

**INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH "G": NEW DELHI
BEFORE SHRI C. N. PRASAD, JUDICIAL MEMBER
AND
SHRI M. BALAGANESH, ACCOUNTANT MEMBER**

ITA Nos. 218 & 219/Del/2023
(Assessment Years: 2015-16 & 2016-17)

SRS Panchratan Diamonds Pvt. Ltd, 2608-2613, 1 st Floor, Bank Street, Karol Bagh, Delhi-110005	Vs.	DCIT, Central Circle-7, Delhi
(Appellant)		(Respondent)
PAN: AAJCS8124N		

Assessee by :	Shri Arijit Chakraborty, Adv
Revenue by:	Shri Mahesh Kumar, CIT (DR)
Date of Hearing	18/08/2025
Date of pronouncement	14/11/2025

O R D E R

PER M. BALAGANESH, A. M.:

1. The appeal in ITA Nos.218 & 2019/Del/2023 for AY 2015-16 & 2016-17, arises out of the order of the Commissioner of Income Tax (Appeals)-24, New Delhi [hereinafter referred to as 'Id. CIT(A)', in short] dated 30.09.2022 against the order of assessment passed u/s 153C r.w.s. 143(3) of the Income-tax Act, 1961 (hereinafter referred to as 'the Act') dated 31.12.2021 by the Assessing Officer, DCIT, Central Circle-7, New Delhi (hereinafter referred to as 'Id. AO'). Identical issues are involved in both these appeals and hence they are taken up together and disposed of by this common order for the sake of convenience.

2. At the outset, there is a delay in filing of appeal before us by 61 days. Considering the reasons adduced in the condonation petition, we are

inclined to condone the delay and admit the appeal of the assessee for adjudication.

3. The first identical issue involved in this appeal is challenging the validity of assumption of jurisdiction under section 153C of the Act by the Learned AO. Since this goes to the root of the matter, we deem it fit and appropriate to address the same.

4. We have heard the rival submissions and perused the materials available on record. The return of income for the assessment year 2015-16 was filed by the assessee company on 29-09-2015 declaring total income of Rs. 78,540/-. Notice under Section 153C of the Act stood issued to the assessee on 18-03-2021. Return was filed pursuant to the notice under Section 153C of the Act on 18-03-2021 and a letter intimating the Learned AO with filing of return and requesting for reason for the instant assessment proceeding being undertaken was duly submitted. Subsequently, the Learned AO vide copy of Performa for recording satisfaction intimated that a search and seizure operation under Section 132 of the Act was conducted in one Jindal Bullion Limited (JBL) Group and in the course of the said operation, some digital data pertaining to financial years 2014-15, 2015-16 and 2016-17 was found that recorded unaccounted cash transactions of JBL group with number of entities and pursuant to departmental examination of the digital data, it was alleged that certain cash transactions by the JBL group had been identified to pertain to the assessee company. The Learned AO accordingly issued notice under 153C of the Act on 18-03-2021 and notice under Section 143(2) and 142(1) of the Act on 16-06-2021 to the assessee calling for requisite details relating to the assessment proceedings. The requisite details and documents relating to the assessment proceedings were furnished from time to time before the Learned AO by the assessee. The

assessee sought to challenge the assumption of jurisdiction under Section 153C of the Act by the Learned AO. It was submitted that in order to enable the department to proceed against a third person for bringing to tax any income of such third person, in search action, the diary, loose sheets, assets, etc must be belonging to that person and have to be found unaccounted and incriminating in nature or not disclosed. Then only the Learned AO gets the jurisdiction to assess such third person under Section 153C of the Act. It was submitted that the intention behind the provisions of Section 153C of the Act is not to give unfettered powers to the Learned AO to proceed against any such third person if any document is found pertaining to him. If the departmental stand is accepted, then it would lead to a situation wherein for genuine and fully accounted transactions also, the Learned AO may get powers to proceed against any other person. It was submitted that the document seized in the hands of the searched person must not only be a 'speaking one', but also be prima facie 'incriminating one' for igniting the proceedings under Section 153C of the Act. Hence, in the absence of any incriminating seized material, no addition could be made in the order passed under Section 153A or 153C of the Act for the completed assessment. The Learned AO was repeatedly requested on multiple occasions to share specific document or statement that could relate the alleged cash transactions with the assessee. He was also requested to share copy of any statement recorded that might have been incriminating the assessee in any manner whatsoever. However, no such document was shared in the course of assessment by the Learned AO. It was submitted before the Learned CITA that this inaction on the part of the Learned AO clearly demonstrates that the department has no instrument whatsoever to link the alleged transactions with the assessee herein. Accordingly, it was submitted that no incriminating document with respect to the assessee was seized from

the premises of the JBL group and as such, the proceedings initiated under Section 153C of the Act is arbitrary, illegal and bad in law. The assessee submitted that the order passed in pursuance of the said notice need to be quashed.

5. For the sake of convenience, the satisfaction note recorded by the Learned AO of the searched person is reproduced below:-

Office of the Dy. Commissioner of Income tax, Central Circle-7, Delhi

PERFORMA FOR RECORDING OF SATISFACTION ABOUT SEIZED ASSETS BELONGING/PERTAINS/RELATES TO PERSON OTHER THAN THE PERSONS SEARCHED

(To be filled by the Assessing Officer of searched assessee)

1	Name of the group, if any, searched	Jindal Bullion Ltd
2	Name of the assessee in whose case assets (money, bullion, jewellery or other valuable article or thing) or papers (books of accounts or documents) seized u/s 132 or requisitioned u/s 132A.	Shri Kusharg Jindal
3	PAN of searched assessee	AEBPJ5647M
4	Name and address of the person to whom seized assets/papers as in (2) above belong/relate.	SRS Panchrattan Diamonds P. Ltd. 1244, Kucha Mahajani, Chandni Chowk, Delhi
5	PAN of other person	AAJCS8125N
6	Identification of the seized asset/papers which in the opinion of AO of the searched assessee (S.No. 2), relates to the other person (S.No.4)	Hazir Johri Ledger a/c code name(s): 01sd ji & SHARD JI TRADING
	(i) Details of Panchnama & Annexure through which relevant asset/document was seized/requisitioned *	Annexure A-25, Party No JKR
	(ii) Date of above Panchnama	08.01.2017
	(iii) Address of the place/premises from where asset/paper was seized.	Plot No.25, Vaishali Enclave, Pitampura, Delhi
	(iv) Description of relevant asset/papers	Hazir Johri ledger account code named 01sd ji & SHARD JI TRADING
	(v) The brief reasons on the basis of which the AO reached to the conclusion that the relevant seized asset/paper belongs to the other person (use Annexure if required).	As enclosed.

* Copy of relevant Panchnama and Annexure shall be integral part of satisfaction note.

Date: 05.03.2021


DCIT, CC-7, New Delhi

Satisfaction note about seized material belonging to person other than searched person

A search and seizure operation u/s 132 of the I.T. Act, 1961 was conducted in the Jindal Bullion Ltd (JBL) Group on 05.01.2017. During the course of the search, Digital data maintained in a software called Hazir Johri, was seized at the residential cum business premises of Sh Kusharg Jindal (promoter and director of JBL) at Plot No.25, Vaishali Enclave, Pitampura, Delhi, in a dongle (Seized as Annexure A-25, Party No JKR vide Panchnama dated 08.01.2017). The digital data pertains mainly to FYs 2014-15, 2015-16 and 2016-17.

The analysis of the said soft data clearly showed that JBL had been systematically engaged in cash transactions with a number of entities, mostly bullion traders and jewellers. The JBL books of accounts as maintained in the Hazir Johri software, contained both cash transactions of JBL as well as its transactions through banking channels. The transactions through banking channels are reflected in the Tally books of accounts of JBL whereas the cash transactions are not reflected in the same. The returns of income have been filed by JBL on the basis of books of accounts maintained on Tally software.

A comparison of the two accounts data viz. the one maintained in seized Johri-Hazir software and the one maintained in Tally software, reveals a number of discrepancies between the two sets of accounting data pertaining to JBL:

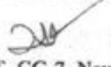
- i. Most of the ledger accounts maintained in HazirJohri software are in code names and a relation was established between the ledger account of the actual entity which was found in the tally accounts and the ledger account of the same entity as per Hazir-Johri accounts.
- ii. The identification of the said Hazir accounts has been done on the basis of a number of criteria like of statements given by Shri Parul Ahluwalia, Kusharg Jindal Directors of JBL and also on the basis of banking transactions appearing in the Hajir Ledger accounts, details filed during the course of the assessment proceedings, field enquiries made by the Investigation Wing and names as actually recorded i.e., without codes.
- iii. Once the entity to which the particular Hazir account pertained was identified, a tally account and Hazir account of the same entity was compared.
- iv. In the Hazir account of a particular entity, there were transactions like 'cash received' and 'gold paid' in lieu of the cash received. Along with these transactions there is description of amounts received by JBL from that particular entity through banking channels and the gold/silver paid in return.
- v. It was observed that across board, the 'cash received' 'cash paid' and 'gold paid' transactions as mentioned in point (iv) above are not reflected in the Tally ledger account of that particular entity. Further, the some of cash transactions are in the nature of accommodation entries.

As mentioned above, seized Hazir Johri software revealed Ledger account(s) with code name(s) '01sd ji & SHARD JI TRADING'. This Ledger account has been identified to pertain to M/s/Sh/Smt SRS Panchrattan Diamonds P. Ltd. 1244, Kucha Mahajani, Chandni Chowk, Delhi PAN AAJCS8125N (other person).

Perusal of this account reveals various unaccounted cash transactions have been undertaken by JBL with this 'other person' and vice versa. The cases of Shri Kusharg Jindal and M/s JBL have been completed u/s 153A/143(3) in the month of December, 2019 and addition as warranted has been taken in their cases for the relevant assessment years.

In view of the above, I am satisfied that these documents (Ledger account(s)) also contain information which relates to above referred 'other person' and have a bearing on the determination of his/her total income thereof. Accordingly, these documents are handed over to DCIT, Central Circle-7, the AO of other person, for necessary action in the case of the above referred 'other person' as per the provision of section 153C r.w.s 153A of the IT Act, 1961 for the relevant assessment years as per the seized documents.

Date: 05.03.2021


DCIT, CC-7, New Delhi



6. Similarly, the satisfaction note recorded by the Learned AO of the assessee herein is reproduced below:-

Name of Assessee: Sh./Smt./M/s SRS Panchrattan Diamonds P. Ltd.
PAN: AAJCS8125N
A.Y: 2011-12 to 2017-18
Date of centralization/Date of PAN Migration: 24.12.2020/19.02.2021
Date of receipt of documents: 05.03.2021
Satisfaction Note for issuing notice u/s 153C of the I.T Act:

A search and seizure operation u/s 132 of the I.T.Act, 1961 was conducted in the Jindal Bullion Ltd (JBL) Group on 05.01.2017. During the course of the search, Digital data maintained in a software called Hazir Johri, was seized at the residential cum business premises of Sh Kusharg Jindal (promoter and director of JBL) at Plot No.25, Vaishali Enclave, Pitampura, Delhi, in a dogle (Seized as Annexure A-25, Party No JKR vide Panchnama dated 08.01.2017). Assessment proceedings u/s 143(3)/153A have been completed in the case of the searched person in December, 2019.

Analysis of the seized Hazir Johri software revealed Ledger account(s) with code name(s) '01sd ji & SHARD JI TRADING'. This Ledger account has been identified to pertain to M/s/Sh/Smt SRS Panchrattan Diamonds P. Ltd. 1244, Kucha Mahajani, Chandni Chowk, Delhi PAN AAJCS8125N (other person) as per the satisfaction note of DCIT, CC-7, New Delhi (AO of searched person) forwarded to this office for action u/s 153C. I have gone through the satisfaction note of AO of searched person and also the ledger account seized during the course of search and it is found that various unaccounted cash transactions have been undertaken by JBL with the assessee and vice versa which have been mentioned in the seized ledger account as "cash paid, gold paid, cash received". Preliminary examination also reveals that the assessee has paid and received cash as under:

A.Y.	Cash Paid to JBL (Rs.)	Cash Received from JBL(Rs.)
2015-16	8850000	8000000
2016-17	45838980	14809733
2017-18	15000000	10062000

Accordingly, I am satisfied that these documents (Ledger account(s)) seized during the course of search mentioned above, have a bearing on the determination of total income of Sh/Smt/M/s SRS Panchrattan Diamonds P. Ltd. for the A.Ys 2011-12 to 2017-18. Hence, notice u/s 153C of the Income Tax Act, 1961 is being issued for A.Ys 2011-12 to 2017-18.

It is to be mentioned here that since the limitation for issuing notice u/s 143(2) of the Income Tax Act, 1961 for A.Y 2017-18 (Search Year) has already expired before receiving the satisfaction note by the Assessing Officer, the notice for assessment year 2017-18 (Search Year) is also issued u/s 153C of the Income Tax Act, 1961 as per provisions of section 153C(2) of the Income Tax Act, 1961.

Date: 05.03.2021

DCIT, CC-7, New Delhi



6. From the above, it could be seen that the Learned AO of the assessee herein had recorded Consolidated satisfaction note for assessment years 2011-12 to 2017-18 in one go instead of recording independent and individual satisfaction note for each

assessment year which is the requirement of the law. The moot question that arises for our consideration is as to whether recording of consolidated satisfaction note for various assessment years and assuming jurisdiction under section 153C of the Act would be fatal to the very assumption of jurisdiction under section 153C of the Act or not? This issue is no longer res integra in view of the decision of the Hon'ble Karnataka High Court in the case of DCIT vs Sunil Kumar Sharma reported in 159 taxmann.com 179 (Kar). The relevant operative portion of the said order is reproduced below:-

“53. Further, satisfaction note is required to be recorded under section 153C of the IT Act for each Assessment Year and in the impugned proceedings, a consolidated satisfaction note has been recorded for different Assessment Years, which also vitiates the entire assessment proceedings. In view of all these findings, it is said that the appeals do not have any substance for seeking intervention as sought for by the appellant/Revenue.”

7. It is pertinent to note that the Special Leave Petition (SLP) preferred by the revenue against this order had been dismissed by the Hon'ble Supreme Court which is reported in 165 taxmann.com 846 (SC) by observing as under:-

“ORDER

1. *Delay condoned.*

2. *Heard the learned Senior Counsel appearing for the appellants.*

3. *We are not inclined to interfere with the impugned judgment and order passed by the High Court of Karnataka at Bengaluru in Writ Appeal No. 831/2022 (T-IT) dated 22-01-2024/ Deputy Commissioner of Income-tax v. Sunil Kumar Sharma [2024] 159 taxmann.com 179 (Karnataka) .*

4. *The Special Leave Petition is dismissed.*

5. *Pending application(s), if any, shall stand disposed of.*

8. The Learned DR before us vehemently relied on the decision of the Hon'ble Jurisdictional High Court in the case of Indian National Congress vs DCIT reported in 463 ITR 431 (Del) dated 22-03-2024 wherein it was held as under:-

24. The provision only requires the AO to be satisfied that the material collated and handed over is likely to have an impact on the total income for the relevant AY or AYs'. While an assessment would necessarily have to be made in respect of each of the relevant AY or AYs', we find ourselves unable to read Section 153A or 153C as mandating separate Satisfaction Notes being drawn for each assessment year. Our conclusion in this respect stands fortified from the language of Section 153A(1)(a) which contemplates a notice being issued calling upon the person to furnish a return of income for each of the six AYs' or the relevant AY or AYs'. This too appears to suggest that while the notice could be composite and based on a common satisfaction note which encapsulates the incriminating material pertaining to the AYs' in question, it is only returns which must and mandatorily be filed separately.

25. Regard must be had to the indubitable fact that the Satisfaction Note merely forms the foundation for initiation of action and which would enable us to evaluate whether an opinion has been validly formed. As long as it rests on incriminating material which pertains to the AYs' in question, the same would qualify the requirement of Section 153C. We deem it apposite to observe that while it would be imperative for the Satisfaction Note to refer to the material pertaining to the AYs' which are sought to be reopened, a consolidated Satisfaction Note clearly does not appear to be an anathema provided it rests on material which pertains to the AYs' which are sought to be reopened.

26. We in this respect also bear in mind the lucid explanation of the procedure liable to be adopted under Sections 153A and 153C as came to be enunciated by the Court in CIT v. Kabul Chawla [2015] 61 taxmann.com 412/234 Taxman 300/[2016] 380 ITR 573 (Delhi)/2015 SCC OnLine Del 11555.

"37. On a conspectus of section 153A(1) of the Act, read with the provisos thereto, and in the light of the law explained in the aforementioned decisions, the legal position that emerges is as under:

(i) Once a search takes place under section 132 of the Act, notice under section 153A(1) will have to be mandatorily issued to the person searched requiring him to file returns for six assessment years immediately preceding the previous year relevant to the assessment year in which the search takes place.

(ii) Assessments and reassessments pending on the date of the search shall abate. The total income for such assessment years will have to be computed by the Assessing Officers as a fresh exercise.

(iii) The Assessing Officer will exercise normal assessment powers in respect of the six years previous to the relevant assessment year in which the search takes place. The Assessing Officer has the power to assess and reassess the "total income" of the aforementioned six years in separate assessment orders for each of the six years. In other words, there will be only one assessment order in respect of each of the six assessment years "in which both the disclosed and the undisclosed income would be brought to tax".

(iv) 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 only on the basis of the seized material."

(v) In the absence of any incriminating material, the completed assessment can be reiterated and the abated assessment or reassessment can be made. The word "assess" in section 153A is relatable to abated proceedings (i.e., those pending on the date of search) and the word "reassess" to the completed assessment proceedings.

(vi) In so far as the pending assessments are concerned, the jurisdiction to make the original assessment and the assessment under section 153A merges into one. Only one assessment shall be made separately for each assessment year on the basis of the findings of the search and any other material existing or brought on the record of the Assessing Officer.

(vii) Completed assessments can be interfered with by the Assessing Officer while making the assessment under section 153A only on the basis of some incriminating material unearthed during the course of search or requisition of documents or undisclosed income or property discovered in the course of search which were not produced or not already disclosed or made known in the course of original assessment."

By placing reliance on the aforesaid decision of Hon'ble Delhi High Court, the Learned DR argued that recording of consolidated satisfaction note for various assessment years put together would not be fatal to the assumption of jurisdiction and framing of assessment under section 153C of the Act.

9. But we find that the Hon'ble Jurisdictional High Court in the case of Saksham Commodities Ltd vs ITO reported in 464 ITR 1 (Del) dated 09-04-2024 (judges of equal strength) had passed an order in favour of the assessee on the very same issue. The relevant operative portion of the said order is reproduced below:-

"50. *What we seek to emphasise is that merely because Section 153C confers jurisdiction upon the AO to commence an exercise of assessment or reassessment for the block of years which are mentioned in that provision, the same alone would not be sufficient to justify steps in that direction being taken, unless the incriminating material so found is likely to have an impact on the total income of a particular AY forming part of the six AYs' immediately preceding the AY pertaining to the search year or for the "relevant assessment year".*

51. *Ultimately Section 153C is concerned with books, documents or articles seized in the course of a search and which are found to have the potential to impact or have a bearing on an assessment which may be undergoing or which may have been completed. The words "have a bearing on the determination of the total income of such other person" as appearing in Section 153C would necessarily have to be conferred pre-eminence. Therefore, and unless the AO is satisfied that the material gathered could potentially impact the determination of total income, it would be unjustified in mechanically reopening or assessing all over again all the ten AYs' that could possibly form part of the block of ten years.*

53. *Sinhgad Technical Education Society also constitutes a binding precedent in respect of the aforesaid proposition as would be evident from the Supreme Court noticing that the material disclosed pertained only to AY 2004-05 or thereafter and that consequently the Section 153C action initiated for AYs' 2000-01 to 2003-04 would not sustain. It was this position in law as enunciated in that decision which came to be reiterated by our Court in Index Securities.*

55. *Take for instance a case where the material gathered in the search is contemplated to have an adverse impact on the declarations and disclosures made by an assessee pertaining only to AYs' 2016-17 and 2017-18. What we seek to emphasise is that pending assessments for those two years could validly form subject matter of action under Section 153C and pending assessments in that respect would surely abate. However, that by itself would not be sufficient to either reopen or issue*

notices in respect of AYs' prior to or those falling after those two AYs' and which may otherwise fall within the maximum block period of ten years merely because the statute empowers the AO to do so. Unless the material gathered and recovered is found to have relevancy to the AY which is sought to be subjected to action under Section 153C, it would be legally impermissible for the respondents to invoke those provisions. Consequently, the AO would be bound to ascertain and identify the year to which the material recovered relates. The years which could be then subjected to action under Section 153C would have to necessarily be those in respect of which the assessment is likely to be influenced or impacted by the material discovered. Section 153C neither mandates nor envisages a mechanical or an en blanc exercise of power, or to put it differently, one which is uninformed by a consideration of the factors indicated above.

56. *We also bear in mind the pertinent observations made in RRJ Securities when the Court held that merely because an article or thing may have been recovered in the course of a search would not mean that concluded assessments have to "necessarily" be reopened under Section 153C and that those assessments are not liable to be revised unless the material obtained have a bearing on the determination of the total income. This aspect was again emphasised in para 38 of RRJ Securities with the Court laying stress on the existence of material that may be reflective of undisclosed income being of vital importance. All the aforementioned judgments thus reinforce the requirement of incriminating material having an ineradicable link to the estimation of income for a particular AY.*

57. *It becomes pertinent to note that both Sections 153A and 153C require the assessee upon being placed on notice to furnish ROIs' for the six AYs' or the "relevant assessment year". All that the two provisions mandate is that notwithstanding the submission of those ROIs', the AO would frame one assessment order in respect of each of the years which were made subject matter of the notice and which would deal with both disclosed and undisclosed income. This too reinforces our view that Section 153C would apply only to such AYs' where the jurisdictional AO is satisfied and has incriminating material for those AYs' and which may be concerned with disclosed and undisclosed income.*

60. *Before concluding, we also deem it imperative to briefly notice certain aspects which emerge from a reading of the Satisfaction Notes themselves. As is manifest from a reading of the Satisfaction Note drawn by the jurisdictional AO of the assessee in W.P. (C) 1459/2024, after*

noticing the material which was recovered during the search and related to FYs' 2009-10, 2010-11 and 2011-12 [corresponding AYs' thus being AYs' 2010-11, 2011-12 and 2012-13], it has proceeded to observe that the assessments which were liable to abate or be reopened would be AYs' 2010-11 to 2020-21. A similar note appears in W.P. (C)1117/2024. Here again, after referring to the material pertaining to FY 2009-10 [and thus relating to AY 2010-11], the AO proceeded to seek approval for initiating action under Section 153C in respect of AYs' 2010-11 up to 2020-21.

61. *A reading of the aforesaid Satisfaction Notes would establish that jurisdictional AOs' appear to have proceeded on the premise that the moment incriminating material is unearthed in respect of a particular AY, they would have the jurisdiction and authority to invoke Section 153C in respect of all the assessment years which could otherwise form part of the "relevant assessment year" as defined in Section 153A. In our considered opinion, the aforesaid understanding of Section 153C is clearly erroneous and unsustainable. As explained hereinabove, the discovery of material likely to implicate the assessee and impact the assessment of total income for a particular AY is not intended to set off a chain reaction or have a waterfall effect on all AYs' which could form part of the "relevant assessment year". This, more so since none of the Satisfaction Notes record any reasons of how that material is likely to materially influence the computation of income for those AYs'.*

62. *Hypothetically speaking, it may be possible for the material recovered in the course of a search having the potential or the probability of constituting incriminating material for more than one assessment year. However, even if such a situation were assumed to arise, it would be incumbent upon the AO to duly record reasons in support of such a conclusion. The Satisfaction Notes would thus have to evidence a formation of opinion that the material is likely to be incriminating for more than a singular assessment year and thus warranting the drawl of Section 153C proceedings for years in addition to those to which the material may be directly relatable.*

G. CONCLUSIONS

63. *On an overall consideration of the structure of Sections 153A and 153C, we thus find that a reopening or abatement would be triggered only upon the discovery of material which is likely to "have a bearing on the determination of the total income" and would have to be examined bearing in mind the AYs' which are likely to be impacted. It would thus be incorrect to either interpret or construe Section 153C as envisaging*

incriminating material pertaining to a particular AY having a cascading effect and which would warrant a mechanical and inevitable assessment or reassessment for the entire block of the "relevant assessment year".

64. *In our considered view, abatement of the six AYs' or the "relevant assessment year" under Section 153C would follow the formation of opinion and satisfaction being reached that the material received is likely to impact the computation of income for a particular AY or AYs' that may form part of the block of ten AYs'. Abatement would be triggered by the formation of that opinion rather than the other way around. This, in light of the discernibly distinguishable statutory regime underlying Sections 153A and 153C as explained above. While in the case of the former, a notice would inevitably be issued the moment a search is undertaken or documents requisitioned, whereas in the case of the latter, the proceedings would be liable to be commenced only upon the AO having formed the opinion that the material gathered is likely to inculcate the assessee. While in the case of a Section 153A assessment, the issue of whether additions are liable to be made based upon the material recovered is an aspect which would merit consideration in the course of the assessment proceedings, under Section 153C, the AO would have to be prima facie satisfied that the documents, data or asset recovered is likely to "have a bearing on the determination of the total income". It is only once an opinion in that regard is formed that the AO would be legally justified in issuing a notice under that provision and which in turn would culminate in the abatement of pending assessments or reassessments as the case may be.*

65. *We would thus recognize the flow of events contemplated under Section 153C being firstly the receipt of books, accounts, documents or assets by the jurisdictional AO, an evaluation and examination of their contents and an assessment of the potential impact that they may have on the total income for the six AYs' immediately preceding the AY pertaining to the year of search and the "relevant assessment year". It is only once the AO of the non-searched entity is satisfied that the material coming into its possession is likely to "have a bearing on the determination of the total income" that a notice under Section 153C would be issued. Abatement would thus be a necessary corollary of that notice. However, both the issuance of notice as well as abatement would have to necessarily be preceded by the satisfaction spoken of above being reached by the jurisdictional AO of the non-searched entity.*

66. *Therefore, and in our opinion, abatement of the six AYs' or the "relevant assessment year" would follow the formation of that opinion and satisfaction in that respect being reached.*

H. OPERATIVE DIRECTIONS

69. *When tested in light of the aforesaid principles, we find that except for a few exceptions which were noticed in the introductory parts of this judgment, the writ petitions forming part of this batch, impugn the invocation of Section 153C in respect of AYs' for which no incriminating material had been gathered or obtained. The Satisfaction Notes also fail to record any reasons as to how the material discovered and pertaining to a particular AY is likely to "have a bearing on the determination of the total income" for the year which is sought to be abated or reopened in terms of the impugned notices. The respondents have erroneously proceeded on the assumption that the moment any material is recovered in the course of a search or on the basis of a requisition made, they become empowered in law to assess or reassess all the six AYs' years immediately preceding the assessment correlatable to the search year or the "relevant assessment year" as defined in terms of Explanation 1 of Section 153A. The said approach is clearly unsustainable and contrary to the consistent line struck by the precedents noticed above."*

10. Hence respectfully applying the construction that is favourable to the assessee by taking shield from the decision of the Hon'ble Supreme Court in the case of Vegetable Products reported in 88 ITR 192 (SC), we would like to follow the decision of the Hon'ble Jurisdictional High Court supra in the case of Saksham Commodities Ltd reported in 464 ITR 1 (Del) and the decision of the Hon'ble Karnataka High Court in the case of Sunil Kumar Sharma supra and hold that recording of consolidated satisfaction note for various assessment years by the Learned AO would become fatal to the very assumption of jurisdiction and consequential framing of assessment under section 153C of the Act for the assessment years 2015-16 and 2016-17 in the instant case. Accordingly the assessments framed

under section 153C of the Act for the assessment years 2015-16 and 2016-17 are hereby quashed.

11. Since the entire assessments are quashed, the other grounds raised by the assessee need not be gone into and they are left open.

12. In the result, both the appeals of the assessee are allowed.

Order pronounced in the open court on 14/11/2025.

-Sd/-
(C. N. PRASAD)
JUDICIAL MEMBER

-Sd/-
(M. BALAGANESH)
ACCOUNTANT MEMBER

Dated: 14/11/2025
A K Keot

Copy forwarded to

1. Applicant
2. Respondent
3. CIT
4. CIT (A)
5. DR:ITAT

ASSISTANT REGISTRAR
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