

## Shaji Poulose v. Institute of Chartered Accountants of India & Others

Transferred Case (Civil) No. 29 of 2021 and connected proceedings (full list below)

[2024] 6 S.C.R. 777 : 2024 INSC 451 | 2024-05-17

**Whether ICAI's Council could impose, through its 8 August 2008 guideline and numerical amendment, a ceiling on section 44AB tax-audit assignments; whether that cap violated Articles 14 or 19(1)(g); and whether disciplinary proceedings for exceeding it should survive the earlier legal uncertainty and selective enforcement.**

44AB

Two-judge bench | B. V. Nagarathna, J. | Augustine George Masih, J.

Assessment years: See the source-scope notes; no year inferred.

## 01 FACTS OF THE CASE

Practising Chartered Accountants challenged clause 6.0 of Chapter VI of ICAI's Council Guidelines dated 8 August 2008 and disciplinary proceedings for accepting section 44AB tax-audit assignments beyond the specified number. Some petitions were filed under Article 32; others were transferred from High Courts, initially by the Supreme Court's 9 December 2020 order and subsequently. The lead T.C.(C) 29/2021 came from Kerala High Court W.P. 25662/2016. The petitioners admitted exceeding the specified audit ceiling; their objections concerned its legal basis, constitutionality and enforcement (paragraphs 1-1.3, 3.31 and 9).

The history matters. Following CBDT's 19 January 1988 concern about audit quality, the 13 January 1989 notification prescribed thirty assignments per financial year, effective from 1 April 1989. The Council raised the ceiling to forty-five on 11 May 2007. The 2008 Guidelines superseded the earlier notifications after the 2006 amendment to the Chartered Accountants Act. In February 2014, the Council raised forty-five to sixty for audits conducted during FY 2014-15 onwards. Sixty was the figure described as prevailing when this judgment was delivered, not a verified present-day limit (paragraphs 3.10-3.22 and 7.6).

The Madras High Court had invalidated the earlier notification; other High Courts had rejected challenges. The Supreme Court stayed the Madras decision in 2005, but on 1 April 2013 dismissed Civil Appeals 7208-7209/2005 as infructuous after supersession, expressly without deciding their merits and preserving challenges to the new guideline. Later, CAG Report 32/2014 and Income-tax Department data for AY 2013-14 recorded 65,898 CAs filing at least one report, 18.87% exceeding forty-five. ICAI initially proceeded selectively against those with more than 200 audits; it reported 276 notices despite breaches by over ten thousand CAs. These are aggregate source figures, not findings of defective audit quality against each petitioner (paragraphs 3.12-3.30).

Source: [reported rendition / paragraphs 1-1.3; 2 / PDF pages 10, 11, 12 / judgment](#); [reported rendition / paragraphs 3.10-3.22 / PDF pages 17, 18, 19, 20, 21, 22, 23, 24, 25 / judgment](#); [reported rendition / paragraphs 3.23-3.31 / PDF pages 25, 26, 27, 28, 29, 30 / judgment](#); [reported rendition / paragraphs 9; 11 / PDF pages 60, 61 / judgment](#); [official signed judgment / paragraphs 3.20-3.31 / PDF pages 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39 / judgment](#); [reported rendition / paragraphs 7.6, guideline and amendment / PDF pages 50, 51, 52, 53 / judgment](#)

## 02 DISCUSSION BY THE HON'BLE COURT

The Court identified five questions covering competence, Articles 19(1)(g) and 14, professional misconduct and relief. It treated section 44AB's purpose as preventing tax leakage and improving tax administration through reliable audit reports; the compulsory-audit opportunity was a statutory privilege serving the public exchequer. Although practising a profession is a fundamental right, it remains subject to reasonable regulation in the public interest (paragraphs 6, 7.14 and 12-12.1).

On competence, section 15 places the Institute under the Council's control and gives it duties to carry out the Chartered Accountants Act. Section 22's deemed definition of professional or other misconduct is expansive, and the Schedules are neither exhaustive nor static. Clause 1 of Part II of the Second Schedule expressly encompasses breach of a Council guideline. Parliament could therefore leave the definition of further kinds of misconduct to this expert professional body rather than amend the Schedules every time. The Council had legal competence to impose this ceiling; the delegation was neither excessive nor ultra vires section 22 (paragraphs 13-13.3). The petitioners' reliance on the 2022 insertion of section 15(2)(fa), and their gazette/publication and laying objections under sections 30 and 30B, must be kept distinct from the actual competence reasoning: the Court did not announce a universal exemption from those procedures.

On reasonableness, the burden of establishing Article 19(6) justification lay on ICAI. The Court found adequate material in CBDT's concerns, CAG's report and the long professional deliberations to support a probable relationship between excessive assignments and reduced quality. It accepted preventive regulation against the reasonable possibility of compromised audits, rather than requiring proof that every excess assignment was defective. The public-interest inquiry extended beyond practitioners' earnings to reliable tax administration. The section 44AB opportunity was not an indispensable pre-existing element of professional practice; a quantitative cap could regulate it without extinguishing the profession (paragraphs 18-29).

The Court accepted that a quantitative test could serve a legitimate quality objective, rejected the claimed discrimination between metropolitan and mofussil practitioners or large and small clients, and held that possible loss of income did not by itself invalidate a reasonable restriction. It distinguished Institute of Chartered Financial Analysts of India, which concerned acquiring an additional qualification, and agreed with B.K. Kamath on the audit-quality and professional-regulation rationale. Section 224 of the Companies Act, 1956 supplied a historical analogy, not a new ruling on current company-audit limits. Paragraph 37 answered competence and the substantive Articles 19 and 14 challenges in ICAI's favour (paragraphs 30-37).

The Court nevertheless separated the guideline's validity from enforcement during legal uncertainty. The earlier notification had been invalidated by the Madras High Court, its operation stayed, and the Supreme Court proceedings later ended without a merits determination after supersession. Monitoring had initially been self-regulatory; following the

## 02 DISCUSSION BY THE HON'BLE COURT

CAG report, notices were still sent selectively to CAs exceeding 200 audits rather than to all who exceeded the cap. Applying the principle against doubtful penalisation in justice and equity for that limited period, the Court extended relief to petitioners, notice recipients who had not approached a court, and other similarly situated CAs. It quashed the disciplinary proceedings rather than declare that exceeding a valid ceiling could never be professional misconduct (paragraphs 38-45).

A restriction reasonable when introduced may become unreasonable with time. Since sixty had last been fixed a decade earlier, paragraph 46 directed the Council to consider whether an increase was appropriate and to identify relevant factors; paragraph 47 reserved the Institute's liberty to increase the number and practitioners' liberty to offer suggestions. The Court did not itself set a new number. Its concluding observations on professional integrity, independence, due care and confidentiality reinforce the public-duty rationale but do not enlarge the specific operative relief (paragraphs 46-49.6).

Source: [reported rendition / paragraphs 6: 7-7.14 / PDF pages 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60 / judgment](#); [reported rendition / paragraphs 12-13.3 / PDF pages 61, 62, 63, 64 / judgment](#); [official signed judgment / paragraphs 13-13.3 / PDF pages 89, 90, 91, 92, 93, 94, 95 / judgment](#); [reported rendition / paragraphs 14-29 / PDF pages 64, 65, 66, 67, 68, 69, 70, 71, 72, 73 / judgment](#); [reported rendition / paragraphs 30-37 / PDF pages 73, 74, 75, 76, 77, 78, 79, 80 / judgment](#); [reported rendition / paragraphs 38-45 / PDF pages 80, 81, 82, 83 / judgment](#); [reported rendition / paragraphs 46-49.6 / PDF pages 83, 84, 85, 86, 87 / judgment](#); [official signed judgment / paragraphs 45-47 / PDF pages 129, 130, 131 / judgment](#)

## 03 JUDICIAL DECISION

Paragraph 50(a) upheld clause 6.0 of Chapter VI of the 8 August 2008 Guidelines and its subsequent amendment as a reasonable restriction protected by Article 19(6), not violative of Article 19(1)(g). Paragraph 37 also rejected the substantive Article 14 challenge. Under paragraph 50(b), the clause and amendment were deemed not to be given effect to till 1 April 2024. That express date controls; it is not the judgment date, 17 May 2024.

Consequently, paragraph 50(c) quashed all proceedings initiated pursuant to the impugned guideline in respect of the writ petitioners and other similarly situated Chartered Accountants. Paragraphs 50(d)-(e) reserved ICAI's liberty to enhance the number of section 44AB audits if it deemed fit and members' liberty to make representations for consideration if an amendment was contemplated. All writ petitions and transferred cases were disposed of on these common terms; the Registry was to intimate the concerned High Courts. There was no order as to costs, no remand, no court-fixed increased cap and no adjudication of any taxpayer's assessment.

Source: [reported rendition / paragraphs 37; 45-47; 50\(a\)-\(h\) / PDF pages 80, 83, 84, 87 / judgment](#); [official signed judgment / paragraphs 50\(a\)-\(h\) / PDF pages 137, 138, 139 / judgment](#)

#### 04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Mixed: ICAI on regulatory competence and the ceiling's validity; petitioners and similarly situated Chartered Accountants on past enforcement relief

All 14 writ petitions and 61 transferred cases disposed of under paragraph 50(a)-(h); impugned clause and amendment upheld but not given effect before the stated 1 April 2024 boundary; proceedings within paragraph 50(c) quashed; no costs

The common competence and constitutional-validity questions were decided on merits. The disciplinary relief rested on legal uncertainty and selective enforcement, not a finding that every challenged audit was substantively compliant.

Relief concerns proceedings initiated pursuant to this impugned guideline and similarly situated CAs. It does not erase unrelated professional misconduct, invalidate section 44AB, excuse taxpayers from applicable audit duties, or certify any individual audit report. Later amendments and treatment remain unverified.

Source: [reported rendition / paragraphs 50\(a\)-\(h\) / PDF pages 87 / judgment](#); [official signed judgment / paragraphs 50\(a\)-\(h\) / PDF pages 137, 138, 139 / judgment](#)

#### 05 AKHB REVIEW POINT

For a professional-disciplinary file, separate four questions: the applicable guideline version, the financial year in which assignments were accepted, the nature of the alleged breach, and whether the proceeding falls within paragraph 50(c)'s relief. Preserve the notice, assignment register and the firm's partner structure. The reproduced guideline includes aggregation across firms and individual practice, counts each year's audit separately, treats head-office and branch audits of the same concern as specified, and excludes part-time practising partners when reckoning the firm's capacity. These are features of the historical text the Court examined; verify the operative version before using them in a live engagement.

Do not substitute the familiar sequence thirty, forty-five and sixty for a dated legal analysis. The judgment upholds the Council's power while fixing 1 April 2024 as the express non-operation boundary and quashing the proceedings it identifies. It does not itself increase sixty, validate all work previously performed, or grant general immunity from discipline. Also distinguish an auditor's assignment ceiling from the taxpayer's section 44AB turnover/receipts conditions. In particular, paragraph 7.14's shorthand reference to a Rs 10 crore business threshold must be read with the actual extract, which shows a Rs 1 crore base threshold and conditions for substitution by Rs 10 crore. Neither that extract nor this note is a current tax-audit checklist. Confirm subsequent ICAI measures, applicable statutory text and later judicial treatment before reliance; no automatic mapping to the Income-tax Act, 2025 is made.

Source: [reported rendition / paragraphs 3.20-3.22; 7.6; 7.14; 38-47; 50 / PDF pages 24, 25, 50, 51, 52, 53, 57, 58, 59, 60, 80, 81, 82, 83, 84, 87 / judgment](#)

## APPEAL AND PROCEEDING NUMBERS

Transferred Case (Civil) No. 29 of 2021 / Transferred Case (Civil) No. 27 of 2021 / Transferred Case (Civil) No. 28 of 2021 / Transferred Case (Civil) No. 30 of 2021 / Transferred Case (Civil) No. 31 of 2021 / Transferred Case (Civil) No. 32 of 2021 / Transferred Case (Civil) No. 33 of 2021 / Transferred Case (Civil) No. 34 of 2021 / Transferred Case (Civil) No. 35 of 2021 / Transferred Case (Civil) No. 36 of 2021 / Transferred Case (Civil) No. 37 of 2021 / Transferred Case (Civil) No. 38 of 2021 / Transferred Case (Civil) No. 39 of 2021 / Transferred Case (Civil) No. 32 of 2023 / Transferred Case (Civil) No. 33 of 2023 / Transferred Case (Civil) No. 34 of 2023 / Transferred Case (Civil) No. 35 of 2023 / Transferred Case (Civil) No. 36 of 2023 / Transferred Case (Civil) No. 37 of 2023 / Transferred Case (Civil) No. 38 of 2023 / Transferred Case (Civil) No. 39 of 2023 / Transferred Case (Civil) No. 47 of 2023 / Transferred Case (Civil) No. 48 of 2023 / Transferred Case (Civil) No. 49 of 2023 / Transferred Case (Civil) No. 50 of 2023 / Transferred Case (Civil) No. 51 of 2023 / Transferred Case (Civil) No. 52 of 2023 / Transferred Case (Civil) No. 53 of 2023 / Transferred Case (Civil) No. 54 of 2023 / Transferred Case (Civil) No. 55 of 2023 / Transferred Case (Civil) No. 56 of 2023 / Transferred Case (Civil) No. 57 of 2023 / Transferred Case (Civil) No. 58 of 2023 / Transferred Case (Civil) No. 59 of 2023 / Transferred Case (Civil) No. 60 of 2023 / Transferred Case (Civil) No. 61 of 2023 / Transferred Case (Civil) No. 62 of 2023 / Transferred Case (Civil) No. 63 of 2023 / Transferred Case (Civil) No. 64 of 2023 / Transferred Case (Civil) No. 66 of 2023 / Transferred Case (Civil) No. 67 of 2023 / Transferred Case (Civil) No. 68 of 2023 / Transferred Case (Civil) No. 69 of 2023 / Transferred Case (Civil) No. 70 of 2023 / Transferred Case (Civil) No. 71 of 2023 / Transferred Case (Civil) No. 72 of 2023 / Transferred Case (Civil) No. 73 of 2023 / Transferred Case (Civil) No. 74 of 2023 / Transferred Case (Civil) No. 75 of 2023 / Transferred Case (Civil) No. 76 of 2023 / Transferred Case (Civil) No. 77 of 2023 / Transferred Case (Civil) No. 78 of 2023 / Transferred Case (Civil) No. 79 of 2023 / Transferred Case (Civil) No. 81 of 2023 / Transferred Case (Civil) No. 82 of 2023 / Transferred Case (Civil) No. 83 of 2023 / Transferred Case (Civil) No. 84 of 2023 / Transferred Case (Civil) No. 85 of 2023 / Transferred Case (Civil) No. 86 of 2023 / Transferred Case (Civil) No. 87 of 2023 / Transferred Case (Civil) No. 88 of 2023 / Writ Petition (Civil) No. 267 of 2021 / Writ Petition (Civil) No. 272 of 2021 / Writ Petition (Civil) No. 371 of 2021 / Writ Petition (Civil) No. 581 of 2021 / Writ Petition (Civil) No. 670 of 2021 / Writ Petition (Civil) No. 1084 of 2021 / Writ Petition (Civil) No. 1200 of 2021 / Writ Petition (Civil) No. 1256 of 2021 / Writ Petition (Civil) No. 1291 of 2021 / Writ Petition (Civil) No. 1295 of 2021 / Writ Petition (Civil) No. 1360 of 2021 / Writ Petition (Civil) No. 32 of 2022 / Writ Petition (Civil) No. 186 of 2022 / Writ Petition (Civil) No. 833 of 2022

## ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

288(2) Explanation; 139; 142(2A); 44AD; 44AE; 44AF; 44ADA; 44BB; 44BBB; 44B; 44BBA

## JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B. V. Nagarathna, J.

## DISTINCT CASE GROUPS

1.

**Case type:** Transferred Case (Civil)

**Year:** 2021

**Numbers:** 27; 28; 29; 30; 31; 32; 33; 34; 35; 36; 37; 38; 39

**Count:** 13

**Disposition:** Disposed of on the common terms in paragraph 50(a)-(h); no separately differentiated operative relief for this group.

2.

**Case type:** Transferred Case (Civil)

**Year:** 2023

**Numbers:** 32; 33; 34; 35; 36; 37; 38; 39; 47; 48; 49; 50; 51; 52; 53; 54; 55; 56; 57; 58; 59; 60; 61; 62; 63; 64; 66; 67; 68; 69; 70; 71; 72; 73; 74; 75; 76; 77; 78; 79; 81; 82; 83; 84; 85; 86; 87; 88

**Count:** 48

**Disposition:** Disposed of on the common terms in paragraph 50(a)-(h); no separately differentiated operative relief for this group.

3.

**Case type:** Writ Petition (Civil)

**Year:** 2021

**Numbers:** 267; 272; 371; 581; 670; 1084; 1200; 1256; 1291; 1295; 1360

**Count:** 11

**Disposition:** Disposed of on the common terms in paragraph 50(a)-(h); no separately differentiated operative relief for this group.

4.

**Case type:** Writ Petition (Civil)

**Year:** 2022

**Numbers:** 32; 186; 833

**Count:** 3

**Disposition:** Disposed of on the common terms in paragraph 50(a)-(h); no separately differentiated operative relief for this group.

## ROLE OF EACH CITED PROVISION

1.

**Provision:** Income-tax Act, 1961, section 44AB

**Role:** Central statutory setting: compulsory tax-audit assignments whose number ICAI regulated. The case adjudicates the cap and related discipline, not a taxpayer's liability to compulsory audit or the validity of an individual tax-audit report.

2.

**Provision:** Chartered Accountants Act, 1949, sections 15 and 22; Second Schedule, Part II, clause 1

**Role:** Operative institutional authority and misconduct framework; paragraphs 13-13.3 sustain Council competence and reject excessive delegation.

3.

**Provision:** Chartered Accountants Act, 1949, section 15(2)(fa), inserted in 2022; sections 30 and 30B

**Role:** The petitioners argued lack of pre-2022 guideline power, gazette publication and parliamentary-laying defects. The Court upheld this guideline on the section 15/22 and Second Schedule analysis; the judgment does not supply a separate general holding dispensing with all section 30/30B procedures.

4.

**Provision:** Income-tax Act, 1961, sections 44AD, 44AE and 44AF

**Role:** Excluded-audit categories in the 2008 guideline as reproduced, and petitioners' comparison in paragraph 4.4. The reproduction is historical, not an independently verified 2026 exclusion list.

5.

**Provision:** Income-tax Act, 1961, section 288(2) Explanation, section 139 and rule 6G

**Role:** Background definition of accountant and reporting machinery. Section 142(2A) is statutory history; remaining contextual sections appear within the section 44AB extract, without separate merits determinations.

## OTHER LEGAL PROVISIONS

Chartered Accountants Act, 1949: sections 2, 3, 7, 9, 15, 21, 21A, 21B, 21C, 22, 28A, 30 and 30B; clause 1 of Part II of the Second Schedule; Chapter VI, clauses 6.0-6.1.6, Council Guidelines No. 1-CA(7)/02/2008 dated 8 August 2008, and the 2014 numerical amendment; Constitution of India: Articles 14, 19(1)(g), 19(6), 32 and 226; Income-tax Rules, 1962: rule 6G; Companies Act, 1956: section 224, as a historical regulatory analogy

## ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

## SOURCE & VERIFICATION

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

Identified source rendition: 87 PDF pages; SHA-256  
15cb82d3b0f417f4ed686db6053f0b8141ad3660395e263ecceb1b1ccdcca4f4. Original bytes preserved.

[Open cited source rendition](#)

This is one common professional-regulation judgment, not 75 independent assessment decisions. All 75 captioned matters are enumerated; no current civil appeal is added from the procedural history.

The official original has 139 physical pages; the reported rendition has 87. The reported table of contents expressly uses the original pagination and must not be used as its own PDF-page locator.

The lead transferred case arose from Kerala W.P. 25662/2016. The reported preface cites the 9 December 2020 transfer order; that is not the date of the merits judgment under review.

The earlier Madras litigation ended in Supreme Court Civil Appeals 7208-7209/2005 being dismissed as infructuous on 1 April 2013 without a merits ruling. It is not represented as an earlier Supreme Court merits approval or disapproval of the 2008 guideline.

The assignment ceiling is expressed in the quoted guideline by financial year. Paragraph 13.3 and portions of the headnote use assessment-year shorthand; the note does not substitute that shorthand for the guideline text.

The 2008 guideline as quoted states forty-five and includes section 44AF among historical exclusions. The later paragraph records the increase to sixty for FY 2014-15 onwards. Neither text is labelled a verified 2026 compliance rule.

Section 44AB summary in paragraph 7.14 and the headnote refers broadly to Rs 10 crore; the statutory extract actually shows the Rs 1 crore base and conditional Rs 10 crore substitution. The note avoids an unconditional-threshold claim.

CAG table on reported physical page 27 and official physical page 34 was visually checked. It is aggregate AY 2013-14 evidence, not individual findings against all petitioners; the 276 notices and around twelve thousand breaches arise in different narrative passages and are not silently reconciled.

Substantive validity under Article 14 was sustained in paragraph 37, while selective enforcement and uncertainty supported relief in paragraphs 38-45. These outcomes are kept separate.

Operative paragraph 50 was visually checked in both renditions. Its non-operation date is 1 April 2024, not 17 May 2024; its quashing covers the writ petitioners and other similarly situated CAs under the impugned guideline, not all categories of discipline.

Paragraph 46 directs consideration of enhancement and articulation of factors; paragraphs 47 and 50(d)-(e) reserve liberty. No fixed enhanced ceiling or mandatory outcome is supplied.

Gazette-publication, parliamentary-laying and 2022-amendment objections are accurately labelled as submissions. The note does not invent a separate ruling that all Council guidelines are exempt from sections 30 and 30B.

SCR and neutral citations appear on the reported cover; the neutral citation also appears on the official original cover.

This is a constitutional/professional-regulation batch, not an appeal fixing any assessee's income or tax for an assessment year. AY 2013-14 is expressly identified for the CAG tax-audit data and communications to some petitioners in paragraphs 3.25 and 3.28; it is not assigned as an individual assessment year to every one of the 75 matters. AY 1997-98 appears only in historical information-collection material. The operative guideline counts assignments in a financial year.

One common judgment covers 75 captioned matters: 61 transferred cases and 14 Article 32 writ petitions. The 2021 transferred-case group includes the lead T.C.(C) 29/2021. No Civil Appeal is captioned in this 2024 judgment. Historical Civil Appeals 7208-7209/2005 and the transfer petitions are procedural background, not additional matters disposed of on 17 May 2024.

## **STATUTORY SCOPE**

Historical statutory and guideline texts, successive limits and the 2024 disposition as examined in this judgment. No independent consolidated current-statute or current-ICAI-guideline audit.

No 2026 professional-compliance certification and no automatic mapping to the Income-tax Act, 2025.

## **LATER TREATMENT**

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

## **IDENTIFIED SOURCE LINKS**

[reported rendition - Physical PDF page 1 / SCR page 777 - PDF pages: 87](#)

SHA-256: 15cb82d3b0f417f4ed686db6053f0b8141ad3660395e263ecceb1b1ccdcca4f4

[official signed judgment - PDF pages: 139](#)

SHA-256: 373da064ca36f994e2148bc402e39a58e0344f44c547e3a88676df56c651bf7f

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