The judgment's findings describe a face value of Rs. 10 and premium of Rs. 190 per share (paragraphs 3.1-3.6 and 12(iii)).

The company relied on account-payee cheques/demand drafts, income-tax acknowledgments and other documents. The officer issued summons and undertook independent enquiries at the stated locations. The findings included non-existent entities at some addresses, no personal appearance by the investors, inadequately supported sources of funds, negligible or nil returned income compared with investments of Rs. 90-95 lakh, and no explanation for the high premium. Written replies sent through dak did not resolve those concerns. The officer added Rs. 17.60 crore under section 68 (paragraphs 3.7-3.9).

The Commissioner (Appeals) deleted the addition on the basis of confirmations, PAN/return material and banking records; the Tribunal affirmed. The Delhi High Court dismissed Revenue's section 260A appeal, finding no substantial question of law. The assessee remained unrepresented in the Supreme Court despite recorded service and repeated opportunities, and the appeal was heard ex parte on 5 February 2019 (paragraphs 4-7).

Source: [reported judgment / paragraphs 3.1-3.9 / PDF pages 5, 6, 7, 8, 9, 10, 11 / judgment](#); [reported judgment / paragraphs 4-7 / PDF pages 11, 12, 13 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court applied section 68 as it stood before the Finance Act, 2012. Its broad reference to sums credited in the books included share capital and share premium. The initial onus was on the assessee to establish the investors' identity, their financial capacity for the particular investment and the transaction's genuineness by cogent evidence to the officer's satisfaction. Establishing incorporation or tax identity alone did not establish capacity or genuine funding (paragraphs 8.1-8.3 and 10-11).

The officer's responsibility was equally material. After relevant documents are furnished, the officer must make enquiries and seek further details before invoking section 68; the assessment cannot rest on an unreasonable rejection of explanations. The Court considered authorities addressing both the assessee's initial proof and the shift of burden when identity, creditworthiness and genuineness are established. It emphasised independent investigation of the subscribers and the transactions rather than treating a cheque, PAN or return acknowledgment as conclusive (paragraphs 8.2-11).

On this record, the officer had carried out detailed field enquiries in three cities. Those enquiries undermined the asserted identity or financial capacity of the investors and the genuine source of the investment. Specific examples included the Mumbai and Guwahati entities not found at their stated addresses, Kolkata investors' absence and missing source-substantiating bank statements, meagre or nil declared income in relation to very large investments, and the unexplained premium. These were combined evidentiary findings, not a rule that low taxable income alone necessarily proves lack of capital (paragraphs 9 and 12).

The lower appellate authorities treated the filing of primary documentation as sufficient without confronting the contrary investigation. The Court held that the primary onus remained undischarged. Its warning about private placements reflected the assessee's personal knowledge of the investors and transactions and the need for careful scrutiny of unaccounted money presented as capital/premium. When the explanation of nature and source is unsatisfactory on the investigated record, Revenue need not additionally identify a particular alternative source of the income (paragraphs 8.2 and 13-15).

The judgment does not decide a standalone fair-market-value computation or retrospectively apply a later statutory proviso. It sustains the section 68 addition under the historical text and these facts. The later recall disposition concerns service and an opportunity to be heard; it does not replace or enlarge this merits reasoning.

Source: [reported judgment / paragraphs 8.1-11 / PDF pages 13, 14, 15, 16, 17, 18 / judgment](#); [reported judgment / paragraphs 12-15 / PDF pages 18, 19, 20 / judgment](#); [official signed judgment / paragraphs 8.2; 9; 11; 12; 15-16 / PDF pages 15, 16, 18, 22, 23, 24, 25, 27 / judgment](#)

03 JUDICIAL DECISION

Revenue's appeal was allowed. The High Court, Tribunal and Commissioner (Appeals) decisions were set aside and the Assessing Officer's order was restored, sustaining the Rs. 17.60 crore section 68 addition (paragraphs 15-16).

Source: [reported judgment / paragraphs 15-16 / PDF pages 20 / judgment](#); [official signed judgment / paragraphs 15-16 / PDF pages 27 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Revenue appeal allowed; appellate decisions set aside; Assessing Officer's order restored

Final section 68 merits determination on the assessed credits and investigated record

Historical pre-Finance Act, 2012 section 68 applied to AY 2009-10. No blanket rule that every high-premium or low-taxable-income investment is unexplained; the actual evidentiary failures and independent enquiries are central. The 25 October recall dismissal is separately bounded procedural treatment.

Source: [official signed judgment / paragraphs 16 / PDF pages 27 / judgment](#)

05 AKHB REVIEW POINT

Build an investor-by-investor proof file: identity, genuine business presence, financial capacity for the actual investment, fund-flow/bank evidence and an explanation of the commercial transaction and premium. PAN, incorporation and banking-channel receipts are evidence to evaluate, not automatic completion of every element of section 68. Answer concrete adverse enquiry findings rather than relying only on the volume of documents filed.

Preserve the other side of the burden rule. The officer must investigate and fairly evaluate relevant explanations; NRA is not authority to disregard substantiated capacity or make an addition merely because a subscriber does not appear. Read the receipt, capacity, genuineness and enquiry findings together. The judgment's observations about sources arise under the pre-2012 text and its facts; check the applicable amendment and assessment year before asserting a later source-of-source rule.

Cite this 5 March judgment for the merits. Cite the separately reviewed 25 October 2019 disposition only for its verified refusal to recall on service grounds. Neither the limited link nor this note certifies all subsequent treatment or an Income-tax Act, 2025 carryover.

Source: [reported judgment / paragraphs 8.2-11; 12-15 / PDF pages 14, 15, 16, 17, 18, 19, 20 / judgment](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

148; 260A

PROVISION-SPECIFIC SCOPE

1.
Act: Income-tax Act, 1961
Section: 68
Role: principal provision
Basis: Identity, creditworthiness and genuineness of share-capital/premium credits; initial assessee burden and Assessing Officer's independent enquiry duty.

2.
Act: Income-tax Act, 1961
Section: 148
Role: procedural background
Basis: Reopening notice of 13 April 2012; no independent reopening-validity holding.

3.
Act: Income-tax Act, 1961
Section: 260A
Role: appellate background
Basis: Revenue appealed to the Delhi High Court; the Supreme Court reversed the no-substantial-question disposition on this record.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Indu Malhotra, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

VERIFIED RELATIONSHIP BETWEEN THE MERITS JUDGMENT AND RECALL ORDER

1.
Status: verified bounded link
Earlier case id: sc-2019-03-05-nra-iron-steel
Earlier decision date: 2019-03-05
Later case id: sc-2019-10-25-nra-iron-steel-recall
Later decision date: 2019-10-25
Proceeding: M.A. 814/2019 in Civil Appeal 2463/2019
Relationship: Application to recall the 5 March 2019 judgment dismissed on service/non-appearance grounds
Effect: The earlier judgment remained undisturbed by this recall application. The later decision neither substitutes for nor expands the main section 68 ratio.

Verification basis

1.

Source url: [Open cited source](#)

Paragraphs: 7 and 16

Pdf pages: 13; 20

Source role: judgment

2.

Source url: [Open cited source](#)

Paragraphs: 16; signatures/date

Pdf pages: 27

Source role: judgment

3.

Source url: [Open cited source](#)

Paragraphs: 1; 11-15

Pdf pages: 3; 5; 6; 7

Source role: judgment

4.

Source url: [Open cited source](#)

Paragraphs: 1 and 14-15

Pdf pages: 1; 10

Source role: judgment

Scope limit: Only this expressly identified procedural link is verified; no comprehensive subsequent-treatment search or current-law certificate.

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (official signed judgment)

Identified source rendition: 28 PDF pages; SHA-256 d8131b377b56d28b29ce79a1fb4b201108e7f96995a877a9eba2ba0900a74080. Original bytes preserved. Judicial text paragraphs 1-16 on physical pages 1-27; signatures and date on page 27; physical page 28 contains only the page number.

Cover, signatures/date, selected substantive passages and operative disposition checked against the fully read reported judicial text; no claim of an independent full reread of this separate rendition.

Open cited source rendition

The main official cover has a blank civil-appeal number; the reported cover and later recall judgment verify Civil Appeal 2463/2019.

Paragraph 3.3 states FY 2009-10 while the investment table contains 2008 dates and the judgment expressly concerns AY 2009-10. The note discloses rather than silently repairs that discrepancy.

The sentence following the shareholder table says subscribed at Rs. 190 per share; the enquiry table and paragraph 12(iii) identify Rs. 190 as premium in addition to Rs. 10 face value. The note follows the express operative factual analysis and does not calculate an alternative subscription figure.

The appellate account of bank records in paragraph 4 does not eliminate the adverse findings about missing investor source-of-funds statements; the lower authorities' treatment is distinguished from the Supreme Court's findings.

The later disposition is an application for recall, not a second adjudication expanding the section 68 ratio. Reported citation verified on the reported cover. No neutral citation inferred from catalogue metadata.

AY 2009-10 is expressly stated in paragraphs 3.1, 3.9 and 12. Paragraph 3.3 describes the financial year as 2009-10, although the table records investments in October-December 2008; this source inconsistency is not silently converted into another assessment year.

The main official cover leaves the civil appeal number blank but gives SLP(C) 29855/2018. Civil Appeal 2463/2019 is verified on the reported cover and in the separately reviewed 25 October 2019 recall judgment.

STATUTORY SCOPE

Section 68 before the Finance Act, 2012, expressly reproduced in paragraph 8.1, as applied to AY 2009-10. Later statutory source-of-source requirements are not independently adjudicated.

No automatic Income-tax Act, 2025 crosswalk, present-law certification or comprehensive later-treatment audit.

LATER TREATMENT

Source checked 2026-10-04. Subsequent judicial treatment and later statutory changes have not been comprehensively verified. Any separately identified intra-proceeding link is limited to the two reviewed decisions and is not a citator or current-law certificate.

IDENTIFIED SOURCE LINKS

[official signed judgment - PDF pages: 28](#)

SHA-256: d8131b377b56d28b29ce79a1fb4b201108e7f96995a877a9eba2ba0900a74080

[reported judgment - PDF pages: 20](#)

SHA-256: a67b055aa74e3d770228ab1bed595870b017a0484acf7d133264af5d84d0e90a

[official signed judgment - PDF pages: 10](#)

SHA-256: be8248282d53c46315a2af6258cdcedf3e596a519b1287ebbc426630f5b9875e

[reported judgment - PDF pages: 7](#)

SHA-256: d6dcd208d2f232ff4c327ac03e203e6c3aa14ec4a50ae279e28e427ccd55d7eb

[Related note: Principal Commissioner of Income Tax \(Central\)-1 v. NRA Iron & Steel Pvt. Ltd. \(recall application\)](#)

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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