आयकर अपीलीय अधिकरण, हैदराबाद पीठ

IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'SMC' Bench, Hyderabad

BEFORE SHRI VIJAY PAL RAO, VICE PRESIDENT

आ.अपी.सं /**ITA No.1806/Hyd/2025**
Assessment Year 2015-2016

Vatti Prakash Reddy, Hyderabad – 500 018. Telangana. PAN AASPV8120C	vs.	The Income Tax Officer, Ward-11(1), Hyderabad. PIN – 500 017. Telangana.
(Appellant)		(Respondent)

निर्धारिती द्वारा /Assessee by:	CA A Vamseedhar
राजस्व द्वारा /Revenue by:	MS P Sumitha, Sr. AR

सुनवाई की तारीख/Date of hearing:	15.01.2026
घोषणा की तारीख/Pronouncement:	23.01.2026

आदेश/ORDER

PER VIJAY PAL RAO, VICE PRESIDENT :

This appeal by the Assessee is directed against the Order dated 19.08.2025 of the learned CIT(A)-National Faceless Appeal Centre [in short "NFAC], Delhi, for the assessment year 2015-2016.

2. The Assessee has raised the following grounds in the instant appeal:

1. *That the learned Assessing Officer erred in initiating proceedings under Section 148A(b) and issuing notice under Section 148 dated 27.04.2022 without fulfilling the mandatory conditions prescribed under Sections 147, 148, 148A, and 149 of the Income Tax Act, 1961; the reassessment is void ab initio and liable to be quashed.*

2. *That the notice under Section 148 was issued beyond the limitation period of six years prescribed under the erstwhile Section 149(1)(b), and the extended ten-year period introduced by Finance Act, 2021 cannot be applied retrospectively to AY 2015-16, as held in Hexaware Technologies Ltd v. ACIT (2024). The alleged escaped income addition of Rs.25.27 lakh falls below the Rs.50 lakh thresholds required to sustain jurisdiction under Section 149(1)(b), and therefore, the reassessment proceedings are barred by limitation.*

3. *That the Assessing Officer and CIT(A) erred in relying solely on the "Insight Portal" information aggregating financial transactions exceeding Rs.1.13 crore as material suggesting escapement exceeding Rs.50 lakhs without proper verification or validation of documentary evidence furnished by the appellant during Section 148A proceedings; the reopening was thus founded on mere opinion and suspicion rather than tangible material.*

4. *That the appellant furnished detailed bank statements, cash flow statements, identity proofs of debtors (friends and relatives), and records of past interest income from loans given, all of which were ignored or rejected by the Assessing Officer without satisfactory*

reasons or independent verification, contrary to the principles of Natural Justice.

5. *That the Assessing Officer wrongly treated Rs. 25,27,000 as unexplained money under Section 69A despite the appellant having discharged the initial onus by substantiating the source through credible evidence, thereby misapplying Section 115BBE; such addition is unjustified, erroneous, and liable to be deleted.*

6. *That the Assessing Officer unlawfully disregarded the time gap of several months between cash withdrawals and redeposits without considering the social and practical reasons for such cash holdings, which is not prohibited by law, as supported by the decision in Dy. CIT v. Gordhan (Delhi Tribunal, 2019).*

7. *That the reopening proceedings violated the provisions of faceless assessment mandated under Section 151A read with CBDT Notification No. 18/2022 and judgments in Kankanala Ravindra Reddy v. ITO (2023) and Tecumseh Products India Pvt. Ltd v. DCIT (2025), as the jurisdictional Assessing Officer (JAO) issued the notices instead of the Faceless Assessing Officer (FAO), rendering the proceedings invalid.*

8. *That the sanction under Section 151 granted for reopening was mechanical and without due application of mind, vitiating the proceeding and assessment order.*

9. *That the Assessing Officer failed to provide the appellant with the material relied upon in the notice under Section 148A(b), denied meaningful opportunity of hearing via video conference as mandated under Section 144B(7)(vii) and CBDT Instruction No. 20/2021, and proceeded mechanically, breaching principles of natural justice.*

10. That the CIT(A) erred in upholding the Assessing Officer's order without properly adjudicating on significant grounds of jurisdiction, violation of procedure, and failure to admit additional evidence under Rule 46A, thus rendering the appellate order non-speaking and violative of Section 250(6).

11. That in view of the appellant's detailed written submissions, documentary evidence, and prior return filings reflecting interest income on loans given, the addition made of unexplained income and consequential tax under Section 115BBE is unsustainable and contrary to law.

12. That the Assessing Officer wrongly invoked the extended limitation period under Section 149(1)(b) based on speculative opinion rather than concrete material available at the time of reopening, contrary to the Supreme Court ruling in Union of India v. Ashish Agarwal (2022) and CBDT Instruction No. 1/2022.

13. That the entire reassessment and addition under Section 69A were based on surmises, suspicion, and incomplete or uncorroborated information in violation of the appellant's substantive and procedural rights guaranteed under the Income Tax Act and judicial discipline.

14. The appellant craves leave to amend, modify, add, or forego any ground(s) of appeal at any time before or during the hearing."

3. Ground no.1 is regarding the validity of the notice issued u/sec.148 of the Income Tax Act [in short "the Act"], 1961 dated 27.04.2022 being barred by limitation.

4. The learned Authorised Representative of the Assessee has submitted that Assessing Officer has reopened the assessment by considering the cash deposit, time deposit at Rs.1.13 crores, whereas the transaction of cash deposit of Rs.20 lakhs and conversion of the same to fixed deposit cannot be clubbed together for the purpose of quantum of income escaped assessment. The Assessing Officer has accepted this fact while passing the assessment order and finally made an addition of Rs.25,27,000/- against the proposed income of Rs.1.13 crores escaped assessment while issuing the notice u/sec.148 of the Act. The learned Authorised Representative of the Assessee has pointed out that the transaction in the bank account of the assessee are clearly showing this fact that an amount of Rs.20 lakhs is considered by the Assessing Officer twice being cash deposit as well as fixed deposit/time deposit and further the Assessing Officer has also taken the same deposit two times under the category of deposit in cash aggregating to Rs.2 lakhs or more as well as deposit in cash of Rs.10 lakhs or more. The learned Authorised Representative of the Assessee

has pointed out that the deposit in cash of Rs.2 lakhs or more also covers the deposit in cash of Rs.10 lakhs or more. He has referred to the bank account statement of the assessee placed at page no.108 and submitted that on 24.06.2014 cash of Rs.20 lakhs was deposited and on the same date fixed deposit was made of Rs.20 lakhs. Both of these transactions have been clubbed together by the Assessing Officer while considering the total income assessable to tax as escaped assessment while initiating the re-assessment proceedings. Further the Assessing Officer has again considered the amount of Rs.43.5 lakhs under cash aggregating to Rs.2 lakhs or more and then Rs.40,66,000/- in the category of deposit in cash of Rs.10 lakhs or more whereas this amount of Rs.40,66,000/- is part and parcel of the amount of Rs.43.50 lakhs under the category of deposit in cash aggregating to Rs.2 lakhs or more. Thus, the learned Authorised Representative of the Assessee has submitted that if these double amounts of deposits is not taken into consideration, then the total deposit in the bank account comes to Rs.47.50 lakhs. However, the cash deposits in the

bank account is to the extent of Rs.27,50,000/- is out of the withdrawal made from the bank account itself and thereafter the fixed deposit of Rs.9,50,000/- each on 07.02.2015 and 09.02.2015 respectively, were also a direct conversion of cash deposit into fixed deposits on respective dates. Thus, the learned Authorised Representative of the Assessee has submitted that though the deposit in the bank account is accepted by the Assessing Officer while passing the assessment order at Rs.27,50,000/-, however, even if the entire deposit in cash is taken into consideration the same is less than Rs.50 lakhs and hence, the limitation for issuing notice u/sec.148 as per the provisions of sec.149 of the Act is 03 years and thus, the notice issued by the Assessing Officer on 27.04.2022 is barred by limitation and liable to be quashed.

5. On the other hand, learned DR has submitted that at the time of issuing notice u/sec.148 of the Act, the Assessing Officer is not supposed to conduct a thorough enquiry and establish that income chargeable to tax has escaped assessment based on such enquiry or investigation,

but, the Assessing Officer has formed an opinion based on the facts and information available at the time of issuing the notice. Thus, the learned DR has submitted that at the time of issuing the notice, the Assessing Officer is not required to consider all these facts as subject matter of the scrutiny to arrive at the decision that the income assessable to tax is less than Rs.50 lakhs or more when *prima facie* the transactions of deposits and time deposits in the bank account of the assessee are more than Rs.1 crore. Thus, the learned DR has submitted that the limitation for issuing the notice u/sec.148 of the Act is 10 years in the cases where the income assessable to tax has escaped assessment is more than Rs.50 lakhs. She has relied upon the Orders of the authorities below.

6. We have considered the rival submissions as well as the relevant material on record. The Assessing Officer has issued show cause notice u/sec.148A(b) on 22.03.2022 i.e., at the fag end of the 06 years from the assessment year under consideration. In the said show cause notice, the Assessing Officer has given the nature of transactions as under:

Nature of Transactions	Amount Reported (in Rs.)
Deposit In Cash aggregating Rs. 2,00,000/- or more, with a banking company	43,50,000/-
Time deposit exceeding Rs. 2,00,000/- with a banking company	29,50,000/-
TDS Statement - Interest other than interest on securities (Section 194A)	14,229/-
Deposited cash of Rs. 10,00,000 or more in a saving bank account	40,66,000/-
Total	1,13,80,229/-

6.1. Thus, the Assessing Officer has considered 04 items of deposits/credits in the bank account of the assessee including the time deposit and arrived at the total amount of Rs.1,13,80,229/-. The assessee responded to the said show cause notice by filing the reply as mentioned by the Assessing Officer in the Order dated 27.04.2022 passed u/sec.148A(d) of the Act in Para nos.3 and 4 as under:

"3. In response to the notice issued u/s 148A(b) of IT Act, 1961, the assessee furnished his response on 22.04.2022 by submitting copies of bank statements,

cash flow statements, statement of income, balance sheet, receipts and payments statement and written submissions for the transactions reported above. The submissions made by the assessee have been examined carefully

4. On verification of the information submitted by assessee and available on record, the assessee submitted that he has deposited an amount of Rs.47,02,000/- instead of Rs.84,16,000/- as reported in the show cause notice. Further, the assessee stated that time deposits and cash deposits are out of his previous savings and unsecured cash loan given to friends and relatives recovered during the year. The assessee has submitted copy of bank statement and cash flow statement in support of his claim The assessee has not explained sources of term deposit and also failed to furnish the detail of person to whom unsecured hand loan was given with the amount and period when it was given which has been claimed to be recovered during the year under consideration and deposited into account. In

the absence of such evidences, mare cash flow statement is not a satisfactory evidence to constitute the availability of cash in hand. Further, the assessee has not offered any income derived from interest on such advances and therefore the explanation of the assessee is rejected. Considering the above fact, total income chargeable to tax in the hands of the assessee is worked out to Rs.1,13,80,229/- for the A.Y.2015-16."

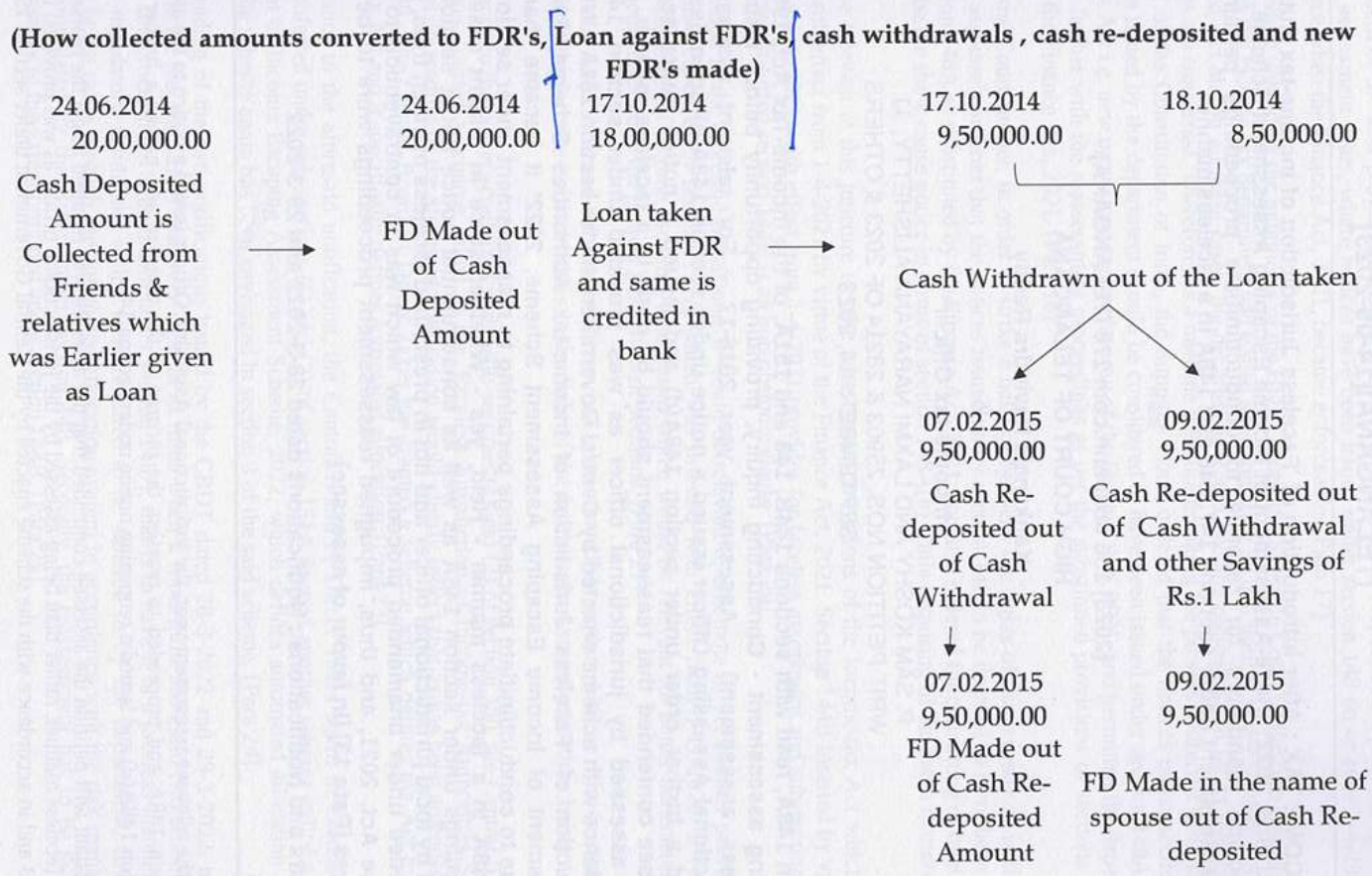
6.2. Thus, it is clear that the assessee has submitted that the copies of the bank statements, cash flow statement, statement of income, balance-sheet, receipt and payment statement along with written submissions and explained the transactions as well as the source of the deposits in cash and time deposit. All the transactions are reflected in the bank accounts of the assessee were available before the Assessing Officer at the time of passing the Order u/sec.148A(d) of the Act. The assessee in the cash flow statement has explained the transactions as under:

Vatti Prakash

Assessment Year 2015-16

Details given below depicts the flow of funds in the appellant's Andhra Bank A/c.no.052610100069903

(How collected amounts converted to FDR's, Loan against FDR's, cash withdrawals , cash re-deposited and new FDR's made)



6.3. The first transaction of cash deposit of Rs.20 lakhs on 24.06.2014 and converting the same in the fixed deposit on the same date are duly reflected in the bank account of the assessee. Therefore, only the cash deposit of Rs.20 lakhs can be considered as income escaped assessment and not both the cash deposit and conversion of the same into fixed deposit on the same date. Further the assessee has taken loan against the FDR of Rs.18 lakhs which is also reflected from the record and particularly, from the bank account of the assessee and therefore, the same cannot be treated as unexplained deposit falling in the category of income escaped assessment. Thereafter, the assessee has made deposit of Rs.8,50,000/- on 18.10.2014 though he has claimed as from the withdrawal made by the assessee on the previous date i.e., 17.10.2014 of Rs.9.50 lakhs, however, at the time of issuing the notice u/sec.148 of the Act, the Assessing Officer is not supposed to conduct a thorough enquiry to examine and therefore, even by considering the said deposit of Rs.8.50 lakhs and subsequent 02 deposits on 07.02.2015 and 09.02.2015 of Rs.9.50 lakhs each respectively were converted into fixed deposits on the same dates the total amounts comes to Rs.47.50 lakhs which is less than Rs.50 lakhs. Hence, at the time of passing the Order u/sec.148A(d) of the Act, the Assessing Officer ought to have

considered all these details and transactions available with him in the form of bank account statements, cash flow statement as well as submissions filed by the assessee and only the deposits made in the bank account could have been taken into account for arriving to the total amount as income escaped assessment. Once the total deposits without even considering the source at the stage of passing the Order u/sec.148A(d) and issuing notice u/sec.148 of the Act is less than Rs.50 lakhs, then, the limitation as per the provisions of sec.149 of the Act would be only 03 years from the end of the assessment year. Hence, in the facts and circumstances, *prima facie* when it is manifest and evident from the bank account transactions that the total deposit made in the bank account during the year without even considering the source explained by the assessee is less than Rs.50 lakhs, then, the notice issued u/sec.148 of the Act on 27.04.2022 is beyond the period of limitation i.e., 03 years from the end of the assessment year under consideration and consequently, the said notice is bad in law and liable to be quashed. We Order accordingly.

7. Ground no.2 is regarding validity of the notice issued u/sec.148 of the Act by the Jurisdictional Assessing Officer [in short "JAO"] without following the procedure as per National

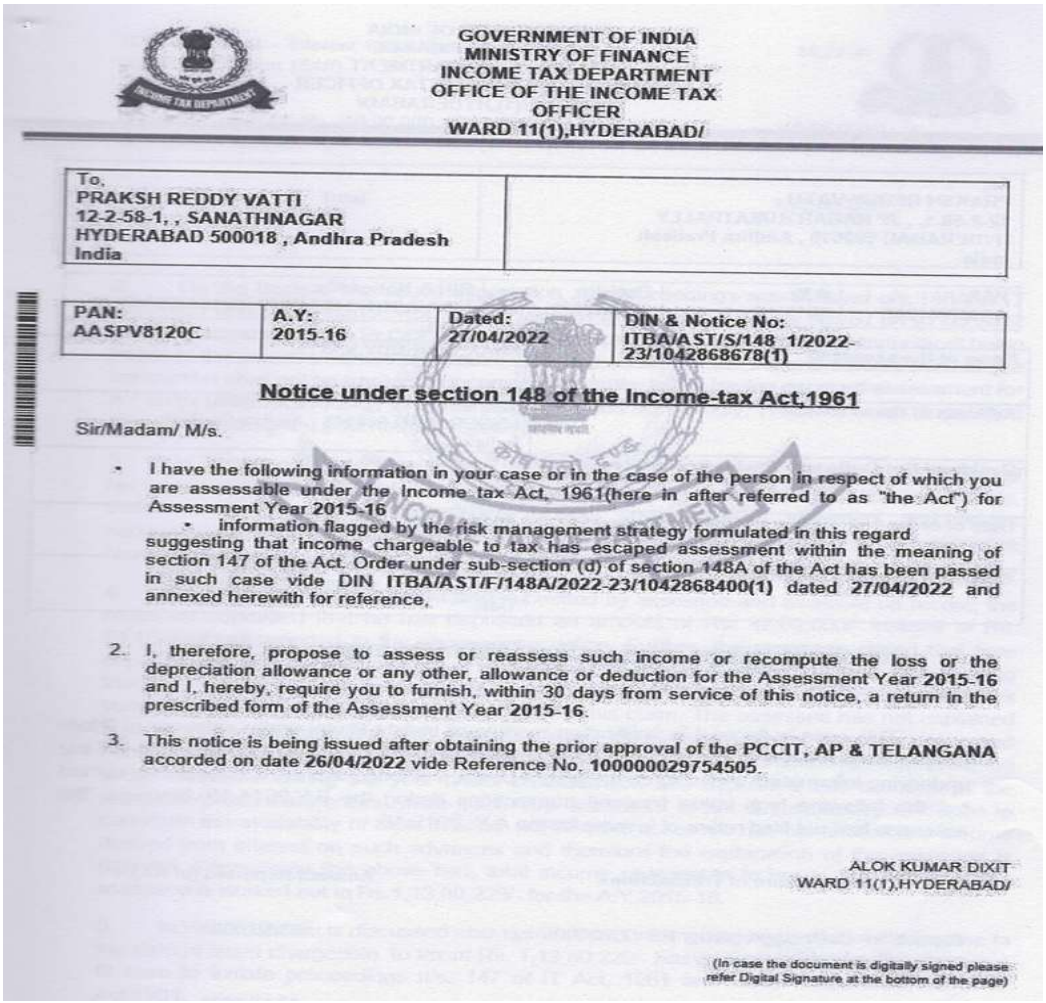
Faceless Assessment Scheme introduced by the Finance Act, 2021 is not valid.

8. The learned Authorised Representative of the Assessee has submitted that the notice issued by the JAO, Ward-11(1), Hyderabad u/sec.148 of the Act dated 27.04.2022 and consequently, the re-assessment order on the ground that the procedure as per the National Faceless Assessment Scheme has not been followed and, therefore, the same is bad in law and requires to be set-aside. In support of this contention, the learned Authorised Representative of the Assessee has submitted that an identical issue has been decided by the Hon'ble Jurisdictional High Court for the State of Telangana in the case of **Tecumseh Products India (P.) Ltd., vs. DCIT [2025] 174 taxmann.com 1203 (Telangana)**.

9. On the other hand, the learned DR has relied upon the Orders of the authorities below and submitted that the issue is pending adjudication before the Hon'ble Supreme Court in the case of Hexaware Technology Ltd., in the SLP filed by the Department against the Judgment of Hon'ble High Court of Bombay and, therefore, the same may be kept in abeyance till the

outcome of the SLP filed by the Department before the Hon'ble Supreme Court.

10. I have heard the learned Authorised Representative of the Assessee as well as the learned DR and considered the relevant material on record. At the outset, it is noted that the ITO, Ward-11(1), Hyderabad has issued notice u/sec.148 of the Act dated 27.04.2022 as under :



GOVERNMENT OF INDIA
MINISTRY OF FINANCE
INCOME TAX DEPARTMENT
OFFICE OF THE INCOME TAX OFFICER
WARD 11(1),HYDERABAD/

To,
PRAKSH REDDY VATTI
12-2-58-1, , SANATHNAGAR
HYDERABAD 500018 , Andhra Pradesh
India

PAN:	A.Y:	Dated:	DIN & Notice No:
AASPV8120C	2015-16	27/04/2022	ITBA/AST/S/148_1/2022-23/1042868678(1)

Notice under section 148 of the Income-tax Act,1961

Sir/Madam/ M/s.

- I have the following information in your case or in the case of the person in respect of which you are assessable under the Income tax Act, 1961(here in after referred to as "the Act") for Assessment Year 2015-16
  - information flagged by the risk management strategy formulated in this regard

suggesting that income chargeable to tax has escaped assessment within the meaning of section 147 of the Act. Order under sub-section (d) of section 148A of the Act has been passed in such case vide DIN ITBA/AST/F/148A/2022-23/1042868400(1) dated 27/04/2022 and annexed herewith for reference.

2. I, therefore, propose to assess or reassess such income or recompute the loss or the depreciation allowance or any other, allowance or deduction for the Assessment Year 2015-16 and I, hereby, require you to furnish, within 30 days from service of this notice, a return in the prescribed form of the Assessment Year 2015-16.

3. This notice is being issued after obtaining the prior approval of the PCCIT, AP & TELANGANA accorded on date 26/04/2022 vide Reference No. 100000029754505.

ALOK KUMAR DIXIT
WARD 11(1),HYDERABAD/

(In case the document is digitally signed please refer Digital Signature at the bottom of the page)

11. Thus, it is clear that the notice issued u/sec.148A(b), Order u/sec.148A(d) and notice u/sec.148 for reopening of the assessment were issued by the Jurisdictional Assessing Officer, without following the procedure as per the National Faceless Assessment Scheme prescribed u/sec.144B read with Schedule 151A of the Act. An identical issue has been considered by the Hon'ble Jurisdictional High Court for the State of Telangana in the case of **Tecumseh Products India (P.) Ltd., vs. DCIT [2025] 174 taxmann.com 1203 (Telangana)** in Paras-4 to 19 as under:

> ***"4.*** *The contention of the petitioner is that the issue of proceedings being in violation of the Finance Act, 2021 i.e., the impugned notices under Section 148A and Section 148 of the Act not being issued in a faceless manner, have already been dealt with and decided by this Court in the case of Kankanala Ravindra Reddy v. ITO [2023] 156 taxmann.com 178/295 Taxman 652 (TELANGANA) decided on 14.09.2023 whereby a batch of writ petitions were allowed and the proceedings initiated under Section 148A as also under Section 148 of the Act were held to be bad with consequential reliefs on the ground of it being in violation of the provisions of Section 151A of the Act read with Notification 18/2022 dated 29.03.2022. The said judgment passed by this*

Court has also been subsequently followed in a large number of writ petitions which were allowed on similar terms.

5. *Down the line, we find that the same issue has also been decided against the Revenue by various High Courts i.e., by the Bombay High Court in the case of Hexaware Technologies Ltd. v. Asstt. CIT [2024] 162 taxmann.com 225/464 ITR 430 , Gauhati High Court in the case of Ram Narayan Sah v. Union of India [2024] 163 taxmann.com 478/299 Taxman 276 . Punjab and Haryana High Court in the case of Jatinder Singh Bhangu v. Union of India [2024] 165 taxmann.com 115/300 Taxman 228/466 ITR 474 .and Telangana High Court in the case of Sri Venkataramana Reddy Patloola v. Dy. CIT [2024] 167 taxmann.com 411/468 ITR 181 . where the issue was in respect of international taxation, Bombay High Court in the case of Abhin Anilkumar Shah v. ITO,International Taxation [2024] 166 taxmann.com 679/301 Taxman 156/468 ITR 350 . which is again on international taxation and central circle, High Court of Himachal Pradesh in the case of Govind Singh v. ITO [2024] 165 taxmann.com 113/300 Taxman 216 . Gujarat High Court in the case of Mansukhbhai Dahyabhai Radadiya v. ITO 2024 SCC OnLine Guj 4012, Jharkand High Court in the case of Shyam Sundar Saw v. Union of India 2025 SCC OnLine Jhar 287, Rajasthan High Court in the case of Sharda Devi Chhajer v. ITO [2023: RJ-JD:4984-DB] and batch of writ petitions which stood decided on 19.03.2024. Similar views have also been taken by the Division Bench of Calcutta High Court in the case of Girdhar Gopal Dalmia v. Union of India [M.A.T 1690 of 2023, dated 25-09-2024].*

6. *Even though the same issue having been decided by a large number of High Courts, we are still confronted with large filing of identical matters on daily basis ranging between 5 to 10 writ*

petitions. That upon the instructions being sought from the Department, they have been taking a solitary ground that the decision of the Bombay High Court in the case of Hexaware Technologies Ltd., (2 supra) as also the one which has been decided by this Court in the case of Kanakala Ravindra Reddy (1 supra) has been subjected to challenge in a Special Leave Petition i.e., SLP No.3574 of 2024 before the Hon'ble Supreme Court and the Hon'ble Supreme Court is seized of the matter. In addition, there are about 1200 SLPs also filed arising out of the same issue being decided by various High Courts.

7. *To a query being put to the learned counsel for the Revenue, they have categorically accepted the fact that there is no interim order granted by the Hon'ble Supreme Court in any of these matters pending before it. Meanwhile, fresh writ petitions of identical nature are being piled up before this Bench on daily basis and the pendency is getting increased on matter which otherwise has already been dealt and decided by this very High Court itself.*

8. *On the one hand, even though the order of this Court that was passed as early as on 14.09.2023 and more 16 months have lapsed, till date, we do not find any remedial steps having been taken by the Income Tax Department to take appropriate steps to either hold back issuance of notice under Section 148A and under Section 148 of the Act by the jurisdictional Assessing Officer, rather the authorities concerned in the teeth of series of decisions by all the major High Courts in India are continuously still initiating proceedings under Section 148A of the Act and also initiating proceedings under Section 148 of the Act in contravention to the amendments brought into the Income Tax Act pursuant to the Finance Act, 2020 as also the Finance Act 2021.*

9. *Upon a query being put as to why can't this writ petition be disposed of in the teeth of the decision rendered by this Court in the case of Kanakala Ravindra Reddy (1 supra), learned Standing Counsel for the Income Tax Department contends that those would unnecessarily burden the Income Tax Department where they would be required to file equal number of SLPs before the Hon'ble Supreme Court and it would be further burdening the exchequer of the Union of India. It was also the contention of the learned Standing Counsel that no prejudice would be caused to the interest of the petitioners in case if this writ petition is kept pending till the finalization of the SLPs pending before the Hon'ble Supreme Court and the fact that the petitioner is already enjoying the benefit of interim protection. Nonetheless, on the earlier query of this Court as to why the Income Tax Department have not come out with a mechanism to issue appropriate instructions or to take appropriate steps in ensuring that proceedings under Section 148A of the Act as also the assessment orders under Section 148 of the Act are kept in a hold in the light of the decisions decided by the various High Courts, it was submitted by the learned Standing Counsel that the said steps can only be taken at the level of CBDT as any such steps would have to be taken Pan India and cannot be limited to any of these jurisdictional High Courts.*

10. *As a result of which, what we are facing is steep increase of litigation day in and day out even though various orders have been passed by this High Court allowing writ petitions on the very same issue. The Income Tax authorities concerned are still even now in 2025 also initiating proceedings in contravention to the provisions of Section 151A of the Act and as a result by now, more than 600 to 700 petitions have been already got piled up before this High Court on an issue which otherwise stands squarely*

covered by the judgment of this Court in the case of Kanakala Ravindra Reddy (1 supra). What is also surprising is the fact that though while allowing the writ petitions in the case of Kanakala Ravindra Reddy (1 supra), the Division Bench while reserving the right of the Revenue, has also protected the interest of the petitioners insofar as the liberty which was granted to the Revenue for initiating fresh proceedings strictly in accordance with the amended provisions of the Act, as amended by the Finance Act, 2020 and the Finance Act, 2021. The petitioner assessee would be entitled to challenge or raise the other legal objections if the Revenue initiates fresh proceedings. The Department has made no endeavour in availing the said liberty that was reserved for the Revenue. On the contrary, they have been still sticking on to the stand, which this High Court as well as many other High Courts already held to be bad.

11. *It appears that because of the aforesaid liberty that this High Court had granted permitting the Revenue for initiating fresh proceedings as a one-time measure in a faceless manner, the Income Tax Department wants to take advantage of the same by protracting these proceedings which would enable them to meet the limitation that would otherwise come in the way. Likewise, if the writ petition is kept pending for a considerable long period of time and finally at a later stage if the Hon'ble Supreme Court confirms the decision taken by this High Court as also by the other High Courts in which the SLPs are still pending, the Income Tax Department would get the advantage of the liberty that is otherwise protected in favour of the Revenue for initiation of fresh proceedings from the disposal of these matters at a much later stage which would be advantageous and beneficial to the Revenue and would be equally disadvantageous and detrimental so far as*

interest of the assesses are concerned. As a consequence, the Income Tax Department gets an extended period of time for initiation of fresh proceedings.

12. *The alarming trend of docket explosion in this Court, despite the clear precedent set in Kanakala Ravindra Reddy (1 supra), is a matter of grave concern. The Income Tax Department's persistent initiation of fresh proceedings, disregarding the established judicial pronouncements, has led to an unprecedented surge in litigation with over 600-700 petitions piling up on the same issue. This deliberate approach not only undermines the principle of judicial precedent but also strains the judicial resources unnecessarily. The Department's strategy of awaiting the Supreme Court's decision on pending SLPs while continuing to initiate fresh proceedings appears to be a calculated move to buy time and circumvent limitation periods, rather than adhering to the established legal position. Such conduct raises serious questions about the administrative efficiency and the respect for judicial pronouncements, particularly when this Court has already provided a balanced approach by preserving both the Revenue's rights and assesses interests.*

13. *Another aspect which needs to be considered is that in fact it should have been realized by the Income Tax Department itself and should have found out via media in ensuring that proceedings under Sections 148-A and 148 should not have been issued in a faceless manner, at least till the Hon'ble Supreme Court decide the twelve hundred (1200) odd SLPs which it is already seized of or, at least the Income Tax Department should have found out some remedial steps to ensure that wherever the authorities intend to initiate proceedings under Sections 148-A and 148, other than in a faceless manner, the proceedings should have been deferred*

without precipitating the matter further intimating the assessee that they shall initiate appropriate proceedings only after the SLP's are decided by the Hon'ble Supreme Court on the very same issue. This again, the Income Tax Department, has not been able to give a convincing reply, except for the fact that such a decision if at all has to be taken, has to be taken for the whole of India, and which otherwise has to be by way of a policy decision and that too at the level of Central Board of Direct Taxes. Though the learned Standing Counsel for the Income Tax Department contended that the Delhi High Court dismissed a writ petition of similar nature, on the one hand when the High Court is struggling to reduce its pendency, such notices which are under challenge in this writ petition are forcing the assessee to knock the doors of this High Court resulting in filing of hundreds of new writ petitions which in the long run not only affects the disposal of the writ petitions but also consumes substantial time of the Bench in hearing these matters again and again on daily basis. Admittedly, in spite of the matter before the Hon'ble Supreme Court having been taken on many occasions, the Hon'ble Supreme Court which is seized of the matter has been reluctant in granting any interim protection to the Income Tax Department. Yet, the authorities concerned at the State level are not ready to accept the verdict passed by a majority of High Courts of different States on the same issue; and to make things further worse, the Income Tax Department is showing audacity by issuing notices continuously under Sections 148-A and 148 through the jurisdictional Assessing Officer whereas it ought to have been only in the faceless manner.

14. *In the case of Bank of India v. Asstt. CIT [2025] 170 taxmann.com 422 (Bom) on an issue whether it was justifiable on the part of the Income Tax Department in not following an order passed by the adjudicating authority only on the ground that the*

appeals are pending, the Division Bench of the High Court of Bombay held at paragraph No.25 as under, viz., :

> *"25. Mr. Paridwalla has rightly drawn out attention to the decision of this Court in Commissioner of Income Tax v. Smt. Godavaridevi Saraf [1978] 113 ITR 589 (Bombay) as also the recent decision of the coordinate Bench of this Court in Samp Furniture (P) Ltd. v. ITO [2024] 165 taxmann.com 581/300 Taxman 452 (Bombay) of which one of us (Justice G.S. Kulkarni) was a member, wherein the Court categorically observed that the Revenue having not "accepted" the judgment of the High Court would not mean that till the same is set aside in a manner known to law, it would loose its binding force. Referring to the decision of the Supreme Court in Union of India v. Kamlakshi Finance Corporation Ltd. [1992] taxmann.com 16/55 ELT 433 (SC), the Court observed that the approach of the officials of Revenue of treating decisions being "not acceptable" was criticized by the Supreme Court. In such decision, following are the relevant observations made by the Supreme Court.*
>
> > *"6. Sri Reddy is perhaps right in saying that the officers were not actuated by any mala fides in passing the impugned orders. They perhaps genuinely felt that the claim of the assessee was not tenable and that, if it was accepted, the Revenue would suffer. But what Sri Reddy overlooks is that we are not concerned here with the correctness or otherwise of their conclusion or of any factual malafides but with the fact that the officers, in reaching in their conclusion, by-passed two appellate orders in regard*

to the same issue which were placed before them, one of the Collector (Appeals) and the other of the Tribunal. The High Court has, in our view, rightly criticized this conduct of the Assistant Collectors and the harassment to the assessee caused by the failure of these officers to give effect to the orders of authorities higher to them in the appellate hierarchy. It cannot be too vehemently emphasized that it is of utmost importance that, in disposing of the quasi-judicial issues before them, revenue officers are bound by the decisions of the appellate authorities. The order of the Appellate Collector is binding on the Assistant Collectors working within his jurisdiction and the order of the Tribunal is binding upon the Assistant Collectors and the Appellate Collectors who function under the jurisdiction of the Tribunal. The principles of judicial discipline require that the orders of the higher appellate authorities should be followed unreservedly by the subordinate authorities. The mere fact that the order of the appellate authority is not "acceptable" to the department - in itself an objectionable phrase -and is the subject matter of an appeal can furnish no ground for not following it unless its operation has been suspended by a competent court. If this healthy rule is not followed, the result will only be undue harassment to assesses and chaos in administration of tax laws.

..... …… ……

12. We have dealt with this aspect at some length, because it has been suggested by the learned Additional Solicitor General that the observations made by the High

Court, have been harsh on the officers. It is clear that the observations of the High Court, seemingly vehement, and apparently unpalatable to the Revenue, are only intended to curb a tendency in revenue matters which, if allowed to become widespread, could result in considerable harassment to the assesses-public without any benefit to the Revenue. We would like to say that the department should take these observations in the proper spirit. The observations of the High Court should be kept in mind in future and the utmost regard should be paid by the adjudicating authorities and the appellate authorities to the requirements of judicial discipline and the need for giving effect to the orders of the higher appellate authorities which are binding on them."

15. *What is worrying this Bench more is the fact that an endeavour is being made whole heartedly to ensure not to generate further litigation on issues which have been laid to rest by a large number of High Courts all of whom have taken a consistent stand that the action of the Income Tax Department being violative of the Finance Act, 2020 and Finance Act, 2021. Now, in order to protect the interest of the Revenue as also that of the assessee, it would be trite at this juncture, if we dispose of the writ petition with an observation/direction that the disposal of the instant writ petition in terms of the judgment rendered by this High Court in the case of Kankanala Ravindra Reddy (1 supra) shall however be subject to the outcome of the SLPs which were filed by the Income Tax Department and which is pending consideration before the Hon'ble Supreme Court.*

16. *In the given facts and circumstances, this Bench is of the considered opinion that unless and until we do not timely dispose of matters which are squarely covered by the decision of this Court and which stands fortified by the decisions of the various other High Courts on the very same issue, the pendency of this High Court would further be burdened which otherwise can be decided and disposed of as a covered matter.*

17. *So far as the interest of the Revenue is concerned, we are of the considered opinion that the interest of the Revenue has already been considered and protected, as has been observed in paragraphs 36, 37 and 38 of the order which, for ready reference, is reproduced hereunder:*

> *36. For all the aforesaid reasons, the impugned notices issued and the proceedings drawn by the respondent-Department is neither tenable, nor sustainable. The notices so issued and the procedure adopted being per se illegal, deserves to be and are accordingly set aside/quashed. As a consequence, all the impugned orders getting quashed, the consequential orders passed by the respondent-Department pursuant to the notices issued under Section 147 and 148 would also get quashed and it is ordered accordingly. The reason we are quashing the consequential order is on the principles that when the initiation of the proceedings itself was procedurally wrong, the subsequent orders also gets nullified automatically.*
>
> *37. The preliminary objection raised by the petitioner is sustained and all these writ petitions stands allowed on this very jurisdictional issue. Since the impugned notices and orders are getting quashed on the point of jurisdiction, we are not inclined to*

proceed further and decide the other issues raised by the petitioner which stands reserved to be raised and contended in an appropriate proceedings.

38. Since the Hon'ble Supreme Court had, in the case of Ashish Agarwal, supra, as a one-time measure exercising the powers under Article 142 of the Constitution of India, permitted the Revenue to proceed under the substituted provisions, and this Court allowing the petitions only on the procedural flaw, the right conferred on the Revenue would remain reserved to proceed further if they so want from the stage of the order of the Supreme Court in the case of Ashish Agarwal, supra.

18. *We would only further like to make observations that since we are inclined to dispose of the instant writ petition, conscious of the fact that the earlier order of this High Court in the case of Kanakala Ravindra Reddy (1 supra) is subjected to challenge before the Hon'ble Supreme Court in SLP No.3574 of 2024, preferred by the Income Tax Department, we make it clear that allowing of the instant writ petition is subject to outcome of the aforesaid SLP preferred by the Revenue against the decision of this High Court in the case of Kanakala Ravindra Reddy (1 supra). This, in other words, would mean that either of the parties, if they so want, may move an appropriate petition seeking revival of this writ petition in the light of the decision of the Hon'ble Supreme Court in the pending SLP on the very same issue.*

19. *Accordingly, the instant writ petition stands allowed in favour of the assessee so far as the issue of jurisdiction is concerned. As a consequence, the impugned notice under challenge under Sections 148-A and 148 stands set aside/quashed. The consequential orders, if any, also stand set aside/quashed in*

similar terms as have been passed by this High Court in the case of Kankanala Ravindra Reddy (1 supra). There shall be no order as to costs."

12. Respectfully following the Judgment of Hon'ble Jurisdictional High Court in the case of **Tecumseh Products India (P.) Ltd. Vs. DCIT (supra)**, as well as to maintain rule of consistency, this issue is decided in favour of the assessee by holding that the notice issued u/sec.148 of the Act by the JAO without following the procedure provided u/sec.144B read with Schedule 151A for National Faceless Assessment is invalid and liable to be quashed. I Order accordingly.

13. Since the matter is pending adjudication before the Hon'ble Supreme Court in the case of Hexaware Technology Ltd., therefore, the parties are at liberty to get this appeal revived as per the outcome of the SLP on the same issue pending adjudication before the Hon'ble Supreme Court. Since, I have quashed the notice issued u/sec.148 of the Act, it also vitiates the re-assessment order passed by the Assessing Officer,

therefore, I do not propose to other grounds which are also not pressed by the learned Authorised Representative of the Assessee at this stage and prayed for keeping the same open, if need arises. Hence, the other issues raised by the assessee are kept open.

14. In the result, appeal of the Assessee is allowed.

Order pronounced in the open Court on 23.01.2026.

Sd/-
[VIJAY PAL RAO]
VICE PRESIDENT

Hyderabad, Dated 23rd January 2026.
VBP
Copy to :

1.	Vatti Prakash Reddy, 12-2-58/1, JP Nagar, Kukatpally, Hyderabad – 500 018. Telangana.
2.	The Income Tax Officer, Ward-11(1), Signature Tower, Gachibowli, Hyderabad – 500 017. Telangana.
3.	The Pr. CIT, Hyderabad.
4.	The DR, ITAT, “SMC” Bench, Hyderabad.
5.	Guard file.

BY ORDER

//True copy//