

Vodafone Idea Ltd. (earlier known as Vodafone Mobile Services Limited) v. Assistant Commissioner of Income Tax Circle 26 (2) & Anr.

Civil Appeal No. 2377 of 2020 / Arising out of SLP (Civil) No. 1169 of 2019

[2020] 11 SCR 200 | 2020-04-29

Whether conforming scrutiny notices displaced compulsory return processing and immediate refunds for AYs 2014-15 to 2016-17 without a separate timely postponement order; whether withholding for AY 2017-18 complied facially with the different section 241A regime; and what directions followed from final assessments completed during the appeal.

143(1) | 143(1D) | 143(2) | 143(3) | 241A | 245

Two-judge bench | Uday Umesh Lalit, J. | Vineet Saran, J.

Assessment years: 2014-15, 2015-16, 2016-17, 2017-18

01 FACTS OF THE CASE

Vodafone Idea, formerly Vodafone Mobile Services Ltd. (VMSL), provided telecommunication services. Several group companies had amalgamated into VMSL; during the proceedings VMSL merged with Idea Cellular and the resultant Vodafone Idea assumed the relevant rights and liabilities. The litigation concerned processing of returns and release of refunds for AYs 2014-15 to 2017-18, not determination of the substantive transfer-pricing, licence-fee, spectrum or other assessment issues (paragraph 3).

The original refund claims were Rs.1,532.09 crore for AY 2014-15, Rs.1,355.51 crore for AY 2015-16 and Rs.1,128.47 crore for AY 2016-17. Scrutiny notices under section 143(2) were issued on 31 August 2015, 16 March 2016 and 3 July 2017 respectively. The company also filed revised returns and, following an advance pricing agreement, a section 92CD modified return for AY 2014-15. For AY 2017-18, its return of 25 November 2017 claimed Rs.743 crore; the revised return of 13 July 2018 claimed Rs.744.94 crore, and the scrutiny notice followed on 10 August 2018 (paragraph 3(B)-(D), (H)).

Vodafone sought mandamus to process the returns and grant refunds with section 244A interest. Revenue referred to substantial pending demands, scrutiny and special audit, and issued a letter on 23 July 2018 declining processing. The Delhi High Court dismissed the writ on 14 December 2018. During the Supreme Court appeal Revenue accepted that, for AY 2017-18, the 23 July letter lacked jurisdiction because the scrutiny notice had not yet issued. Revenue relied instead on the fresh section 241A withholding order of 14 March 2019. The Supreme Court summoned and examined the underlying record; Revenue also explained the CPC steps culminating in the generated intimation of 9 April 2019 (paragraphs 3(E)-(M), 5).

Final assessments of 31 October 2019 changed the position for the first two years: AY 2014-15 yielded approximately Rs.733 crore refundable, while AY 2015-16 produced approximately Rs.582 crore demanded, subsequently stayed by the Tribunal. Revenue additionally placed the 28 December 2019 Idea Cellular assessment for AY 2016-17, raising Rs.2,824.99 crore, before the Court as potentially relevant to set-off. That demand was distinct from the pending VMSL-related scrutiny addressed by the final expedition direction (paragraphs 3(N), 4, 5.1 and 23).

Source: [reported judgment / paragraphs 3\(A\)-\(J\): corporate background, return claims, notices and High Court proceedings / PDF pages 8, 9, 10, 11, 12, 13, 14, 15, 16 / judgment](#); [reported judgment / paragraphs 3\(K\)-\(N\), 4, 5 and 5.1: developments during the appeal, final assessments and section 241A process / PDF pages 16, 17, 18, 19, 20, 21 / judgment](#); [reported judgment / paragraphs 6-7: rival submissions / PDF pages 21, 22, 23 / judgment](#); [official signed judgment / paragraphs 3\(N\), 4 and 5: assessment outcomes, table and records examined / PDF pages 14, 15, 16, 17 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

Summary processing and scrutiny serve different functions. Section 143(1) checks apparent inconsistencies on the return and connected material, makes the permitted adjustments, gives appropriate tax credits and determines the amount payable or refundable. Sections 143(2) and (3) involve evidence-based scrutiny to establish whether income is understated, loss overstated or tax underpaid. Gujarat Electricity Board and Gujarat Poly Avx explained the distinction under earlier statutory versions; the Court acknowledged the intervening changes rather than treating all features of that old scheme as unchanged (paragraphs 8-13).

For the applicable pre-AY-2017-18 regime, the non-obstante section 143(1D) made processing unnecessary once a conforming section 143(2) notice had initiated scrutiny. The Court read the exception as overriding the general section 143(1) processing obligation while that scrutiny was pending. The return under scrutiny could not itself compel an immediate refund before scrutiny concluded. The Finance Act, 2016 substitution discussed in the history never became operative in the form proposed; the Finance Act, 2017 retained the earlier language and introduced the AY-2017-18 cut-off (paragraphs 10 and 14-18).

This old-regime consequence did not require an additional intimation or a further application of mind specifically to postpone processing. The scrutiny notice itself supplied the statutory trigger. Accordingly, Vodafone could not invalidate the 23 July 2018 communication for the older years merely because it was issued after the ordinary processing period. Paragraph 18 expressly confines this holding to assessment years ending on or before 31 March 2017 under the regime considered; it must be read with the 2017 proviso and the separate treatment of AY 2017-18 (paragraphs 18-20).

For returns for an assessment year commencing on or after 1 April 2017, the reviewed section 241A regime was different. A scrutiny notice alone did not dispense with the new safeguards. The Assessing Officer had to form the opinion that refund would likely adversely affect Revenue, record reasons in writing and obtain previous approval of the Principal Commissioner or Commissioner before withholding until assessment. Those requirements were substantive elements of the statutory power, distinct from section 143(1D)'s older automatic processing exception (paragraphs 10(C)-(D), 11 and 21).

For AY 2017-18 the Court considered the fresh order of 14 March 2019, rather than curing the conceded jurisdictional defect in the 23 July 2018 letter. Taking the original filing date of 25 November 2017, the Court identified 31 March 2019 as the end of the quoted one-year processing window, without needing to rely on the revised return. It found the 14 March order followed the scrutiny notice, recorded the requisite satisfaction, complied with the antecedent procedure it had checked and fell within that window. Revenue's explanation separated refund determination and withholding approval from CPC accounting and the later generated intimation (paragraphs 5 and 22).

The limitation is express: the Court examined facial statutory conformity, not whether the recorded satisfaction was substantively correct or the facts actually justified withholding.

02 DISCUSSION BY THE HON'BLE COURT

Nor did it decide the merits of a section 245 set-off. Revenue had suggested set-off against outstanding demands, but had not initiated the requisite proceedings. The Court therefore left that issue open while directing payment of the established AY 2014-15 refund subject to any proceedings lawfully initiated (paragraphs 22-23).

Source: [reported judgment / paragraphs 8-9: historical assessment scheme distinguished / PDF pages 23, 24, 25, 26, 27, 28, 29, 30, 31 / judgment](#); [reported judgment / paragraphs 10-11: 2012, 2016 and 2017 legislative history and statutory text / PDF pages 31, 32, 33, 34, 35, 36, 37, 38 / judgment](#); [reported judgment / paragraphs 12-20: processing, scrutiny, section 143\(1D\) and separate intimation / PDF pages 38, 39, 40, 41, 42, 43 / judgment](#); [reported judgment / paragraphs 21-22: AY 2017-18 safeguards and expressly facial review / PDF pages 43, 44 / judgment](#); [official signed judgment / paragraphs 18-22: temporal boundary, no separate old-regime intimation and limited section 241A review / PDF pages 43, 44, 45, 46 / judgment](#)

03 JUDICIAL DECISION

The appeal was dismissed without costs, except for the express directions. For the older assessment years the conforming scrutiny notice displaced compulsory section 143(1) processing without a separate postponement intimation. For AY 2017-18 the 14 March 2019 section 241A order passed the limited facial-compliance review; the merits of its adverse-revenue satisfaction were not decided.

Revenue was directed to refund Rs.733 crore for AY 2014-15 within four weeks of the judgment, subject to any proceedings it deemed appropriate to initiate in accordance with law. The Court neither authorised a completed set-off nor granted all refunds originally claimed. It also directed completion of the scrutiny proceedings for AYs 2016-17 and 2017-18 as early as possible. The AY 2015-16 demand and its Tribunal stay were recorded, not adjudicated on their merits (paragraphs 18-24).

Source: [reported judgment / paragraphs 22-24: limited section 241A holding, year-specific directions and dismissal / PDF pages 43, 44 / judgment](#); [official signed judgment / paragraphs 22-24 / PDF pages 45, 46, 47, 48 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the principal statutory arguments; limited consequential refund and expedition relief to Vodafone Idea

Assessee appeal dismissed without costs, subject to express refund and expedition directions

Final interpretation of the relevant processing regimes; AY 2017-18 withholding reviewed only for facial statutory compliance; tax-assessment and set-off merits not decided

The section 143(1D) processing exception is confined to the applicable older-year regime. No unconditional all-year refund, substantive validation of the section 241A satisfaction, adjudicated section 245 set-off or independently quantified interest award follows.

Source: [reported judgment / paragraphs 23-24 / PDF pages 44 / judgment](#); [official signed judgment / paragraphs 23-24 / PDF pages 47, 48 / judgment](#)

05 AKHB REVIEW POINT

Build the refund file year by year. Record the applicable statutory version, original/revised/modified returns, service and validity of scrutiny notices, processing and refund-determination chronology, recorded reasons, prior approval, final assessments and any demand or stay orders. A demand figure or pending scrutiny cannot replace the safeguards applicable to the particular year.

Keep three questions separate: whether processing can be deferred, whether a determined refund can be withheld, and whether a payable refund can lawfully be adjusted against another demand. Vodafone's older-year section 143(1D) reasoning cannot be transplanted into the section 241A regime it expressly distinguishes. Equally, facial compliance of the 14 March 2019 order is not a merits finding that its revenue-risk assessment was correct.

Read the operative directions alongside the dismissal. The actual relief was Rs.733 crore for AY 2014-15, conditional on lawful further proceedings, plus expedition for two later years. Neither the originally claimed amounts nor the separate stayed demand became Supreme Court merits awards. Check statutory interest and set-off requirements on the applicable facts; this judgment supplies no separate interest computation or blanket adjustment approval. Later amendments, later judicial treatment and any Income-tax Act, 2025 correspondence require independent verification.

Source: [reported judgment / paragraphs 5, 10-11, 18-24 / PDF pages 19, 20, 31, 32, 33, 34, 35, 36, 37, 38, 42, 43, 44 / judgment](#)

DETAILED DISPOSITION AND CONNECTED GROUPS

Year specific directions

1.

Assessment year: 2014-15

Status: Final assessment established Rs.733 crore refund

Direction: Refund within four weeks from 29 April 2020, subject to any proceedings Revenue lawfully initiates

Qualification: Proposed section 245 action had not been initiated; its merits were expressly left open

2.

Assessment year: 2015-16

Status: Final assessment recorded approximately Rs.582 crore demand; Tribunal stay noted

Direction: No refund granted or demand merits decided by the Supreme Court in this appeal

3.

Assessment year: 2016-17

Status: Relevant scrutiny proceedings pending

Direction: Conclude as early as possible

Qualification: Separate Idea Cellular AY 2016-17 demand mentioned as potential set-off background was not adjudicated

4.

Assessment year: 2017-18

Status: Section 241A order of 14 March 2019 facially compliant; underlying satisfaction not examined on its merits

Direction: Conclude scrutiny as early as possible; no immediate refund ordered for this year

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

143(1A); 139; 142(1); 92CC; 92CD; 144C; 244A; 153(1); 154

PROVISION-SPECIFIC SCOPE

1.

Act: Income-tax Act, 1961

Section: 143(1), including its second proviso

Role: summary processing and historical time limit

Basis: Apparent adjustments, determination and intimation of refund; the quoted one-year period is used to examine the 14 March 2019 order for AY 2017-18.

2.

Act: Income-tax Act, 1961

Section: 143(1D); 143(2); 143(3)

Role: principal old-regime holding

Basis: For the relevant assessment years ending on or before 31 March 2017, a conforming scrutiny notice overrides the obligation to process the return under section 143(1); no separate postponement intimation is required.

3.

Act: Income-tax Act, 1961

Section: 241A; proviso to 143(1D)

Role: principal post-1-April-2017 distinction

Basis: For returns for AY 2017-18 and onwards under the reviewed law, the old processing exception does not apply. Withholding requires the statutory adverse-revenue opinion, reasons in writing and previous prescribed approval after scrutiny notice.

4.

Act: Income-tax Act, 1961

Section: 245

Role: reserved possible set-off

Basis: Revenue had not initiated the requisite action. The Court decided no set-off entitlement, leaving the refund direction subject to proceedings lawfully initiated.

5.

Act: Income-tax Act, 1961

Section: 244A

Role: refund-interest prayer and administrative intimation

Basis: The writ sought statutory interest and Revenue described it in its CPC intimation; the Supreme Court did not separately quantify interest, fix a rate or decide an interest dispute.

6.

Act: Income-tax Act, 1961

Section: 92CC; 92CD; 144C

Role: procedural factual background

Basis: APA-related revised/modified return and draft assessment/DRP/final assessment chronology; substantive transfer-pricing or draft-order merits were not decided.

7.

Act: Income-tax Act, 1961

Section: 143(1A); 139; 142(1); 153(1); 154

Role: statutory and quoted-authority context

Basis: The judgment distinguishes older additional-tax provisions from later centralized processing. Other references occur in the quoted scheme, High Court reasoning or antecedent cases and are not separate holdings here.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Uday Umesh Lalit, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 48 PDF pages; SHA-256

02cec1382ff56acde1f383b18df8f8b9bd24567156e22ee9056287970aa2923f. Original bytes preserved.

Judgment paragraphs 1-24 (including 5.1 and 8.1-8.1.2) on physical pages 1-48; final signatures and date on page 48.

Cover, signatures/date, specified substantive passages and operative disposition checked against the fully read reported judicial text; no claim of an independent reread of every official-original page.

Open cited source rendition

Dismissal is accompanied by a conditional Rs.733 crore refund direction; a simple Revenue-won label conceals material relief.

The 23 July 2018 letter was conceded to lack jurisdiction for AY 2017-18. The Court reviewed the distinct 14 March 2019 order, not the earlier letter as if valid for all years.

The section 241A holding expressly excludes the substantive correctness of the recorded satisfaction.

The original and reported table contain 23.7.2017 for one section 143(1D) date, inconsistent with repeated narrative references to 23.07.2018. The narrative date is used with the discrepancy disclosed.

The never-operative 2016 proviso quotation contains shall not be processed before assessment, contrary to its reproduced explanatory note. No operative rule is derived from that inconsistent quotation.

A quoted High Court passage uses 28.07.2018, whereas the Supreme Court narrative and analysis use 23.07.2018; no additional order is invented.

The judgment records an April 2019 CPC intimation after a March withholding order; its finding rests on the checked antecedent process and is not a free-standing permission to withhold any refund before determination.

Historical time limits and quoted provisions are not represented as current law; no automatic 2025 mapping is supplied.

Reported citation verified on the reported cover. The catalogue neutral-citation entry was not independently confirmed on either inspected PDF and is not adopted.

The refund-processing dispute directly concerns AYs 2014-15 to 2017-18. References to earlier demand years and the Idea Cellular AY 2016-17 assessment are background to a proposed section 245 set-off, not adjudications of those demands. The statutory dividing line is AY 2017-18, commencing 1 April 2017; the pre-existing section 143(1D) regime must not be extended to that year.

STATUTORY SCOPE

The section 143(1D) regime examined for AYs 2014-15 to 2016-17, and the Finance Act, 2017 proviso and section 241A regime examined for AY 2017-18; section 245 set-off power left undecided. Historical section 143 time limits are those reproduced in the judgment, not a current-law statement.

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 or treaty changes have not been comprehensively verified. References to earlier decisions describe their treatment in this judgment only.

IDENTIFIED SOURCE LINKS

[official signed judgment - PDF pages: 48](#)

SHA-256: 02cec1382ff56acde1f383b18df8f8b9bd24567156e22ee9056287970aa2923f

[reported judgment - PDF pages: 44](#)

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