

Deputy Commissioner of Income Tax (Central) Circle 1(2) v. M/s. M. R. Shah Logistics Pvt. Ltd.

Civil Appeal No. 2453 of 2022

[2022] 14 S.C.R. 1078 | 2022-03-28

Whether objective material from searches justified the 31 March 2017 reopening of AY 2010-11 and whether another company's declaration under the Income Declaration Scheme, 2016 barred reassessment of the non-declarant recipient of share capital and premium.

147 | 148 | 143(1)

Two-judge bench | Uday Umesh Lalit, J. | S. Ravindra Bhat, J.

Assessment years: 2010-11

01 FACTS OF THE CASE

M.R. Shah Logistics Pvt. Ltd. filed its AY 2010-11 return on 25 September 2010; it was processed under section 143(1) without scrutiny. Following searches involving alleged accommodation-entry providers, including Shirish Chandrakant Shah on 9 April 2013, and later searches of the assessee group, the Assessing Officer issued a section 147/148 notice on 31 March 2017. The recorded reasons referred to seized electronic records, links through Pradeep Birewar, share applicants and discrepancies against Registrar of Companies data. They identified Rs 6.25 crore of share capital and premium received during FY 2009-10 as suspected escaped income. These were reopening allegations, not a final Supreme Court addition.

During a statement on 18 November 2016, the assessee's chairman relied on Garg Logistics Pvt. Ltd.'s declaration of Rs 6.36 crore under the Income Declaration Scheme, 2016, claiming that the declared cash had funded investments through other companies. The amounts must remain distinct: the actual share-allottee table totals Rs 6.25 crore and does not name Garg Logistics as an allottee. The assessee objected to reopening; the AO rejected its objections on 30 October 2017. The Gujarat High Court quashed the notice, holding that the AO lacked tangible material and relying on the declaration scheme's protections. The Revenue appealed. The assessee maintained that the materials lacked nexus and that taxing the declared amount again would defeat the scheme; the Revenue relied on independent search material and disputed the claimed funding link.

Source: [reported rendition / paragraphs 1-9 / PDF pages 6, 7, 8, 9, 10, 11 / judgment and reproduced AO reasons](#); [reported rendition / paragraphs 10-17 / PDF pages 11, 12, 13 / party submissions](#); [official signed judgment / paragraphs 1-9 / PDF pages 1, 2, 3, 4, 5, 6 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court reaffirmed that reopening requires objective tangible material bearing a rational connection to the belief that income escaped assessment. Courts can examine the existence, relevance and good faith of that basis; adequacy or sufficiency of relevant material is not ordinarily determined at the notice stage. The cited Kelvinator principle also distinguishes reassessment from impermissible review based on a mere change of opinion. Here the original return had only been processed under section 143(1), with no scrutiny assessment or prior examination of the issues (paragraphs 19-24).

The Court found that the reopening rested on independently obtained search records and their correlation with the assessee's return and ROC information, rather than Garg Logistics' IDS declaration. It noted that Garg Logistics had not itself invested the declared Rs 6.36 crore in the assessee during the relevant period; the table listed other allottees totalling Rs 6.25 crore. The declaration had been filed with a different Commissionerate, which neither shared it with this AO nor received a request from him. The assessee's own chairman had supplied the declaration details in support of the claimed genuineness of the capital receipts. A possible explanation of the transactions therefore did not warrant quashing a notice otherwise based on objective relevant material (paragraphs 25-29). This conclusion resolves notice validity, not the final genuineness or taxable quantum of every receipt.

Turning to Chapter IX of the Finance Act, 2016, the Court held that section 192's protection is limited to the declarant and to its stated purposes: the declaration is inadmissible against that declarant for specified penalty proceedings, apart from the scheme's own penalty, and prosecution under the specified tax laws. Garg Logistics was the declarant; M.R. Shah Logistics was not. Payment of tax and penalty by Garg Logistics did not confer blanket immunity on the assessee or bar examination of its receipts. The Court used decisions on other amnesty schemes to illustrate that statutory immunity cannot be extended beyond its defined scope (paragraphs 30-34). It did not authorize unrestricted sharing of confidential declarations.

Source: [reported rendition / paragraphs 18-24 / PDF pages 13, 14, 15, 16, 17 / judgment](#); [reported rendition / paragraphs 25-29 / PDF pages 17, 18, 19 / judgment](#); [reported rendition / paragraphs 30-34 / PDF pages 19, 20, 21, 22 / judgment](#); [official signed judgment / paragraphs 18-24 / PDF pages 9, 10, 11, 12, 13 / judgment](#); [official signed judgment / paragraphs 25-29 / PDF pages 13, 14, 15, 16 / judgment](#); [official signed judgment / paragraphs 30-35 / PDF pages 16, 17, 18, 19 / judgment](#)

03 JUDICIAL DECISION

The Revenue's appeal was allowed. The Gujarat High Court's judgment quashing the reopening notice was set aside, and the AO was left at liberty to take steps to complete reassessment. There was no order as to costs. The Supreme Court did not itself make or quantify a final addition, determine penalty, or direct that the assessee's entire Rs 6.25 crore be taxed without reassessment.

Source: [reported rendition / paragraphs 23-29; 34-35 / PDF pages 16, 17, 18, 19, 22 / judgment](#); [official signed judgment / paragraphs 34-35 / PDF pages 19 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on reopening validity and absence of IDS immunity for this non-declarant

Appeal allowed; High Court judgment set aside; AO permitted to complete reassessment; no costs

Notice challenge decided; final assessment of income remained for the AO

A 2017 reopening based on identified independent search material after section 143(1) processing. No holding on section 153C exclusivity or satisfaction, no adjudication of section 148A procedure, and no universal approval of double taxation or final share-capital additions.

Source: [reported rendition / paragraphs 35 / PDF pages 22 / judgment](#); [official signed judgment / paragraphs 35 / PDF pages 19 / judgment](#)

05 AKHB REVIEW POINT

Keep the reopening record separate from the eventual merits file. Identify the notice date and governing statutory version, original processing route, specific search material and its link to the assessee and relevant year. For an IDS defence, identify the actual declarant, recipient, allottee companies, amounts and documentary money trail; another taxpayer's declaration does not itself establish the recipient's immunity or the genuineness of its credits. Do not collapse the Rs 6.36 crore declaration into the Rs 6.25 crore share receipts. A reasoned explanation can be tested in reassessment without destroying otherwise valid reasons to reopen. This decision does not decide whether section 153C displaces section 147 in other search-derived cases. Paragraph 18 reproduces statutory language referring to section 148A despite the 2017 notice, so it must not be used as a transition ruling or a waiver of later procedural safeguards. Verify the applicable historical law and subsequent treatment; no automatic mapping to the Income-tax Act, 2025 is made.

Source: [reported rendition / paragraphs 1-3; 18; 23-35 / PDF pages 6, 13, 14, 16, 17, 18, 19, 20, 21, 22 / judgment](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

132(4); 68; 69; 148A (reference within statutory quotation only)

PROVISION-SPECIFIC SCOPE

1.

Section: 147; 148

Role: Validity of the 31 March 2017 reassessment notice; tangible material and reasons-to-believe review

Paragraphs: 1-3; 18-29; 35

2.

Section: 143(1)

Role: Original return processed without scrutiny; distinction between intimation and scrutiny assessment

Paragraphs: 3; 24; 27

3.

Section: 132(4)

Role: Statement in which the assessee's chairman volunteered another company's IDS details

Paragraphs: 4; 12; 28

4.

Section: 68; 69

Role: Appear in a different case recounted in the AO's reasons, not final additions decided by this appeal

Paragraphs: 7

5.

Section: 148A

Role: Appears in paragraph 18's footnote reproducing statutory wording; the challenged notice was issued in 2017 and the judgment does not adjudicate a section 148A procedure

Paragraphs: 18

OTHER LEGISLATION CONSIDERED

1.

Act: Finance Act, 2016, Chapter IX (Income Declaration Scheme)

Sections: 183; 185; 192

Role: Declaration mechanism and limited evidentiary immunity of the declarant; section 192 is not the salary-TDS provision of the Income-tax Act

OTHER IDENTIFIED MATERIALS

1.

Item: CBDT circular dated 1 September 2016, answer to Query 10

Role: Relied on by the High Court; Revenue contested relevance

Paragraphs: 9; 13

SOURCE & VERIFICATION

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

Identified source rendition: 22 PDF pages; SHA-256

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[Open cited source rendition](#)

Judicial text is bounded to reported physical pages 6-22, paragraphs 1-35. Pages 1-5 are editorial headnote, references and preface; no neighbouring judgment is included.

Paragraph 18 and its footnote reproduce statutory language mentioning section 148A and information suggesting escapement, although the challenged notice is dated 31.03.2017. The note does not treat that quotation as a holding applying later procedures retrospectively, or as a present-law checklist.

Paragraphs 7 and 25 mention AY 2011-12 within a data comparison. Paragraphs 1-3 and the concluding recorded reasons identify the appealed reopening as AY 2010-11. The additional year is retained only as source context.

Rs 6.36 crore is Garg Logistics' claimed IDS declaration; Rs 6.25 crore is the actual allottee table total and suspected escaped share capital/premium. They are not harmonized or treated as interchangeable.

Tables on reported physical pages 7 and 17-18 are absent from text extraction and were visually inspected. The latter table contains nine allottees and totals Rs 6.25 crore.

The editorial case-law list mislabels the [1961] 2 SCR 241 precedent as Rajesh Jhaveri; judicial paragraph 19 correctly identifies Calcutta Discount Company. The judicial text controls.

Paragraph 31 prints Kar Vivad Samadhan Scheme 1988 while the following precedent passage identifies 1998. The note relies only on the limited-immunity principle and does not reproduce the inconsistent scheme year as a finding.

The section 192 immunity provision is from the Finance Act, 2016 IDS, not Income-tax Act section 192 on salary deductions.

Quoted AO reasons discuss sections 68/69 and another High Court case; this appeal does not finally uphold a section 68 addition or decide double taxation on established identical income. Section 153C is not adjudicated.

The reported appeal number and official original SLP number are kept separately. Index neutral citation 2022INSC349 is metadata-only and unverified.

SCR citation verified on physical PDF page 1. The index additionally records 2022INSC349; this neutral citation is not printed in either inspected rendition and is not represented as independently verified.

AY 2010-11 is expressly identified in paragraphs 1-3 and in the conclusion of the reproduced reasons. AY 2011-12 appears in the evidence comparison reproduced in paragraph 7 and described in paragraph 25; it is not treated as another AY disposed of by this appeal.

Civil Appeal 2453/2022 is printed on the SCR cover and jurisdictional preface. The official original leaves the civil appeal number blank and identifies SLP (C) 22921/2019.

STATUTORY SCOPE

Challenge to a notice dated 31 March 2017, assessed through reasons-to-believe principles; paragraph 18 separately reproduces statutory wording mentioning section 148A

No ruling on the operation of later section 148A, later limitation/sanction provisions, section 153C exclusivity or the Income-tax Act, 2025 is inferred. No independent consolidated current-statute audit.

LATER TREATMENT

Source checked 2026-10-04. Subsequent appeals, review proceedings, stays, reversals and later judicial treatment have not been comprehensively checked. This note is not a citator status certificate.

IDENTIFIED SOURCE LINKS

[reported rendition - Physical PDF page 1 / SCR page 1078 - PDF pages: 22](#)

SHA-256: 9692df3054f078416873853352dfc0458d7317e383034b25f69e919db7713b8d

[official signed judgment - PDF pages: 19](#)

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