

**INCOME TAX APPELLATE TRIBUNAL
AGRA BENCH "SMC": AGRA
BEFORE SHRI M. BALAGANESH, ACCOUNTANT MEMBER**

**ITA No. 473/AGR/2025
(Assessment Year: 2018-19)**

Badriprasad, Heerabagh Colony, Guna, Gwalior	Vs.	Income Tax officer, Guna, Gwalior
(Appellant)		(Respondent)
PAN: ARAPR6314B		

Assessee by :	Shri Rajendra Sharma, Adv Shri Manuj Sharma, Adv
Revenue by:	Shri Anil Kumar, Sr. DR
Date of Hearing	21/01/2026
Date of pronouncement	21/01/2026

ORDER

1. The appeal in ITA No. 473/AGR/2025 for AY 2018-19, arises out of the order of the National Faceless Appeal Centre, Delhi [hereinafter referred to as 'ld. CIT(A)', in short] dated 30.09.2025 against the order of assessment passed u/s 147 r.w.s 144 r.w.s. 144B of the Income-tax Act, 1961 (hereinafter referred to as 'the Act') dated 25.03.2023 by the Assessing Officer, Assessment Unit, Income Tax Department (hereinafter referred to as 'ld. AO').

2. Though the assessee has raised several grounds of appeal, the preliminary issue to be decided is whether the assumption of jurisdiction for reopening the assessment by Jurisdictional Assessment Officer(JAO) as against Faceless Assessment Officer (FAO) could be considered as valid. This goes to the root of the matter and hence I deem it fit to address this preliminary issue first.

3. I have heard the rival contentions and perused the materials available on record. It is not in dispute that the order under section 148A(d) of the Income Tax Act, 1961 (in short 'Act') dated 27.03.2022 was passed by the JAO. It is also not in dispute that the notice u/s.148 of the Act dated 27.03.2022 was issued by the JAO. This issue is no longer in res-integra in view of the decision of Chennai Tribunal in the case of Loganathan Dhandapani vs. ACIT in ITA No. 2240/Chny/2024 for A.Y.2018-19 dated 14.08.2025. The relevant portion of the said order is reproduced below:-

"2. At the outset, the Ld.AR of the assessee drew our attention to grounds of appeal preferred by it wherein assessee has raised a legal issue challenging the impugned notice issued u/s.148 of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') dated 31.03.2022 as bad in law and hence consequent passing of the assessment order by the Jurisdictional Assessing Officer (hereinafter referred to as 'JAO') also is null in the eyes of law.

3. *Ground No.5 is reproduced as under:*

5. The NFAC, Delhi failed to appreciate that the passing of the order under Section 148A(d) of the Act by the JAO was in complete defiance to the prescription of law/ procedure in relation thereto and hence ought to have appreciated that in the absence of valid foundation for issuance of notice under section 148 of the Act, the consequential re-assessment should be considered as nullity in law.

4. *According to the Ld.AR, the impugned notice issued u/s.148 dated 31.03.2022, is invalid and bad in law being issued by the Jurisdictional Assessing Officer (herein after 'JAO') which is not in accordance with Sec. 151/151A of the Act read with the faceless Scheme notified by CBDT on 29 March 2022 for assessment, reassessment or re-computation u/s.147/issuance of notice u/s.148 of the Act or for conducting of inquiry or issuance of show cause notice or passing of order u/s.148A of the Act or sanction for issuance of notice under section 151 of the Act. Further, according to the Ld AR, in exercise of the powers conferred u/s.151A of the Act, CBDT had issued a notification dated 29.03.2022 [after laying the same before each House of Parliament] and formulated a Scheme called "the e-Assessment of Income Escaping Assessment Scheme, 2022" (herein after 'the Scheme'). And that the Scheme provides that (a) the assessment, reassessment or re-computation u/s.147 of the Act and (b) the issuance of notice u/s.148 of the Act shall be through automated allocation, in accordance with risk management strategy formulated by the Board as referred to in Section 148 of the Act for issuance*

of notice and in a faceless manner, to the extent provided in Section 144B of the Act with reference to making assessment or reassessment of total income or loss of assessee. Therefore, according to Ld AR, since the impugned notice u/s 148 dated 31.03.2022 has been issued by JAO and not by the NFAC, there is per-se contravention of the provisions of the Act, thus violating the principles of Rule of Law, which vitiates the reopening of the assessment; and further pointed out that this legal issue raised by the assessee has been answered in favor of the assessee by the jurisdictional High Court & other Hon'ble High Courts;-

Sl.No.	Date	Citation
1	24.06.2025	Mark Studio India (P.) Ltd. v. Income-tax Officer - High Court of Madras [DB] - WA No. 781 OF 2025, order dated 24.06.2025
2	14.09.2023	KankanalaRavindra Reddy v. Income-tax Officer High Court of Telangana - 156 taxmann.com 178
3	03.05.2024	Hexaware Technologies Ltd. v. Assistant Commissioner of Income-tax High Court of Bombay - 464 ITR 430
4	20.05.2024	Ram Narayan Sah v. Union of India - High Court of Gauhati 163 taxmann.com 478
5	02.07.2024	SushilaSureshbabuMalge v. Income-tax Officer - High Court of Bombay - 468 ITR 624
6	19.07.2024	Jatinder Singh Bhangu v. Union of India High Court of Punjab & Haryana - 466 ITR 474
7	24.07.2024	Sri Venkataramana Reddy Patloola v. Deputy Commissioner of Income Tax, Circle 1(1), Hyderabad and Others High Court of Telangana - 468 ITR 181 [W.P.No.13353, 16141 & 16877 of 2024]
8	29.07.2024	Jasjit Singh v. Union of India - High Court of Punjab & Haryana - 467 ITR 52
9	05.08.2024	Samp Furniture Pvt. Ltd. v. Income Tax Officer, Ward 3(3)-Thane & Ors High Court of Bombay - 165 taxmann.com 581
10	05.08.2024	Kairos Properties Private Limited v. ACIT, Circle-15(1)(2), Mumbai & Ors - High Court of Bombay-468 ITR 168
11	29.08.2024	W.P.No.23573/2024 in the Case of ADIT(IntTaxn), Hyderabad v. Deepanjan Roy followed the decision in W.P.No.13353 of 2024 dated 24.07.2024 [Sri Venkataramana Reddy Patloola (supra)]
12	05.02.2025	Sappahire Educational & Charitable Trust v. The ITO, Exemptions Ward, Trichy. - Income Tax Appellate Tribunal, Chennai - ITA Nos.2416 & 2417/CHNY/2024
13	24.04.2025	Tecumseh Products India (P.) Ltd. v. Deputy Commissioner of Income-tax High Court of Telangana - 174 taxmann.com 1203

5. *Per contra*, the Ld.DR supported the action of the JAO issuing notice u/s.148 of the Act and submitted that both the NFAC & JAO have got concurrent jurisdiction and therefore, notice is valid and also submitted that there was no prejudice caused to the assessee. Therefore, he asserted that the action of the JAO issuing notice is valid and doesn't want us to interfere with the action of AO and instead, wants us to dismiss the Ground No.5 and he cited the decision of the Hon'ble Delhi High Court & Hon'ble Calcutta High Court as well as the Hon'ble Single Bench of Madras High Court in favor of the Revenue and cited the following orders:

- *Triton Overseas (P) Ltd. v. Union of India – Calcutta High Court – 156 Taxmann.com 318*
- *T.K.S. Builders (P) Ltd. v. ITO – Delhi High Court – 469 ITR 657*
- *Mark Studio India (P.) Ltd. v. Income-tax Officer, High Court of Madras 169 taxmann.com 542, order dated 20.12.2024*

6. We have heard both the parties and perused the material available on record. The assessee is an individual whose case was reopened by the Jurisdictional Assessing Officer (hereinafter referred to as 'JAO') u/s.147 of the Act on the basis of information that during the relevant AY 2018-19, the assessee [Shri Loganathan Dhandapani] had received a sum of Rs.3.70 Crs. towards sale of land; and that enquiry revealed that the above sum was used as a camouflaged, wherein the sale portion of immovable property amounting to Rs.1.44 Crs. and the remaining component of Rs.2.60 Crs. was obtained as loan. But that assessee suppressed the capital gain on sale of immovable property; and that the assessee had filed RoI for AY 2018-19 on 31.08.2018 at total income at Rs.12,61,790/- wherein the assessee didn't report any capital gains for AY 2018-19. On the basis of this information, the JAO recorded the reasons for re-opening of assessment after taking prior approval of competent authority and thereafter, issued notices u/s.148A(b) of the Act [refer Page No.1 of the Paper Book] on 14.03.2022. Pursuant thereto, the assessee filed his reply to the said notice on 22.03.2022 [refer Page No.3 of the Paper Book] and the JAO passed the order u/s.148A(d) of the Act on 31.03.2022 [refer Page Nos.4-8 of the Paper Book] after taking prior approval; and thereafter he (JAO) issued notice on the same day u/s.148 of the Act on 31.03.2022 [refer Page No.9 of the Paper Book], and pursuant to it, reopened the assessment for AY 2018-19 u/s.147 of the Act and thereafter passed the re/assessment order on 16.03.2023. The action of JAO issuing impugned notice dated 31.03.2022 is assailed before us as bad in law on the strength of Hon'ble Jurisdictional High Court and other judicial precedents cited *supra* and in this regard notes that the impugned notice shows that they were all issued by JAO/Shri Punyakoti Venkatesan, Assistant Commissioner of Income Tax, Non-Corporate Circle-3(1), Chennai, thereafter, the NFAC is noted to have framed the re-assessment order on 16.03.2023 after making certain additions.

7. Aggrieved, the assessee preferred an appeal before the Ld.CIT(A) who was pleased to confirm the action of the AO/NFAC, against which, assessee has preferred before this Tribunal.

8. Since the assessee has raised legal issue against the impugned action of the JAO issuing notice u/s.148A(b) dated 14.03.2022 followed by order passed u/s.148A(d) of the Act dated 31.03.2022; and thereafter, notice u/s.148 of the Act dated 31.03.2022 by raising Ground No.5 as noted supra, the assessee contends that notices issued by the JAO after 29.03.2022 expressing his desire to reopen the assessment is bad in law after the CBDT Faceless Scheme notified from 29.03.2022 (supra) read with section 151/151A of the Act, which legal issue we will deal first.

9. We note that on this legal issue there are divergent views expressed by different Hon'ble High Courts. However, it is noted that on this issue the Hon'ble jurisdictional High Court i.e. Madras High Court (Division Bench) in Mark Studio India (P.) Ltd. (supra) has expressed its view in favour of the assessee, and has concurred with the view on this issue as held by the Hon'ble Bombay High Court in the case of Hexaware Technologies (supra). And it is noted that similar view in favour of assessee has been taken by Hon'ble Gujarat High Court, the Hon'ble Telangana High Court and the Hon'ble Punjab & Haryana High Court as cited by Ld AR (supra). Even though, the Ld.DR has brought to our notice that on the legal issue, the Hon'ble Delhi High Court & Hon'ble Calcutta High Court and Hon'ble Single Bench of Madras High Court in Mark Studio India (P.) supra has held in favour of the Revenue; but since the Hon'ble jurisdictional High Court (Division Bench) in Mark Studio India (P.) (supra) has reversed the Hon'ble Single Bench and has taken view in favour of assessee as held in Hexaware Technologies Ltd. (Bom), according to us, the legal issue raised by the assessee is no longer res-integra and we are bound to follow the decision in favour of the assessee on the legal issue raised before us.

10. In this regard, it would be gainful to refer to the decision of the Hon'ble Bombay High Court in the case of Hexaware Technologies Ltd. v. ACIT reported in 464 ITR 430 (Bombay) (HC) wherein the Hon'ble High Court has dealt with this issue in detail by holding in favour of the assessee by observing as under:

32 As regards issue no.4, Section 151A reads as under:

(1) The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of assessment, reassessment or recomputation under section 147 or issuance of notice under section 148 [or conducting of enquiries or issuance of show-cause notice or passing of order under section 148A] or sanction for issue of such notice under section 151, so as to impart greater efficiency, transparency and accountability by--

(a) eliminating the interface between the income-tax authority and the assessee or any other person to the extent technologically feasible;

(b) optimising utilisation of the resources through economies of scale and functional specialisation;

(c) introducing a team-based assessment, reassessment, recomputation or issuance or sanction of notice with dynamic jurisdiction.

(2) The Central Government may, for the purpose of giving effect to the scheme made under sub-section (1), by notification in the Official Gazette, direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification:

Provided that no direction shall be issued after the 31st day of March, 2022.

(3) Every notification issued under sub-section (1) and sub-section (2) shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

Section 151A of the Act gives the power to the Central Board of Direct Taxes ("CBDT") to notify the Scheme for :

(i) the purpose of assessment, reassessment or recomputation under Section 147; or Gauri Gaekwad 63/87 904.WP-1778-2023.doc

(ii) issuance of notice under Section 148; or

(iii) conducting of inquiry or issuance of show cause notice or passing of order under Section 148A; or

(iv) sanction for issuance of notice under Section 151;

So as to impart greater efficiency, transparency and accountability by inter alia eliminating the interface between the Income Tax Authorities and assessee. Sub-section 3 of Section 151A of the Act also provides that every notification issued under sub-section (1) and (2) of Section 151A of the Act shall be laid before each House of Parliament.

In exercise of the powers conferred by sub-sections (1) and (2) of Section 151A of the Act, CBDT issued a notification dated 29th March, 2022 [Notification No.18/2022/F. No.370142/16/2022-TPL and formulated a Scheme. The Scheme provides that -

(a) the assessment, reassessment or recomputation under Section 147 of the Act,

(b) and the issuance of notice under Section 148 of the Act, shall be through automated allocation, in accordance with risk management strategy formulated by the Board as referred to in Section 148 of the Act for issuance of notice and in a faceless manner, to the extent provided in Section 144B of the Act with reference to making assessment or reassessment of total income or loss of assessee. The impugned notice dated 27th August, 2022 has been issued by respondent no.1 (JAO) and not by the NFAC, which is not in accordance with the aforesaid Scheme.

33 The guideline dated 1st August 2022 relied upon by the Revenue is not applicable because these guidelines are internal guidelines as is clear from the endorsement on the first page of the guideline - "Confidential For Departmental Circulation Only". The said guidelines are not issued under Section 119 of the Act. Any such guideline issued by the CBDT is not binding on petitioner. Further the said guideline is also not binding on respondent no.1 as they are contrary to the provisions of the Act and the Scheme framed under Section 151A of the Act. The effect of a guideline came up for discussion in Sofitel Realty LLP vs. Income Tax Officer (TDS)¹³ wherein this Court has held that the guidelines which are contrary to the provisions of the Act cannot be relied upon by the Revenue to reject an application for compounding filed by an assessee. The Court held that guidelines are subordinate to the principal Act or Rules, it cannot restrict or override the application of specific provisions enacted by legislature. The guidelines cannot travel beyond the scope of the powers conferred by the Act or the Rules.

The guidelines do not deal with or even refer to the Scheme dated 29th March 2022 framed by the Government under Section 151A of the Act. Section 151A(3) of the Act provides that the Scheme so framed is required to be laid before each House of the Parliament. Therefore, the Scheme dated 29th March 2022 under Section 151A of the

Act, which has also been laid before the Parliament, would be binding on the Revenue and the guideline dated 1st August 2022 cannot supersede the Scheme and if it provides anything to the contrary to the said Scheme, then the same is required to be treated as invalid and bad in law.

34 As regards ITBA step-by-step Document No.2 regarding issuance of notice under Section 148 of the Act, relied upon by Revenue, an internal document cannot depart from the explicit statutory provisions of, or supersede the Scheme framed by the Government under Section 151A of the Act which Scheme is also placed before both the Houses of Parliament as per Section 151A(3) of the Act. This is specially the case when the document does not even consider or even refer to the Scheme. Further the said document is clearly intended to be a manual/guide as to how to use the Income Tax Department's portal, and does not even claim to be a statement of the Revenue's position/stand on the issue in question. Our observations with respect to the guidelines dated 1st August 2022 relied upon by the Revenue will equally be applicable here.

35 Further, in our view, there is no question of concurrent jurisdiction of the JAO and the FAO for issuance of notice under Section 148 of the Act or even for passing assessment or reassessment order. When specific jurisdiction has been assigned to either the JAO or the FAO in the Scheme dated 29th March, 2022, then it is to the exclusion of the other. To take any other view in the matter, would not only result in chaos but also render the whole faceless proceedings redundant. If the argument of Revenue is to be accepted, then even when notices are issued by the FAO, it would be open to an assessee to make submission before the JAO and vice versa, which is clearly not contemplated in the Act. Therefore, there is no question of concurrent jurisdiction of both FAO or the JAO with respect to the issuance of notice under Section 148 of the Act. The Scheme dated 29th March 2022 in paragraph 3 clearly provides that the issuance of notice "shall be through automated allocation " which means that the same is mandatory and is required to be followed by the Department and does not give any discretion to the Department to choose whether to follow it or not. That

automated allocation is defined in paragraph 2(b) of the Scheme to mean an algorithm for randomised allocation of cases by using suitable technological tools including artificial intelligence and machine learning with a view to optimise the use of resources. Therefore, it means that the case can be allocated randomly to any officer who would then have jurisdiction to issue the notice under Section 148 of the Act. It is not the case of respondent no.1 that respondent no.1 was the random officer who had been allocated jurisdiction.

36 With respect to the arguments of the Revenue, i.e., the notification dated 29th March 2022 provides that the Scheme so framed is applicable only 'to the extent' provided in Section 144B of the Act and Section 144B of the Act does not refer to issuance of notice under Section 148 of the Act and hence, the notice cannot be issued by the FAO as per the said Scheme, we express our view as follows:-

Section 151A of the Act itself contemplates formulation of Scheme for both assessment, reassessment or recomputation under Section 147 as well as for issuance of notice under Section 148 of the Act. Therefore, the Scheme framed by the CBDT, which covers both the aforesaid aspect of the provisions of Section 151A of the Act cannot be said to be applicable only for one aspect, i.e., proceedings post the issue of notice under Section 148 of the Act being assessment, reassessment or recomputation under Section 147 of the Act and inapplicable to the issuance of notice under Section 148 of the Act. The Scheme is clearly applicable for issuance of notice under Section 148 of the Act and accordingly, it is only the FAO which can issue the notice under Section 148 of the Act and not the JAO. The argument advanced by respondent would render clause 3(b) of the Scheme otiose and to be ignored or contravened, as according to respondent, even though the Scheme specifically provides for issuance of notice under Section 148 of the Act in a faceless manner, no notice is required to be issued under Section 148 of the Act in a faceless manner. In such a situation, not only clause 3(b) but also the first two lines below clause 3(b) would be otiose, as it deals with the aspect of issuance of notice under Section 148 of the Act. Respondents, being an authority subordinate to the CBDT, cannot argue that the Scheme framed by the CBDT, and which has been laid before both House of Parliament is partly otiose and

inapplicable. The argument advanced by respondent expressly makes clause 3(b) otiose and impliedly makes the whole Scheme otiose. If clause 3(b) of the Scheme is not applicable, then only clause 3(a) of the Scheme remains. What is covered in clause 3(a) of the Scheme is already provided in Section 144B(1) of the Act, which Section provides for faceless assessment, and covers assessment, reassessment or recomputation under Section 147 of the Act. Therefore, if Revenue's arguments are to be accepted, there is no purpose of framing a Scheme only for clause 3(a) which is in any event already covered under faceless assessment regime in Section 144B of the Act. The argument of respondent, therefore, renders the whole Scheme redundant. An argument which renders the whole Scheme otiose cannot be accepted as correct interpretation of the Scheme. The phrase "to the extent provided in Section 144B of the Act" in the Scheme is with reference to only making assessment or reassessment or total income or loss of assessee. Therefore, for the purposes of making assessment or reassessment, the provisions of Section 144B of the Act would be applicable as no such manner for reassessment is separately provided in the Scheme. For issuing notice, the term "to the extent provided in Section 144B of the Act" is not relevant. The Scheme provides that the notice under Section 148 of the Act, shall be issued through automated allocation, in accordance with risk management strategy formulated by the Board as referred to in Section 148 of the Act and in a faceless manner. Therefore, "to the extent provided in Section 144B of the Act" does not go with issuance of notice and is applicable only with reference to assessment or reassessment. The phrase "to the extent provided in Section 144B of the Act" would mean that the restriction provided in Section 144B of the Act, such as keeping the International Tax Jurisdiction or Central Circle Jurisdiction out of the ambit of Section 144B of the Act would also apply under the Scheme. Further the exceptions provided in sub-section (7) and (8) of Section 144B of the Act would also be applicable to the Scheme.

37 When an authority acts contrary to law, the said act of the Authority is required to be quashed and set aside as invalid and bad in law and the person seeking to quash such an action is not required to establish prejudice from the said Act. An act which is done by an authority contrary to the provisions of the statute, itself causes prejudice to assessee. All assessees are entitled to be assessed as per law and by following the procedure prescribed by law.

Therefore, when the Income Tax Authority proposes to take action against an assessee without following the due process of law, the said action itself results in a prejudice to assessee. Therefore, there is no question of petitioner having to prove further prejudice before arguing the invalidity of the notice.

38. With respect to the Office Memorandum dated 31.03.2022, the said Office Memorandum merely contains the comments of the Revenue issued with the approval of Member (L&S) CBDT and the said Office Memorandum is not in the nature of a guideline or instruction issued under Section 119 of the Act so as to have any binding effect on the Revenue. Moreover, the arguments advanced by the Revenue on the said Office Memorandum dated 20th February 2023 is clearly contrary to the provisions of the Act as well as the Scheme dated 29th March 2022 and the same are dealt with as under -

(i) It is erroneously stated in paragraph 3 of the Office Memorandum that "The scheme clearly lays down that the issuance of notice under section 148 of the Act has to be through automation in accordance with the risk management strategy referred to in section 148 of the Act." The issuance of notice is not through automation but through "automated allocation". The term "automated allocation" is defined in clause 2(1)(b) of the said Scheme to mean random allocation of cases to Assessing Officers. Therefore, it is clear that the Assessing Officer are randomly selected to handle a case and it is not merely a case where notice is sought to be issued through automation.

(ii) It is further erroneously stated in paragraph 3 of the Office Memorandum that "To this end, as provided in the section 148 of the Act, the Directorate of Systems randomly selects a number of cases based on the criteria of Risk Management Strategy ." The term 'randomly' is further used at numerous other places in the Office Memorandum with respect to selection of cases for consideration/issuance of notice under Section 148 of the Act. Respondent is clearly incorrect in its understanding of the said Scheme as the reference to random in the said Scheme is reference to selection of Assessing Officer at random and not selection of Section 148 cases as random. If the cases for issuance of notice under Section 148 of the Act are selected based on criteria of the risk management strategy, then, obviously, the same are not randomly selected. The term 'randomly'

by definition mean something which is chosen by chance rather than according to a plan. Therefore, if the cases are chosen based on risk management strategy, they certainly cannot be said to be random. The Computer/System cannot select cases on random but selection can be based on certain well- defined criteria. Hence, the argument of respondents is clearly unsustainable. If the case of respondent is that the applicability of Section 148 of the Act is on random basis, then the provision of Section 148 itself would become contrary to Article 14 of the Constitution of India as being arbitrary and unreasonable. Randomly selecting cases for reopening without there being any basis or criteria would mean that the section is applied by the Revenue in an arbitrary and unreasonable manner. The word 'random' is used in clause 2(1)(b) of the said Scheme in the definition of "automated allocation". "Automated allocation" is defined in the said clause to mean "an algorithm for randomized allocation of cases..... ". The term 'random', in our view, has been used in the context of assigning the case to a random Assessing Officer, i.e., an Assessing Officer would be randomly chosen by the system to handle a particular case. The term 'random' is not used for selection of case for issuance of notice under Section 148 as has been alleged by the Revenue in the Office Memorandum. Further, in paragraph 3.2 of the Office Memorandum, with respect to the reassessment proceedings, the reference to 'random allocation' has correctly been made as random allocation of cases to the Assessment Units by the National Faceless Assessment Centre. When random allocation is with reference to officer for reassessment then the same would equally apply for issuance of notice under Section 148 of the Act.

(iii) The conclusion at the bottom of page 2 in paragraph 3 of the Office Memorandum that "Therefore, as provided in the scheme the notice under section 148 of the Act is issued on automated allocation of cases to the Assessing Officer based on the risk management criteria " is also factually incorrect and on the basis of incorrect interpretation of the Scheme. Clause 2(1)(b) of the Scheme defined 'automated allocation' to mean 'an algorithm for randomised allocation of cases by using suitable technological tools, including artificial intelligence and machine learning, with a view to optimise the use of resources '. The said definition does not provide that the automated allocation of case to the Assessing Officer is based on the risk management

criteria. The reference to risk management criteria in clause 3 of the Scheme is to the effect that the notice under Section 148 of the Act should be in accordance with the risk management strategy formulated by the board which is in accordance with Explanation 1 to Section 148 of the Act. In our view, the Revenue is misinterpreting the Scheme, perhaps to cover its deficiency of not following the Scheme for issuing notice under Section 148 of the Act.

(iv) In paragraph 3.1 of the Office Memorandum, it is stated that the case is selected prior to issuance of notice are decided on the basis of an algorithm as per risk management strategy and are, therefore, randomly selected. It is further stated that these cases are 'flagged' to the JAO by the Directorate of Systems and the JAO does not have any control over the process. It is further stated that the JAO has no way of predicting or determining beforehand whether the case will be 'flagged' by the system. The contention of the Revenue is that only cases which are 'flagged' by the system as per the risk management strategy formulated by CBDT can be considered by the Assessing Officer for reopening, however, in clause (i) in the Explanation 1 to Section 148 of the Act, the term "flagged" has been deleted by the Finance Act, 2022, with effect from 1 st April 2022. In any case, whether only cases which are flagged can be reopened or not is not relevant to decide the scope of the Scheme framed under Section 151A of the Act, which required the notice under Section 148 of the Act to be issued on the basis of random allocation and in a faceless manner.

(v) The Revenue has wrongly contended in paragraph 3.1 of the Office Memorandum that "Therefore, whether JAO or NFAC should issue such notice is decided by administration keeping in mind the end result of natural justice to the assesseees as well as completion of required procedure in a reasonable time. " In our opinion, there is no such power given to the administration under either Section 151A of the Act or under the said Scheme. The Scheme is clear and categorical that notice under Section 148 of the Act shall be issued through automated allocation and in a faceless manner. Therefore, the argument of the Revenue is clearly contrary to the provisions of the Scheme.

(vi) In paragraph 3.3 of the Office Memorandum, it is again erroneously stated that "Here it is pertinent to note that the said notification does not state whether the

notices to be issued by the NFAC or the Jurisdictional Assessing Officer ("JAO").....It states that issuance of notice under section 148 of the Act shall be through automated allocation in accordance with the risk management strategy and that the assessment shall be in faceless manner to the extent provided in section 144B of the Act." The Scheme is categoric as stated aforesaid that the notice under Section 148 of the Act shall be issued through automated allocation and in a faceless manner. The Scheme clearly provides that the notice under Section 148 of the Act is required to be issued by NFAC and not the JAO. Further, unlike as canvassed by Revenue that only the assessment shall be in faceless manner, the Scheme is very clear that both the issuance of notice and assessment shall be in faceless manner.

(vii) In paragraph 5 of the Office Memorandum, a completely unsustainable and illogical submission has been made that Section 151A of the Act takes into account that procedures may be modified under the Act or laid out taking into account the technological feasibility at the time. Reading the said Scheme along with Section 151A of the Act makes it clear that neither the Section or the Scheme speak about the detailed specifics of the procedure to be followed therein. This argument of the Revenue is clearly contrary to the Scheme as the Scheme is very specific to provide, inter alia, that the issuance of notice under Section 148 of the Act shall be through automated location and in a faceless manner. Therefore, the Scheme is mandatory and provides the specification as to how the notice has to be issued. Further the argument of the Revenue that Section 151A of the Act takes into account that the procedure may be modified under the Act is without appreciating that if the procedure is required to be modified then the same would require modification of the notified Scheme. It is not open to the Revenue to refuse to follow the Scheme as the Scheme is clearly mandatory and is required to be followed by all Assessing Officers.

(viii) The argument of the Revenue in paragraph 5.1 of the Office Memorandum that the Section and Scheme have left it to the administration to device and modify procedures with time while remaining confined to the principles laid down in the said Section and Scheme, is without appreciating that one of the main principles laid down in the Scheme is that the notice under Section 148 of the Act is required to be issued through automated

allocation and in a faceless manner. There is no leeway given on the said aspect and, therefore, there is no question of the administration to device and modify procedures with respect to the issuance of notice.

39 With reference to the decision of the Hon'ble Calcutta High Court in Triton Overseas Private Limited (Supra), the Hon'ble Calcutta High Court has passed the order without considering the Scheme dated 29th March 2022 as the said Scheme is not referred to in the order. Therefore, the said judgment cannot be treated as a precedent or relied upon to decide the jurisdiction of the Assessing Officer to issue notice under Section 148 of the Act. The Hon'ble Calcutta High Court has referred to an Office Memorandum dated 20th February 2023 being F No.370153/7/2023 TPL which has been dealt with above. Therefore, no reliance can be placed on the said Office Memorandum to justify that the JAO has jurisdiction to issue notice under Section 148 of the Act. Further the Hon'ble Telangana High Court in the case of Kankanala Ravindra Reddy vs. Income Tax Officer¹⁴ has held that in view of the provisions of Section 151A of the Act 14 (2023) 156 taxmann.com 178 (Telangana) read with the Scheme dated 29th March 2022 the notices issued by the JAOs are invalid and bad in law. We are also of the same view.

11. *The Hon'ble Bombay High Court in the case of Hexaware Technologies Ltd., (supra) is noted to have even dealt with the decision rendered by the Hon'ble Calcutta High Court in favour of the Revenue, but concurred with the view of the Hon'ble Telangana High Court in the case of Sri Venkataramana Reddy Patlola v. DCIT reported in [2023] 156 taxmann.com 178 (Telangana) and held that in view of the provisions of Sec.151A of the Act read with Faceless Scheme dated 29.03.2022, notices issued by the JAO u/s.148A(d)/148 of the Act was invalid and bad in law. We further note that aforesaid decision of the Hon'ble Telangana High Court has been followed not only by the Hon'ble Bombay High Court, but also by the Hon'ble Gauhati High Court in the case of Ram Narayan Sah v. Union of India reported in 163 taxmann.com 478, and the Hon'ble Punjab & Haryana High Court in the case of Jatinder Singh Bhangu v. Union of India reported in 165 taxmann.com 115 and other cited cases (supra). And as noted (supra) the Hon'ble jurisdictional High Court (Single Bench) order in the case of Mark Studio India (P.) Ltd. v. Income-tax Officer, held in favour of Revenue, was reversed by the Hon'ble Division Bench by order dated 24.06.2025 by holding as under:*

This appeal impugns an order passed by the learned Single Judge.

2. The learned Single Judge was pleased to dismiss the petition on the ground that even if the notice has been

issued by Jurisdictional Assessment Officer and not Faceless Assessment Officer, the notice issued under Section 148A/148 of the Income Tax Act will be valid.

3. Ms.VardhiniKarthik submitted that this Court has, in many matters, held, following the judgment of the Bombay High Court in Hexaware Technologies Limited v. Assistant Commissioner of Income Tax', that notice that has to be issued by Faceless Assessment Officer has to be issued Faceless Assessment Office and if issued by Jurisdictional Assessment Officer, the same is not valid.

4. Ms.Premalatha, who takes notice for the Revenue, states that the law as proposed by Ms.VardiniKarthick is correct and therefore, the Court may quash and set aside the notices, but keep open liberty of the Revenue to re-ignite the notices in case the Apex Court interferes with the order and judgment of the Bombay High Court in Hexaware Technologies (supra).

5. Keeping open the Revenue's rights and contentions, as noted above, the impugned notices dated 15.04.2024 are quashed and set aside. The appeal is disposed of. There shall be no order as to costs. Consequently, the interim application is closed.

12. *In the light of the aforesaid discussion, we find that in the case in hand, the JAO had issued notice u/s.148A(b) of the Act dated 14.03.2022 followed by order u/s.148A(d) of the Act dated 31.03.2022 and followed by notice u/s.148 dated 31.03.2022 which impugned notices have been issued despite faceless scheme was notified by Central Government on 29.03.2022 pursuant to section 151A of the Act, making it mandatory for the issuance of notice u/s.148A(b), 148A(d) as well as 148 of the Act by the Faceless Mechanism, the impugned notices especially issued u/s.148 dated 31.03.2022 is found to be invalid and bad in law, since it has been issued contrary to law and is against the 'Rule of Law'; which impugned action of the JAO vitiates the reopening of assessment for AY 2018-19 by issuance of impugned notice dated 31.03.2022 u/s.148 of the Act and is therefore held to be illegal and bad in law and therefore, assessment order dated 16.03.2023 is held to be null in eyes of law; and the assessee succeeds, on the legal issue which is held in favour of the assessee and therefore, we are inclined not to go into the merits of the addition made by the NFAC.*

13. *In the result, appeal filed by the assessee is allowed."*

4. Respectfully following the aforesaid decision of the Hon'ble Madras High Court and the decision of the coordinate bench of Chennai Tribunal supra, I hold that assumption of jurisdiction vide issuance of notice u/s 148

of the Act dated 27.03.2022 by the Id JAO is bad in law and void ab initio subject to liberty given to the revenue by the Hon'ble Madras High court as stated supra and accordingly reassessment proceedings are hereby quashed. Since, the reassessment proceedings are quashed, other legal and factual grounds raised by the assessee need not be gone into and they are left open.

5. In the result, the appeal of the assessee is allowed.

Order pronounced in the open court on 21/01/2026.

-Sd/-
(M. BALAGANESH)
ACCOUNTANT MEMBER

Dated: 21/01/2026
A K Keot

Copy forwarded to

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

ASSISTANT REGISTRAR
ITAT, New Delhi