

HC: Quashes Sec.153A notice as bereft of any material; Allows issuance of fresh notice with base information

Oct 27, 2021

Underwater Services Company Limited [TS-996-HC-2021(BOM)]

Conclusion

Bombay HC allows Assessee's writ petition, sets aside notice issued u/s 153A for being bereft of any material and observes, "*Nothing prevented respondent from mentioning in the notice the basis for issuing the notice under Section 153A so that petitioner could comply with the same as prescribed.*"; Assessee-Company (Underwater Services Company Ltd.) challenged the notice issued u/s 153A on the basis that it was issued without jurisdiction and there is no incriminating material in possession of the Revenue to justify the issuance of the notice; HC accepts Revenue's submission that Section 153A is couched in mandatory language and once there is a search, there is no option but to call upon the assessee to file the returns of income for the earlier six assessment years and observes that although Section 153A does not require additions to be made strictly on the basis of evidence found in the course of the search, or other post-search material or information available with Revenue which can be related to the evidence found which does not mean that the assessment can be arbitrary or made without any relevance or nexus with the seized material; Relying on Gujarat HC ruling in [Om Shri Jigar Association](#), HC observes that the issuance of a show cause notice is the preliminary step which is required to be undertaken and its purpose is to enable the assessee to effectively deal with the case made out by the Revenue; Holds that the Revenue should certainly indicate in its notice what were the seized material under Section 132 or books of accounts or other documents or any assets requisitioned under Section 132A absent which the Assessee would file a return that was filed earlier which would anyway be available before the Revenue; Thus, quashes the impugned notice with a liberty to Revenue for issuing fresh notice and word it suitably so that the Assessee may have some information forming the basis for issuance of the notice.:HC BOM

Decision Summary

The ruling was delivered by the Division Bench of the Bombay High Court comprising Justice K.R. Shriram and Justice Amit B. Borkar.

Senior Advocate V. Sridharan and Advocates Ravi Sawana and B.V. Jhaveri appeared for the Assessee while the Revenue was represented by Advocates P.C. Chhotaray and P.A. Narayanan.

IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION

WRIT PETITION NO.2838 OF 2019

WITH

WRIT PETITION NO.2052 OF 2019

WITH

WRIT PETITION NO.2138 OF 2019

WITH

WRIT PETITION NO.2160 OF 2019

WITH

WRIT PETITION NO.2308 OF 2019

Underwater Services Company LimitedPetitioner

V/s.

Assistant Commissioner of Income Tax
Central Circle – 5 (3), Mumbai and Ors.Respondents

WITH

WRIT PETITION NO.3056 OF 2019

WITH

WRIT PETITION NO.3015 OF 2019

WITH

WRIT PETITION NO.3061 OF 2019

WITH

WRIT PETITION NO.3059 OF 2019

Samson Maritime LimitedPetitioner

V/s.

Assistant Commissioner of Income Tax
Central Circle – 5 (3), Mumbai and Ors.Respondents

Mr. V. Sridharan, Senior Advocate a/w. Mr. Ravi Sawana i/b. Mr. B.V. Jhaveri
for petitioner.

Mr. PC. Chhotaray a/w. Mr. PA. Narayanan for respondents – Revenue.

**CORAM : K.R. SHRIRAM &
AMIT B. BORKAR, JJ.
DATED : 21st OCTOBER 2021**

PC. :

WRIT PETITION NO.3015 OF 2019

1 Petitioner is impugning a notice dated 29th November 2018

issued under Section 153A (*Assessment in case of search or requisition*) of the Income Tax Act, 1961 (the said Act) on the ground that the notice has been issued without jurisdiction. According to petitioner, there is no incriminating material in possession of the assessing officer and any notice under Section 153A can be issued only on the basis of incriminating material discovered during the course of the search.

2 We have considered the notice dated 29th November 2018 which is impugned in this petition. The notice is very very brief and is bereft of any particulars. The same reads as under :

PAN	AY :	Dated :	Notice No.:
AAACS9177M	2012-13	29/11/2018	ITBA/AST/S/153 A/2018 – 2019/10 13898034(1)

Sir/Madam/M/s.,

In pursuance of provisions of section 153A of the Income Tax Act, 1961, you are hereby required to prepare true and correct return of your total income for the Assessment year 2012-13 in the prescribed form and manner as per Rule 12 of Income Tax Rules 1962 setting forth such other particulars as may be prescribed by the Income Tax Act, 1961.

The return for the said assessment year verified in accordance with the provisions of section 140 of the Income Tax Act, 1961 should be furnished within 30 days from the service of this notice.

3 According to Mr. Chhotaray, Section 153A is couched in mandatory language which implies that once there is a search, the assessing officer has no option but to call upon the assessee to file the returns of the income for the earlier six assessment years. According to Mr. Chhotaray, it is

not merely the undisclosed income that will be brought to tax in such assessments, but the total income of the assessee, including both the income earlier disclosed and income found consequent to the search, would be brought to tax. Mr. Chhotaray in support of this submission relied upon *Madugula Venu V/s. Director of Income Tax¹*, *Commissioner of Income Tax – II, Thane V/s. Continental Warehousing Corporation (Nhava Sheva) Ltd.²*, *Commissioner of Income Tax (Central) – III V/s. Kabul Chawla³* and *Commissioner of Income Tax V/s. Anil Kumar Bhatia⁴*.

4 We have no quarrel with the proposition submitted by Mr. Chhotaray. Section 153A is couched in mandatory language once there is a search, the assessing officer has no option but to call upon the assessee to file the returns of the income for the earlier six assessment years. Although Section 153A does not say that additions should be strictly made on the basis of evidence found in the course of the search, or other post-search material or information available with the assessing officer which can be related to the evidence found, it does not mean that the assessment can be arbitrary or made without any relevance or nexus with the seized material. Obviously an assessment has to be made under this Section 153A only on the basis of seized material.

1. (2013) 29 taxmann.com 200 (Delhi)

2. (2015) 58 taxmann.com 78 (Bombay)

3. (2015) 61 taxmann.com 412 (Delhi)

4. (2012) 24 taxmann.com 98 (Delhi)

5 Issuance of a show cause notice is the preliminary step which is required to be undertaken. The purpose of show cause notice is to enable a party to effectively deal with the case made out by respondent (*Om Shri Jigar Association vs Union Of India*⁵).

6 Because Section 153A provides that an assessment has to be made under the said Section only on the basis of seized material, the notice dated 29th November 2018, which is impugned in this petition, should have mentioned whether the seized material was under Section 132 or books of account, other documents or any assets are requisitioned under Section 132A. The notice is absolutely silent as could be seen from above. The notice says “you are required to prepare true and correct return of income” and “setting forth such other particulars”. Petitioner had filed their returns for the Assessment Year in question, which they thought was the true and correct return of income and that it contained all other particulars as prescribed. If respondent felt that was not enough and petitioner should file a fresh true and correct return of income because of the search, then respondent should certainly indicate in its notice what were the seized material under Section 132 or books of accounts or other documents or any assets requisitioned under Section 132A. Otherwise an assessee would file a copy of what it had filed earlier, which respondent anyways had in its file. Petitioner has also been seeking from respondent to make available copy of

5. 1994 SCC Online Guj. 77

the alleged incriminating material found/seized during the search based on which the notice has been issued. Mr. Chhotaray states that such material has been given later. We are not going into that aspect at this stage because what we find is that the notice issued under Section 153A is bereft of any material. Nothing prevented respondent from mentioning in the notice the basis for issuing the notice under Section 153A so that petitioner could comply with the same as prescribed.

7 In the circumstances, the notice dated 29th November 2018 impugned in this petition is quashed and set aside. We do not make any observation on the merits of the case. Respondent may issue fresh notice under Section 153A and word it suitably, as advised so that petitioner may have some information reading that notice the basis on which such notice has been issued. All rights and contentions of the parties are kept open.

8 Petition disposed.

9 Mr. Chhotaray states that since the Court has set aside the notice issued under Section 153A, a fresh notice as per the observation made by this Court, will be issued within four weeks from today. Noted.

10 In view of the above order, the following petitions are also disposed with the same observations and liberty as noted above :

WRIT PETITION NO.2838 OF 2019
WITH
WRIT PETITION NO.2052 OF 2019
WITH

Gauri Gaekwad

WRIT PETITION NO.2138 OF 2019
WITH
WRIT PETITION NO.2160 OF 2019
WITH
WRIT PETITION NO.3056 OF 2019
WITH
WRIT PETITION NO.3061 OF 2019
WITH
WRIT PETITION NO.3059 OF 2019

WRIT PETITION NO.2308 OF 2019

11 Mr. Sridharan states that due to inadvertence certain averments/prayers have been missed out in this petition and petitioner will take out an application for leave to amend the petition within two weeks from today.

12 Application to be filed and copy served within two weeks from today. Reply, if any, to be filed and copy served within two weeks thereafter.

13 This petition to be listed for directions on 30th November 2021.

(AMIT B. BORKAR, J.)

(K.R. SHRIRAM, J.)