

आयकर अपीलिय अधिकरण, 'ए' न्यायपीठ, चेन्नई
**IN THE INCOME TAX APPELLATE TRIBUNAL
'A' BENCH, CHENNAI**

श्री एस एस विश्वनेत्र रवि, न्यायिक सदस्य एवं श्री एस. आर. रघुनाथा, लेखा सदस्य के समक्ष
**BEFORE SHRI S.S. VISWANETHRA RAVI, JUDICIAL MEMBER AND
SHRI S. R. RAGHUNATHA, ACCOUNTANT MEMBER**

आयकर अपील सं./ITA Nos.: 563 to 567/Chny/2023
निर्धारण वर्ष / Assessment Years: 2008-09 to 2012-13

Smt. Prema Devi, L/R. of Late. Shri. Dharmichand Jain, No.37, Arumuga Achari Street, Triplicane, Chennai – 600 005.	vs.	The Deputy Commissioner of Income Tax, Central Circle 2(1), Chennai – 600 034.
[PAN:AVSPP-5090-L] (अपीलार्थी/Appellant)		(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/Appellant by : Shri. D. Anand, Advocate
प्रत्यर्थी की ओर से/Respondent by : Ms. E. Pavuna Sundari, C.I.T.

सुनवाई की तारीख/Date of Hearing : 05.05.2025
घोषणा की तारीख/Date of Pronouncement : 27.06.2025

आदेश /ORDER

PER S. R. RAGHUNATHA, AM:

These five appeals filed by the assessee are directed against the common order passed by the learned Commissioner of Income Tax (Appeals)-19, Chennai, dated 14.02.2023 and pertains to assessment years 2008-09 to 2012-13. Since, facts are identical and issues are common, for the sake of convenience, the appeals filed by the assessee are being heard together and disposed off, by this consolidated order.

2. The assessee has raised the following common grounds of appeal:
1. *The order of the learned Commissioner of Income Tax (Appeals)-19, is wrong, illegal and is opposed to law.*
 2. *The Ld. Commissioner of Income Tax (Appeals)-19 erred in upholding the order of assessment which is based only on suspicion and surmise and not on the basis of any material evidence.*
 3. *The learned CIT(A) ought to have seen that the assessment order is hopelessly barred by limitation.*
 4. *The Ld. Commissioner of Income Tax ought to have seen that apart from the Diary which was seized from the premises of the appellants son there is no other documentary evidence such as pronotes, books of account or mortgage document were seized which could lead to a conclusion that the appellant was engaged in money lending activity. The Ld. Commissioner failed to see that due to frail health which ultimately leads to the appellant's death, the appellant was not actively engaged in any business more so the alleged money lending activity.*
 5. *The learned CIT(A) ought to have seen that the addition cannot be made purely on the basis of statement which was ultimately retracted. The learned CIT(A) ought to have seen that proceedings under section 153C can be initiated only after objective satisfaction is reached by the assessing officer of the searched person and connected person on the basis of seized material. In the instant case since the diary is the only seized material no objective satisfaction could be reached by the AO which would vest jurisdiction to invoke 153C proceedings.*
 6. *The learned CIT(A) ought to have seen that an authority granting approval for proceedings under section 153C under section 153D ought to have applied his mind and ought not to have granted approval in mechanical manner. In the instant case there is no such objective application of mind and therefore the said assessment is invalid and bad in Law.*
 7. *The learned CIT(A) erred in confirming the addition of Rs.2,08,27,225/- made by the assessing officer under the head unexplained investment in money lending activity. The said addition is made only on the basis of jottings made in the Diary and is merely based on suspicion and surmise lacking any evidentiary value. The learned CIT(A) failed to see that it is a settled law (Common Cause and Jian Diary case) that addition cannot be made merely based on entries made in the diary in the absence of any corroborative material to support such entries.*
 8. *The learned CIT(A) ought to have seen that assuming without conceding that the seized diary is to be taken as incriminating material the learned AO assessing officer ought to have taken only amounts that indicate to have lent money as unexplained investment.*

9. *The learned CIT(A) failed to see that the appellant does not have resources to lend such huge amounts alleged to have been lent by the appellant. No enquires with the alleged borrowers have been made to confirm the leading activity neither any asset has been seized which would vindicate the stand of the department that the appellant is capable of carrying on such high scale money lending activity.*
10. *The learned CIT (A) failed to see that any money lending activity would be supported by either promissory note or mortgage deed and that no prudent money lender which advance such huge monies without security. The learned CIT(A) ought to have seen that no such incriminating material is seized which can lead to a conclusion that the appellant in carrying on money lending activity.*
11. *The learned CIT(A) erred in confirming an addition of Rs.20,73,052/- as interest income from money lending activity by assuming that the appellant must have lent money @ 24%. The learned CIT(A) failed to see that the very money lending activity itself has no basis and therefore the consequential alleged interest income has no basis.*
12. *The learned CIT(A) erred in confirming the addition of Rs.6,44,841/- and Rs.6,536/- being the debtors realization as unexplained credit in appellants bank account.*
13. *The learned CIT(A) ought to have seen that the assessing officer erred in not computed interest as per the provisions of section 243(B).*

For these and other grounds that may be rendered at the time of hearing it is most humbly prayed that the Hon'ble Tribunal may be pleased to allow the appellants appeal and thus render justice.

3. The brief facts of the case are that the assessee is assessed to income tax in the status of an individual. The assessee was engaged in the business of selling lottery tickets in Chennai and had been a regular assessee under the Income Tax Act for several years. Upon the prohibition of lottery sales by the State of Tamil Nadu in the year 2008, the assessee ceased his business operations, primarily due to deteriorating health. His health progressively declined from 2008 onward, and after prolonged illness, he passed away on 28.06.2011. For income tax purposes, his wife, Smt.Prema Devi, is recognized as his legal heir.

4. The assessee had two sons, namely Shri Shanthilal (also known as Ramesh) and Shri Dilip. During the lifetime of the assessee, Shri Shanthilal had established

his own independent business and had moved away from the assessee to pursue his business interests. As a result, the assessee was primarily assisted in his personal and business affairs by his second son, Shri Dilip.

5. However, due to certain personal differences and friction with his parents, Shri Dilip eventually left the family residence. After the demise of the assessee viz: Late Shri Dharmichand Jain, on 28.06.2011, his wife, Smt.Prema Devi, continued to reside alone on the first floor of the residential premises. Smt.Prema Devi, who now represents the assessee's estate as his legal heir, is an illiterate individual with no knowledge or involvement in her late husband's business affairs. It is a customary practice within their community that men do not involve women in financial or business matters. Smt.Prema Devi speaks only her native Rajasthani language and has no understanding of English.

6. On 22.05.2012, a search and seizure operation u/s.132 of the Act, was conducted at the business premises of Shri Shanthilal. In the course of this operation, the officials also visited the residential premises on the first floor, where Smt.Prema Devi was residing. During the search, a diary was seized from her residence. The said diary bore the printed title "Numeric" pertaining to the calendar year 2007 and is alleged by the department to contain records of money-lending transactions pertaining to the late Shri Dharmichand Jain. The said document was seized vide reference ANN/DR/B&D/S.

7. A satisfaction note was thereafter recorded on 23.09.2014. The copy of satisfaction note for AY's: 2008-09 to 2012-13 was provided to the assessee at the time of hearing before us. Consequent to recording of satisfaction notice, as per provision of section 159 r.w.s.2(29) of the Act notice u/s.153C was issued to

Mrs.Prema Devi L/R of the assessee late Sri Dharmichand Jain for various assessment years beginning from AY:2007-08 to 2012-13.

8. In response to the aforesaid notice, Late Smt.Prema Devi submitted a reply, requesting that the original return of income filed earlier u/s.139(1) of the Act be treated as the return of income furnished in compliance with the notice issued u/s.153C of the Act. Pursuant thereto, the assessment proceedings were initiated, and assessments were completed u/s.143(3) r.w.s. 153C of the Act vide order dated 31.03.2015 for the Assessment Years 2008-09 to 2012-13, making the following additions:

Details of addition	AY: 2008-09 in Rs.	AY: 2009-10 in Rs.	AY: 2010-11 in Rs.	AY: 2011-12 in Rs.	AY: 2012-13 in Rs.
<i>Unexplained investment in money lending</i>	2,08,27,225	1,67,81,164	3,05,74,269	18,10,000	
<i>Interest income estimated on above</i>	20,73,052	25,47,712	48,83,545	2,94,085	17,53,469
<i>Undisclosed interest from investment in 2008-09</i>		31,54,509	31,54,509	31,54,509	
<i>Undisclosed interest from investment in 2009-10</i>			19,65,220	19,65,220	
<i>Undisclosed interest from investment in 2010-11</i>				16,45,330	
<i>Unexplained investment in pawn loan</i>			1,08,07,000	70,28,600	
<i>Undisclosed interest on pawn loan</i>			8,46,139	8,78,903	
<i>Undisclosed interest on pawn loan</i>				25,93,680	10,70,136

9. The assessee preferred an appeal against the assessment order before the learned Commissioner of Income-tax (Appeals)-19 [CIT(A)], challenging the same on grounds of both jurisdiction and merits. The Id. CIT(A), vide order dated 14.02.2023, dismissed the appeal on both counts. Being aggrieved by the order passed by the first appellate authority, the assessee has filed a further appeal before the us, reiterating the grounds pertaining to jurisdiction as well as the merits of the case.

Arguments of the assessee on Jurisdiction:

10. The Id.AR for the assessee raised several jurisdictional grounds, including the bar of limitation in respect of the assessment year 2008-09, procedural lapses arising from non-application of mind while according sanction u/s.153D of the Act, absence of incriminating material to support the assessment u/s.153C of the Act, lack of jurisdiction to pass the assessment order under the said provision, and failure to properly record satisfaction as mandated u/s.153C of the Act. In addition to the jurisdictional objections, the assessee also challenged the additions made in the assessment on merits.

AY:2008-09

11. The Id.AR submitted that the assessment framed for Assessment Year (AY) 2008-09 u/s.153C of the Act is barred by limitation and therefore without jurisdiction, in as much as it was passed beyond the statutorily prescribed time limit of six years from the end of the financial year in which the satisfaction note was recorded.

12. It is undisputed that the satisfaction note in the present case was recorded on 23.09.2014, which falls in Financial Year (FY) 2014-15, corresponding to Assessment Year (AY) 2015-16. In terms of the legal framework prevailing at the relevant time, the AO was authorized to assess or reassess income u/s.153C of the Act only for the six assessment years immediately preceding the year of such recording of satisfaction. Accordingly, the permissible block of years would be AY 2009-10 to AY 2014-15.

13. The Id.AR submitted that the impugned assessment pertains to AY 2008-09, which is clearly outside this six-year window. Hence, the said assessment is barred by limitation and not sustainable in law.

14. To appreciate the jurisdictional limitation, it is necessary to refer to the unamended Section 153C, as it stood prior to its substitution by the Finance Act, 2017. The provision is reproduced below:

“Section 153C. Assessment of income of any other person (Pre-2017 version)

Notwithstanding anything contained in section 139, section 147, section 148, section 149, section 151 and section 153, where the Assessing Officer is satisfied that,—

*(a) any money, bullion, jewellery or other valuable article or thing, or
(b) any books of account or documents,*

seized or requisitioned belongs to or pertains to, or any information contained therein relates to, a person other than the person referred to in section 153A, then, the books of account or documents or assets, seized or requisitioned shall be handed over to the Assessing Officer having jurisdiction over such other person and that Assessing Officer shall proceed against each such other person and issue such other person notice and assess or reassess income of such other person in accordance with the provisions of section 153A:

Provided that no notice shall be issued under this section unless ---

*(i) the Assessing Officer has recorded his satisfaction that the books of account or documents or assets seized or requisitioned belong to such other person;
and*

(ii) the books of account or documents or assets seized or requisitioned have been handed over to the Assessing Officer having jurisdiction over such other person.

This statutory framework clearly mandates that the satisfaction note recorded by the Assessing Officer of the person searched (or the AO of the "other person", as the case may be) is the triggering event, and the six-year time window under Section 153A becomes operative only from that point onward.”

15. The Id.AR further submitted that in the landmark case CIT v. Calcutta Knitweaves [(2014) 362 ITR 673 (SC)], the Hon’ble Supreme Court authoritatively held that the recording of satisfaction is a jurisdictional prerequisite u/s.153C of the Act, and that the relevant date for reckoning limitation is the date on which such satisfaction is recorded:

“The AO must be satisfied that the seized material pertains to such other person... The period of six years has to be reckoned backward from the assessment year in which such satisfaction is recorded.”

16. This decision affirms that the limitation period u/s.153C of the Act must be computed with reference to the date of recording satisfaction, and not with reference to the date of search or any other date.

17. Further the Hon'ble Supreme Court, in a recent and binding pronouncement in the case of CIT Vs Jasjit Singh 458 ITR 437(SC), reaffirmed the law laid down in Calcutta Knitweaves and squarely held that any assessment made u/s.153C beyond the six-year period from the date of the satisfaction note is illegal and without jurisdiction. The Court observed:

“The trigger point for invoking Section 153C is the satisfaction note. The six-year period has to be reckoned backward from the year in which the satisfaction is recorded. Any assessment made for a year falling outside such period would be beyond the scope of Section 153C and therefore illegal.”

18. In view of this unequivocal interpretation by the Hon'ble Supreme Court, the Id.AR submitted that the impugned assessment AY 2008-09 being beyond the six-year block counted from AY 2015-16 is patently time-barred and that the assessment for AY:2008-09 is therefore, barred by limitation and void ab initio and deserves to be quashed on this ground alone.

Common Submission for AY:2009-10 to 2012-13 on Jurisdiction issue:

19. The Id.AR further submitted that other jurisdiction issue which effects the assessment passed for the AY: 2008-09 to 2012-13 is lack of proper recording of satisfaction.

20. The Id.AR submitted that it is a settled proposition of law that if the jurisdictional foundation is lacking, the entire assessment collapses. As held by the Hon'ble Supreme Court in Calcutta Knitweaves (para 41 and 44 of the order) and

reaffirmed in *Jasjit Singh* (458 ITR 437), the absence of valid satisfaction strikes at the root of the jurisdiction u/s.153C of the Act. Consequently, any order passed in such a scenario is non-est, void ab initio, and liable to be quashed.

1. Section 153C of the Act (as applicable at the time of search in 2012), provides for initiation of assessment proceedings against a person other than the person searched if and only if the following jurisdictional conditions are met:
 - a. Books of account or documents or assets must be seized during a search u/s.132 or requisition u/s.132A of the Act.
 - b. Such seized material must belong to the other person.
 - c. The AO of the searched person must record a satisfaction that such material belongs to the other person before handing it over to the AO of that other person.
 - d. The seized document must be incriminating in nature, leading to the discovery of undisclosed income in the hands of the other person.

21. The Hon'ble Supreme Court in *CIT v. Calcutta Knitwears* (2014) 362 ITR 673 (SC) and *PCIT v. Sarwar Agency Pvt. Ltd.* (2021) 432 ITR 54 (SC) has held that the recording of satisfaction is a jurisdictional requirement and must be clear, specific, and refer to seized material that belongs to and is incriminating against the other person.

22. The Id.AR further stated that the jurisdiction u/s.153C of the Act being in the nature of deeming fiction, must be strictly construed. The legislature requires a high threshold of satisfaction for the following reasons:

- a. To protect third parties from arbitrary assessments based on mere suspicion;
- b. To ensure that seized material has clear nexus with alleged undisclosed income of such person;
- c. To prevent roving and fishing inquiries in the guise of proceedings u/s.153C.

Thus, the burden lies entirely on the Revenue to establish that:

- a. The seized material belongs to or relates to the assessee;
- b. It is incriminating in nature; and
- c. A satisfaction note, in writing, has been duly recorded with reference to the said material.

23. The Id.AR argued that in the above background following on the jurisdiction issue on lack of proper recording of satisfaction:

- a) Recording of satisfaction is an indispensable jurisdictional condition for invoking Section 153C;
- b) Such satisfaction must be based on incriminating material that clearly belongs to or relates to the other person;
- c) The satisfaction must be in writing, and form part of the assessment record;
- d) Absence or inadequacy of such satisfaction vitiates the entire proceedings u/s.153C.

24. The Hon'ble Courts have been categorical in holding that non-compliance with this requirement strikes at the root of jurisdiction, and assessments made without it are liable to be annulled.

25. Section 153C of the Act provides for assessment of income of a person other than the person searched where certain seized or requisitioned material belonging to or relating to such other person is found during the course of a search u/s.132 or a requisition u/s.132A of the Act. However, the invocation of Section 153C is not automatic. It is a jurisdictional provision, and its valid invocation is subject to strict conditions precedent, which have been repeatedly emphasized by the Hon'ble Supreme Court and various High Courts. The relevant portion of Section 153C (post-amendment by Finance Act, 2015, with effect from 01.06.2015) reads as below:

"Notwithstanding anything contained in section 139, section 147, section 148, section 149, section 151 and section 153, where the Assessing Officer is satisfied that,—

(a) any money, bullion, jewellery or other valuable article or thing, seized or requisitioned, belongs to; or

(b) any books of account or documents, seized or requisitioned, pertains or pertain to, or any information contained therein, relates to, a person other than the person referred to in section 153A, then, the books of account or documents or assets seized or requisitioned shall be handed over to the Assessing Officer having jurisdiction over such other person..."

26. This provision requires the AO of the searched person to be "satisfied" that the seized material belongs to or pertains to or relates to the other person and further, that such material is incriminating in nature leading to the conclusion of undisclosed income.

27. The Id.AR submitted that the Hon'ble Supreme Court in the case of CIT v. Sinhgad Technical Education Society [(2017) 397 ITR 344 (SC)] held that incriminating material must pertain to the assessment years for which proceedings are initiated, and such material should relate to the other person. In the case of Pepsi Foods Pvt. Ltd. v. ACIT [(2014) 367 ITR 112 (Delhi HC)] the Delhi High Court held that unless the seized documents "belong to" the other person and are incriminating in nature, mere mention of the other person's name or loose references

do not justify invoking Section 153C. The satisfaction note must expressly indicate this and in the case of RRJ Securities Ltd. v. CIT [(2016) 380 ITR 612 (Delhi HC)] the Hon'ble Delhi High Court reiterated that satisfaction cannot be vague or mechanical, and must be substantiated with reference to specific material showing that it belongs to the other person and reveals undisclosed income.

28. The Id.AR further submitted that Section 153C of the Act as it stood during the relevant assessment years, envisages a two-step process for valid assumption of jurisdiction, wherein the recording of satisfaction is required both by:

- a. The AO of the person searched (hereinafter "the searched person"), and
- b. The AO of the 'other person', i.e., the person in whose hands proceedings u/s.153C are proposed (hereinafter "the other person").

29. The failure to record such satisfaction in either or both capacities vitiates the assumption of jurisdiction u/s.153C and renders the consequential assessment orders void ab initio. Thus, the statutory mandate is unambiguous. Before initiating proceedings u/s.153C, the AO must:

- a. Record satisfaction that the seized material belongs to or pertains to the "other person"; and
- b. Hand over such material to the jurisdictional AO of the "other person", who must independently apply his mind and record his own satisfaction.

In support of the above submission the Id.AR relies on the decision of the Hon'ble Apex court in the case of Super Malls (P.) Ltd. v. PCIT [(2020) 423 ITR 281.

30. In the present case, for the assessment years AY 2008-09 to AY 2012-13, there is a complete absence of proper and independent satisfaction as required u/s.153C of the Act. In particular:

- a. There is no contemporaneous recording of satisfaction by the AO of the person searched linking the seized material to the assessee.
- b. There is no recording of satisfaction by the AO of the assessee (the "other person"), independently examining and determining that the seized material belongs to or pertains to the assessee.
- c. The assessment orders are silent on the nature of seized documents or materials and do not demonstrate any live nexus between the seized material and the alleged undisclosed income of the assessee.
- d. The same satisfaction note appears to have been used in a mechanical and templated manner for multiple years, which is contrary to the principles laid down by the Supreme Court.

Thus, the jurisdictional trigger for initiating assessment u/s.153C is wholly absent in the impugned case.

31. The Id.AR submitted that a cursory reading of the satisfaction note would reveal the following:

- a. The note merely records a statement made by third parties (Shanthilal and Prema Devi) that the seized diary belongs to Mr.Dharmichand jain (deceased).
- b. It does not establish, with reference to the contents of the document, that the diary in fact belonged to the deceased.
- c. As held in Pepsi Foods (2014) 367 ITR 112 (Del) and Singhad Technical Education Society (2017) 397 ITR 344 (SC), mere reference to a name is insufficient; the AO must determine from the contents that the seized document actually belonged to the other person.
- d. The satisfaction note is completely silent on whether the diary contains any incriminating entries.
- e. There is no mention of how the contents of the diary lead to the discovery of undisclosed income in the hands of Late Shri Dharmi Chand or his legal heir.

- f. The jurisdiction u/s.153C cannot be invoked in the absence of incriminating material. (Refer: RRJ Securities v. CIT (2016) 380 ITR 612 (Del))
- g. The satisfaction note is based solely on post-search correspondence and statements, not on independent analysis of the seized material. There is no evidence that the AO examined the diary to verify that it belonged to and incriminated the other person. This fails the standard of “objective satisfaction based on material” required under Calcutta Knitwears (SC).

32. Further, the Id.AR contended that a plain reading of the so-called satisfaction note reveals that it does not constitute a satisfaction note in the manner contemplated u/s.153C of the Act. Instead, it merely records a procedural observation regarding the substitution of the legal representative of the deceased assessee and cannot be construed as a valid or reasoned satisfaction for the purpose of initiating proceedings u/s.153C of the Act.

33. Hence, the Id.AR submitted that the assessments framed for AYs 2008-09 to 2012-13 u/s.153C of the Act are vitiated in law and are without jurisdiction, owing to the lack of proper and valid recording of satisfaction as mandated under the statutory scheme.

34. Per contra the Id.DR for the revenue supported the orders of the AO and that of the Id.CIT(A) and prayed for confirming the same by dismissing the appeals of the assessee both on legal grounds as well as on merits.

35. We have heard the rival contentions perused the material available on record and gone through the orders of the lower authorities along with the case laws relied on. Admittedly the assessee Shri Dharmichand Jain died on 28.06.2011, which is prior to the date of search on 22.05.2012 u/s.132 of the Act, which was conducted at

the business premises of Shri Shanthilal, son of Shri Dharmichand Jain. Smt.Prema Devi, w/o. Shri Dharmichand Jain continued to reside alone on the first floor of the residential premises. In the course of this search operation, the officials also visited the residential premises on the first floor, where Smt.Prema Devi was residing and a diary was seized from her residence with a printed title "Numeric" pertaining to the calendar year 2007 and is alleged by the department to contain records of money-lending transactions pertaining to the late Shri Dharmichand Jain. The said document was seized vide reference ANN/DR/B&D/S.

36. We note that the AO of the searched person recorded the satisfaction on 23.09.2014 and issued notice to the assessee to file the return of income for the A.Y. 2007-08 to 2013-14.

37. The first objection raised by the assessee in the grounds of appeal in respect of jurisdiction of the AO in initiating proceedings u/s.153C of the Act for the A.Y. 2008-09, in light of second proviso to section 153A(1) of the Act, and proviso to section 153C(1) of the Act.

38. As per second proviso to section 153A(1) of the Act, assessment or reassessment, if any, relating to any assessment year falling within the period of six assessment years and for the relevant assessment year or years pending on the date of initiation of the search u/s.132 of the Act or making of requisition u/s.132A of the Act, as the case may be shall abate. In other words, stipulated six assessment years from the date of search, if pending as on the date of search conducted u/s.132 of the Act shall abate, and the AO shall have power to assess or reassess the total income.

39. The provisions of section 153C of the Act deals with, assessment of any other person on the basis of search conducted u/s.132 of the Act. In the present case, during the course of search, books of accounts and other documents relates to any other person was found which has information relating to any other person and has bearing on their total income. The AO of the searched person after recording satisfaction as required u/s.153C of the Act, shall hand over books of accounts or other documents seized during the course of search to the AO of any other person. The proviso provided to section 153C(1) of the Act deals with, date of reference of search u/s.132 of the Act, or requisition u/s.132A of the Act and as per said proviso, in case of such other person, reference to the date of initiation of search for the purpose of second proviso to section 153A(1) of the Act, shall be construed as reference to the date of receiving the books of accounts or assets seized or requisitioned by the AO having jurisdiction over such other person. From a combined reading of section 153A of the Act and second proviso coupled with provisions of section 153C(1) and proviso provided therein, it is undoubtedly clear that, in a case where search is conducted u/s.132 of the Act, any incriminating material found relates to any other person and has a bearing on total income of such other person, then the AO of the searched person should record satisfaction as required u/s.153C of the Act and hand over books of accounts and other documents to the AO having jurisdiction over any other person. In other words, the AO of the searched person should satisfy that documents found during the course of search u/s.132 of the Act, is having information and has bearing on total income of any other person, and hand over books of accounts and documents to the AO of any other person. Unless, the AO records satisfaction having regard to material found during the course of search, he cannot hand over books of accounts or other

documents to the AO of any other person. Thereafter, AO of the other person should record satisfaction u/s.153C of the Act for initiation of proceedings u/s.153C of the Act, having regard to books of accounts and other documents received from the Assessing Officer of the searched person before issuing notice u/s.153C of the Act. In the present case, the AO of the searched person and any other person is one and the same and has recorded satisfaction note for proceeding u/s.153C of the Act on 23.09.2014 with reference to books of accounts seized during the course of search proceedings, in the case of Mr.Shanthilal and satisfied that the documents and books of accounts seized during the course of search proceedings in the case of Mr.Shanthilal has information relating to the assessee and has bearing on its total income. From the satisfaction note recorded by the AO of the searched person and any other person, it is undoubtedly clear that he has handed over books of accounts and other documents to the AO having jurisdiction over the assessee on 23.09.2014, which is evident from satisfaction note recorded by the AO u/s.153C of the Act. If you consider the date of receiving books of accounts or documents as the date of satisfaction note recorded by the Assessing Officer of the searched person and the assessee on 23.09.2014, then the subject assessment year falls beyond the stipulated six assessment years, because the date of satisfaction note recorded by the Assessing Officer falls for assessment year 2015-16. Since, the notice issued by the Assessing Officer for the impugned assessment year falls beyond the stipulated six assessment years, considering the satisfaction note recorded on 23.09.2014, in our considered view the notice issued by the AO u/s.153C of the Act, for initiation of proceeding against the assessee for the A.Y. 2008-09 and consequent assessment order passed u/s.143(3) r.w.s.153C, dated 31.03.2015 is barred by limitation, void ab initio and liable to be quashed.

40. The Ld. AR relied on the decision of Hon'ble Supreme Court in the case CIT v. Calcutta Knitwears [(2014) 362 ITR 673 (SC)], wherein the Hon'ble Supreme Court held that the recording of satisfaction is a jurisdictional prerequisite u/s.153C of the Act, and that the relevant date for reckoning limitation is the date on which such satisfaction is recorded:

“The AO must be satisfied that the seized material pertains to such other person... The period of six years has to be reckoned backward from the assessment year in which such satisfaction is recorded.”

41. The assessee also relied on the order of the co-ordinate bench of ITAT in the case of KSJ Infrastructure pvt. ltd. Vs. DCIT in ITA No.1110/Chny/2023 dated 06.03.2024, where the Tribunal under identical set of facts by following the decision of the Hon'ble Supreme Court in the case of CIT Vs.Jasjit Singh [2023] 155 Taxmann.com 155 held that issuance of notice u/s.153C of the Act, for the assessment year beyond the stipulated six assessment years and four relevant assessment years could not be sustained. Since, the jurisdictional conditions to issue the same was not fulfilled and it was barred by limitation. The relevant findings of the Tribunal are as under:

17. In this view of the matter and by considering facts and circumstances of this case, and also by following the decision of Hon'ble Supreme Court in the case of CIT vs Jasjit Singh (Supra), we are of the considered view that for the purpose of proviso to section 153C(1) of the Act, in case of such other person, the reference to the date of initiation of search u/s. 132 of the Act in the second proviso to section 153A(1) of the Act, shall be construed as reference to the date of receiving the books of accounts or other documents by the Assessing Officer having jurisdiction over such other person and said date is considered in the present case i.e. on 31.12.2021. The assessment year before us is beyond stipulated six assessment years and four relevant assessment years and thus, notice issued by the Assessing Officer u/s. 153C of the Act, dated 31.12.2021 and consequent assessment order passed u/s. 143(3) r.w.s. 153 of the Act, dated 31.03.2022 is barred by limitation and liable to be quashed. Thus, we quash assessment order passed by the Assessing Officer u/s. 143(3) r.w.s. 153C of the Act, dated 31.03.2022.

42. In light of the foregoing discussion and with due respect to the binding precedent laid down by the Hon'ble Supreme Court in *CIT v. Jasjit Singh* (supra), we are of the considered opinion that the Assessing Officer has committed an error in issuing notice under Section 153C of the Act to the assessee for the Assessment Year 2008-09. This conclusion is drawn on the basis that the satisfaction note by the AO was recorded on 23.09.2014, which clearly falls outside the statutorily permissible period of six assessment years. Accordingly, the notice issued u/s.153C and the consequential assessment order passed u/s.143(3) r.w.s.153C of the Act are barred by limitation and are therefore liable to be quashed. Consequently, we hereby quash the assessment order dated 31.03.2015 passed by the AO u/s.143(3) r.w.s. 153C of the Act for AY 2008-09.

43. The next legal ground raised by the assessee for the A.Y. 2009-10 to 2012-13 is lack of proper recording of satisfaction. We note that the AO recorded the satisfaction u/s.153C of the Act on 23.09.2024 for the A.Ys.2008-09 to 2012-13. Admittedly the satisfaction recorded u/s.153C of the Act dated 23.09.2014 were issued to the assessee for all the 4 A.Ys. 2009-10 to 2012-13 to the assessee in connection with the search conducted u/s.132 of the Act on 22.05.2012 in the case of Shri D.Shanthilal.

44. The details recorded as per the satisfaction note issued, in S.No.7 – Satisfaction of the Assessing Officer of the person referred in section 153A that the seized material referred to in S.No.5 belongs to the person referred to in S.No.4 is extracted below:

“A search was conducted in the case of Shri.D.Shantilal (PAN – BUMPS9032F) on 22.05.2012. In his residence a diary printed “Numeric” on the cover was seized vide ANN/DR/B&D/S. It was stated by Shri Shantilal and Smt.Prema Devi that the diary belongs to Mr.Dharmi Chand in the sworn statement recorded from them. It was stated by that Mr. Dharmi Chand died on 28.06.2011 and his legal heirs are as follows:

1. *Prema Devi*
2. *Shantilal*
3. *Dilip Kumar*
4. *Sapna*

In this regard a letter was sent to Mr.Shantilal calling for legal heir certificate. He submitted a self attested legal heir certificate on 12.08.2014. Moreover on 01.09.2014 Mrs.Prema Devi on her own submitted a letter stating as follows: “I Smt.Prema Devi W/o. late Sri Dharmi Chand Jain aged about 52 years would like to inform your good office that I have received the entire share of estate on the demise of my husband and any proceeding on his behalf shall be taken by me.”

So as per the provisions of Section 159 r.w.s. 2(29) of the Income Tax Act, 1961. The notice u/s.153C issued to Mr.Prema Devi L/R.”

45. On perusal of the Section 153C of the Act provides for assessment of ‘income of a person other than the person searched’ where certain seized or requisitioned material belonging to or relating to such other person is found during the course of a search u/s.132 or a requisition u/s.132A of the Act. However, the invocation of Section 153C is not automatic. It is a jurisdictional provision and its valid invocation is subject to strict conditions precedent, which have been repeatedly emphasized by the Hon’ble Supreme Court and various High Courts. The relevant portion of Section 153C (post-amendment by Finance Act, 2015, with effect from 01.06.2015) reads as below:

“Notwithstanding anything contained in section 139, section 147, section 148, section 149, section 151 and section 153, where the Assessing Officer is satisfied that,—

- (c) any money, bullion, jewellery or other valuable article or thing, seized or requisitioned, belongs to; or*
- (d) any books of account or documents, seized or requisitioned, pertains or pertain to, or any information contained therein, relates to, a person other than the person referred to in section 153A, then, the books of account or documents or assets seized or requisitioned shall be handed over to the Assessing Officer having jurisdiction over such other person...”*

46. This provision requires the AO of the searched person to be "satisfied" that the seized material belongs to or pertains to or relates to the other person and further, that such material is incriminating in nature leading to the conclusion of undisclosed income.

47. Therefore, the section 153C of the Act as it stood during the relevant assessment years, envisages a two-step process for valid assumption of jurisdiction, wherein the recording of satisfaction is required both by:

- a) The AO of the person searched (hereinafter "the searched person"),
and
- b) The AO of the 'other person', i.e., the person in whose hands proceedings u/s.153C are proposed (hereinafter "the other person").

48. Hence, the failure to record such satisfaction in either or both capacities vitiates the assumption of jurisdiction u/s.153C and renders the consequential assessment orders void ab initio. Thus, the statutory mandate is unambiguous that before initiating proceedings u/s.153C, the AO must:

- a) Record satisfaction that the seized material belongs to or pertains to the "other person"; and
- b) Hand over such material to the jurisdictional AO of the "other person", who must independently apply his mind and record his own satisfaction.

49. In support of the above submission we concur with the Id.AR reliance on the decision of the Hon'ble Apex court in the case of Super Malls (P.) Ltd. v. PCIT [(2020) 423 ITR 281.

50. We note that the reading of the 'satisfaction note' reveals that it does not constitute a satisfaction note in the manner contemplated u/s.153C of the Act. Instead, it merely records a procedural observation regarding the substitution of the

legal representative of the deceased assessee and cannot be construed as a valid or reasoned satisfaction for the purpose of initiating proceedings u/s.153C of the Act.

51. In this regard the Hon'ble Supreme Court in the case of CIT v. Sinhgad Technical Education Society [(2017) 397 ITR 344 (SC)] held that incriminating material must pertain to the assessment years for which proceedings are initiated, and such material should relate to the other person. In the case of Pepsi Foods Pvt. Ltd. v. ACIT [(2014) 367 ITR 112 (Delhi HC)] the Delhi High Court held that unless the seized documents "belong to" the other person and are incriminating in nature, mere mention of the other person's name or loose references do not justify invoking Section 153C. The satisfaction note must expressly indicate this and in the case of RRJ Securities Ltd. v. CIT [(2016) 380 ITR 612 (Delhi HC)] the Hon'ble Delhi High Court reiterated that satisfaction cannot be vague or mechanical, and must be substantiated with reference to specific material showing that it belongs to the other person and reveals undisclosed income.

52. We note that the Section 153C of the Act (as applicable at the time of search in 2012), provides for initiation of assessment proceedings against a person other than the person searched if and only if the following jurisdictional conditions are met:

- a. Books of account or documents or assets must be seized during a search u/s.132 or requisition u/s.132A of the Act.
- b. Such seized material must belong to the other person.
- c. The AO of the searched person must record a satisfaction that such material belongs to the other person before handing it over to the AO of that other person.
- d. The seized document must be incriminating in nature, leading to the discovery of undisclosed income in the hands of the other person.

53. Therefore, the burden lies entirely on the Revenue to establish that:
- a. The seized material belongs to or relates to the assessee;
 - b. It is incriminating in nature; and
 - c. A satisfaction note, in writing, has been duly recorded with reference to the said material.
54. However, on perusal of the satisfaction recorded in the present case, for the assessment years AY 2009-10 to AY 2012-13, there is a complete absence of proper and independent satisfaction as required u/s.153C of the Act, for the following reasons:
- a. There is no contemporaneous recording of satisfaction by the AO of the person searched linking the seized material to the assessee.
 - b. There is no recording of satisfaction by the AO of the assessee (the “other person”), independently examining and determining that the seized material belongs to or pertains to the assessee.
 - c. The assessment orders are silent on the nature of seized documents or materials and do not demonstrate any live nexus between the seized material and the alleged undisclosed income of the assessee.
 - d. The same satisfaction note appears to have been used in a mechanical and templated manner for multiple years, which is contrary to the principles laid down by the Supreme Court.
55. Hence, in our view, the jurisdictional power for initiating assessment u/s.153C is wholly absent in the present case for all the A.Ys. 2009-10 to 2012-13.
56. Further, we note that the satisfaction note is not drawn by the AO in consonance with the law due to the following:
- The satisfaction note merely records a statement made by third parties (Shri Shantilal and Smt.Prema Devi) that the seized diary belongs to Mr.Dharmichand jain (deceased).

- It does not establish, with reference to the contents of the document, that the diary in fact belonged to the deceased.

57. In this regard we take the support of the decision of the Hon'ble Supreme Court in the case of CIT v. Calcutta Knitwears (2014) 362 ITR 673 (SC) and PCIT v. Sarwar Agency Pvt. Ltd. (2021) 432 ITR 54 (SC), wherein it was held that the recording of satisfaction is a jurisdictional requirement and must be clear, specific, and refer to seized material that belongs to and is incriminating against the other person.

58. In light of the above, in the present case on hand

- the satisfaction note is completely silent on whether the diary contains any incriminating entries.
- There is no mention of how the contents of the diary lead to the discovery of undisclosed income in the hands of Late Shri Dharmi Chand or his legal heir.
- The satisfaction note is based solely on post-search correspondence and statements, not on independent analysis of the seized material. There is no evidence that the AO examined the diary to verify that it belonged to and incriminated the other person. This fails the standard of "objective satisfaction based on material" required under Calcutta Knitwears (SC).
- The satisfaction note is not provided any evidence as an incriminating material relating to the assessee and also does not contain any whisper of the undisclosed income to be assessed on the assessee.

59. Therefore, we are of the view that the jurisdiction u/s.153C cannot be invoked in the absence of incriminating material. Further, the law requires a high threshold of satisfaction for the following reasons to issue notice u/s.153C of the Act to any other person:

- To protect third parties from arbitrary assessments based on mere suspicion;
- To ensure that seized material has clear nexus with alleged undisclosed income of such person;
- To prevent roving and fishing inquiries in the guise of proceedings u/s.153C.

60. We note that the Hon'ble Courts have been categorical in holding that non-compliance with this requirement strikes at the root of jurisdiction, and assessments made without it are liable to be annulled.

61. Further, in our considered view that it is a settled proposition of law that if the jurisdictional foundation is lacking, the entire assessment collapses. As held by the Hon'ble Supreme Court in Calcutta Knitwears (para 41 and 44 of the order) and reaffirmed in Jasjit Singh (458 ITR 437), the absence of valid satisfaction strikes at the root of the jurisdiction u/s.153C of the Act. Consequently, any order passed in such a scenario is non-est, void ab initio, and liable to be quashed.

62. Having regard to the facts and circumstances of the present case, it is evident that the assessments framed for Assessment Years 2008-09 to 2012-13 under Section 153C of the Act stand vitiated in law and are rendered without jurisdiction due to the absence of a proper and valid recording of satisfaction, as required under the statutory framework governing such proceedings. Accordingly, we are of the considered opinion that the assessee succeeds on the legal ground challenging the validity of the satisfaction note, and we are inclined to quash the assessment orders passed u/s.153C of the Act for AYs 2009-10 to 2012-13.

63. In the result all the five appeals of the assessee for the A.Y.2008-09 to 2012-13 are allowed.

Order pronounced in the court on 27th June, 2025 at Chennai.

Sd/-

(एस एस विश्वनेत्र रवि)
(S.S. VISWANETHRA RAVI)
न्यायिक सदस्य/Judicial Member

Sd/-

(एस. आर. रघुनाथा)
(S. R. RAGHUNATHA)
लेखा सदस्य/Accountant Member

चेन्नई/Chennai,

दिनांक/Dated, the 27th June, 2025

SP

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकर आयुक्त/CIT– Chennai/Coimbatore/Madurai/Salem
4. विभागीय प्रतिनिधि/DR
5. गार्ड फाईल/GF