



Global Business Tax Alert

Sharp Insights

The Supreme Court, in the case of Jeans Knit Private Limited v. DCIT (Civil Appeal No. 11189/2016) and other cases has held that writ petitions filed before the High Courts ('HC') challenging the re-assessment notices issued under section 148 of the Income-tax Act, 1961 ('ITA') are valid. The Supreme Court also directed the respective HCs to decide the writ petitions on merits.

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Background

- The High Courts in over 40 cases, had dismissed the writ petitions filed by the taxpayers challenging the re-assessment notices issued under section 148 of the ITA and the reasons which were recorded by the Assessing Officer for reopening the assessment as not maintainable.
- While dismissing the writ petitions, the High Courts had referred to the Supreme Court decision in the case of CIT v. Chhabil Dass Agarwal (357 ITR 357).
- The Supreme Court, in decision of Chhabil Dass Agarwal (supra) had held that the provisions regarding filing of writ petitions cannot be invoked against an assessment order when adequate remedy is available to the taxpayer under the ITA by way of filing an appeal before the Commissioner of Income-tax (Appeals).

Ruling of the Supreme Court

- The Supreme Court has held that the principle laid down in the decision of Chhabil Dass Agarwal (supra) does not apply to the cases which are subject matter of the appeals before it.
- The Supreme Court observed that decisions taken by the High Courts in dismissing the writ petitions as not maintainable is contrary to the decision of the Supreme Court in the case of Calcutta Discount Limited Company v. ITO (41 ITR 191).
- Accordingly, following the decision in the case of Calcutta Discount Limited Company (supra), the Supreme Court has set aside the High Court orders and remitted the cases to the respective High Courts for deciding the writ petitions on merits. The Supreme Court also stated that each case shall be examined on its merits keeping in view the scope of judicial review while entertaining such matters, as laid down by this Court in various judgements.
- The Supreme Court has further granted stay against re-assessment proceedings till the disposal of the writ petitions by the High Courts.

Conclusion

The Supreme Court's ruling is a land-mark decision in upholding the validity of writ petition filed before the High Court against the re-assessment notice issued under section 148 of the ITA when various High Courts are dismissing the writ petitions on the basis that remedy available under the ITA has to be exhausted before invoking jurisdiction under Article 226 of the Constitution of India.

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Contacts

Ahmedabad

19th Floor, Shapath - V
SG Highway,
Ahmedabad – 380 015.
Tel: + 91 (079) 6682 7300
Fax: + 91 (079) 6682 7400

Coimbatore

Shanmugha Manram
41, Race Course,
Coimbatore
Tamil Nadu - 641018
Tel: + 91 (0422) 439 2801
Fax: +91 (0422) 222 3615

Kolkata

Bengal Intelligent Park Building
Alpha, 1st floor, Block EP and GP
Sector V, Salt Lake Electronics
Complex,
Kolkata - 700 091.
Tel : + 91 (033) 6612 1000
Fax : + 91 (033) 6612 1001

Bangalore

Deloitte Centre, Anchorage II,
100/2, Richmond Road,
Bangalore 560 025.
Tel: +91 (080) 6627 6000
Fax: +91 (080) 6627 6010

Delhi/Gurgaon

Building 10,
Tower B, 7th Floor,
DLF Cyber City,
Gurgaon 122 002
Tel : +91 (0124) 679 2000
Fax : + 91 (0124) 679 2012

Mumbai

Indiabulls Finance Centre,
Tower 3, 28th Floor,
Elphinstone Mill Compound,
Senapati Bapat Marg, Elphinstone
(W),
Mumbai – 400013
Tel: + 91 (022) 6185 4000
Fax: + 91 (022) 6185 4101

Chennai

No.52, Venkatanarayana Road,
7th Floor, ASV N Ramana Tower,
T-Nagar,
Chennai 600 017.
Tel: +91 (044) 6688 5000
Fax: +91 (044) 6688 5050

Hyderabad

1-8-384 and 385, 3rd Floor,
Gowra Grand S.P.Road,
Begumpet,
Secunderabad – 500 003.
Tel: +91 (040) 6603 2600
Fax: +91 (040) 6603 2714

Pune

106, B-Wing, 7th Floor,
ICC Trade Tower,
Senapati Bapat Road,
Pune – 411 016.
Tel: + 91 (020) 6624 4600
Fax: +91 (020) 6624 4605



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