

आयकर अपीलीय अधिकरण, 'बी' न्यायपीठ, चेन्नई।  
IN THE INCOME TAX APPELLATE TRIBUNAL  
'B' BENCH: CHENNAI

सुश्री पदमावती यस, लेखक सदस्य एवं श्री मनु कुमार गिरि, न्यायिक सदस्य के समक्ष  
BEFORE MS. PADMAVATHY.S, ACCOUNTANT MEMBER AND  
SHRI MANU KUMAR GIRI, JUDICIAL MEMBER

आयकर अपील सं./ITA No.3295/Chny/2025  
निर्धारण वर्ष /Assessment Year: 2018-19

The Tiruchendur Co-op. Primary Co-  
operative Society,  
96, Kayalpattinam Road,  
Tiruchendur – 628 215.  
PAN: AADFT 2560P

The Income Tax Officer,  
Vs. Ward-2,  
Tuticorin.

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से/ Assessee by  
प्रत्यर्थी की ओर से /Revenue by

: Mr. N.Arjun Raj, Advocate  
: Ms. Gouthami Manivasagam, Addl. CIT

सुनवाई की तारीख/Date of Hearing

: 20.01.2026

घोषणा की तारीख /Date of Pronouncement

: 29.01.2026

**आदेश / O R D E R**

**PER PADMAVATHY.S, A.M.:**

This appeal by the assessee is against the order of the Commissioner of Income Tax (Appeals)/National Faceless Appeal Centre (NFAC), Delhi, (in short "CIT(A)") passed u/s. 250 of the Income Tax Act, 1961 (in short "the Act") dated 30.09.2025 for Assessment Year (AY) 2018-19.

2. The assessee is a Cooperative society. The A.O received information that the assessee has made certain cash deposits and withdrawals during the year under consideration. Accordingly, the A.O issued a notice u/s. 148A(b) of the Act on 23.03.2022 calling on the assessee to file necessary details

explaining the source. Subsequently, the A.O passed an order u/s.148A(d) of the Act dated 11.04.2022 and also issued a notice u/s. 148 dated 12.04.2022 reopening the assessment. The A.O after considering the submissions of the assessee concluded the assessment u/s. 147 after making an addition of Rs.1,77,65,000/- u/s. 69A of the Act and the A.O further denied the deduction u/s. 80P(2)(a)(i) of the Act to the tune of Rs. 10,14,332/-. The assessee being aggrieved filed further appeal before the CIT(A), who confirmed the additions/disallowance made by the A.O. the assessee is in appeal before the Tribunal against the order of the CIT(A).

3. The Ld. Authorized Representative (AR) of the assessee submitted that if the legal contention raised by the Assessee (Ground No.3) with regard to the notice u/s. 148 of the Act dated 12.04.2022 issued after 3 years after taking approval of PCIT instead of PCCIT is considered an disallowed the rest of the grounds and become academic. Accordingly, we first consider the said legal contentions of the assessee. The ld AR in this regard placed reliance on the decision of the coordinate bench in the case of Meganapuram Primary Agricultural cooperative Credit Society vs PCIT (ITA No.895/Chny/2025 dated 19.09.2025 where it has been held that –

*“40. We find that the Show Cause Notice u/s.148A(b) of the Act came to be issued on 23.03.2022 in proposing to issue notice u/s.148 of the Act and as a consequence proposing to assumption of jurisdiction in terms of Section 147 of the Act. The assessee had filed its response to the said notice on 29.03.2022 and the AO had issued a letter dated 04.04.2022 in seeking further details in support of the submissions of the assessee and ultimately the order u/s.148A(d) of the Act came to be passed on 19.04.2022 by the AO, wherein the AO deemed it fit to issue notice u/s.148 of the Act. Thus, the notice u/s.148 of the Act came to be issued on 19.04.2022 for the A.Y. 2018-19.*

*41. The provisions of Section 151 defines the sanctioning authority and the relevant provisions as it stood at that point in time reads as under:*

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*“151. Specified authority for the purposes of section 148 and section 148A be,—*

*(i) Principal Commissioner or Principal Director or Commissioner or Director, if three years or less than three years have elapsed from the end of the relevant assessment year;*

*(ii) Principal Chief Commissioner or Principal Director General or where there is no Principal Chief Commissioner or Principal Director General, Chief Commissioner or Director General, if more than three years have elapsed from the end of the relevant assessment year.]”*

*From a plain reading of the above provisions, the competent authority to grant / accord sanction in terms of Section 151 of the Act is determined based on the date of issuing of sanction and in the event of issuing the sanction beyond the period of three years from the end of the relevant assessment year, the same would be covered by clause (ii) to Section 151 of the Act.*

42. *If the notice u/s.148 of the Act / order u/s.148A(d) of the Act is issued / passed within 3 years from the end of the relevant assessment year, the competent authority for the purpose of granting sanction in terms of Section 151 of the Act is either Principal Commissioner or Principal Director or Commissioner or Director, as the case may be.*

43. *On the other hand, if the same is issued / passed after the expiry of the 3 years from the end of the relevant A.Y., the competent authority in this regard should be Principal Chief Commissioner or Principal Director General or where there is no Principal Chief Commissioner or Principal Director General, Chief Commissioner or Director General*

44. *Now, let us examine the facts of the present case by keeping in mind the above legal position.*

*The Show Cause Notice in terms of Section 148A(b) of the Act came to issue on 23.03.2022 after obtaining prior approval from the office of the PCIT, Madurai – 1 and thereafter the order in terms of Section 148A(d) of the Act came to be passed on 19.04.2022 along with the notice u/s.148 of the Act being issued on the same day, i.e. 19.04.2022. We find that both the order passed u/s.148A(d) of the Act as well as the notice u/s.148 of the Act dated 19.04.2022 was issued after getting approval from the office of the PCIT, Madurai – 1. The assessment year under consideration being A.Y.2018-19, the notice u/s.148 of the Act / order passed u/s.148A(d) of the Act being issued / passed on 19.04.2022, it can be said that same were passed / issued after the expiry of 3 years from the end of the A.Y under consideration.*

45. *Hence, it can be said that the notice u/s.148 of the Act was issued / order in terms of Section 148A(d) of the Act was passed without*

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*obtaining proper sanction from the competent authority as prescribed in terms of Section 151(1)(ii) of the Act.*

46. *It is pertinent to note that the proviso to Section 151 of the Act contemplates exclusion of time provided to the tax payer to response to Show Cause Notice u/s.148A(b) of the Act to the date of actual passing of the order u/s.148A(d) of the Act / notice u/s.148 of the Act, which proviso reads as follows:*

*“Provided that the period of three years for the purposes of clause (i) shall be computed after taking into account the period of limitation as excluded by the third or fourth or fifth provisos or extended by the sixth proviso to sub-section (1) of section 149.”*

47. *However, we find that the proviso to Section 151 of the Act was only introduced by way of Finance Act, 2023, with effect from 01.04.2023, i.e. the said amendment was introduced only after the sanction was granted on the present case / not available at the time of recording of sanction in terms of Section 151 of the Act in the case of the appellant herein.*

48. *The Ld. AR took us through the Finance Bill, 2023, wherein clause 71, proposing the said amendment to Section 151 as well the notes of clauses to Finance Bill, 2023, wherein relevant note to the said amendment reads as follows:*

*Clause 71 of the Bill seeks to amend the section 151 of the Income-tax Act relating to sanction for issue of notice.*

*It is proposed to amend clause (ii) of the said section to provide that the specified authority for the purposes of section 148 and section 148A shall be the Principal Chief Commissioner or Principal Director General or Chief Commissioner or Director General, if more than three years have elapsed from the end of the relevant assessment year.*

*It is further proposed to insert a proviso in the said section so as to provide that the period of three years for the purposes of clause (i) shall be computed after taking into account the period of limitation as excluded by the third or fourth or fifth provisos or extended by the sixth proviso to sub-section (1) of section 149.*

*These amendments will take effect from 1st April, 2023.*

49. *Thus, it is an irrefutable fact that the amendment brought in by Finance Act, 2023 in introducing the proviso to Section 151 of the Act by giving effect to the exclusion of time limit by operation of 3<sup>rd</sup> to 5<sup>th</sup> proviso to Section 149(1) of the Act would take effect only from 01.04.2023.*

50. *Hence, it can be said that the said amendment would not come to the rescue of the revenue on the facts of the present case in view of the fact that the notice u/s.148 as well the order u/s.148A(d) of the Act being*

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issued / passed well prior to the introduction of the said amendment, i.e. on 19.04.2022.

51. Before us, the Ld.DR argued that the said amendment introduced by Finance Act, 2023 ought to be reckoned as clarificatory and would have retrospective applicability, thereby validating the sanction accorded by the PCIT, Madurai – 1 on the facts of the present case. He further relied on the judgement of the Hon'ble Calcutta High Court in the case of Giriraj Commercial (P.) Ltd. v. Union of India reported in 169 taxmann.com 168 in support of his contentions.

52. This argument of the ld.DR is unable to be countenanced by us for the simple reason that the said amendment was introduced specifically with effect from 01.04.2023 and the plain reading of the notes on clauses as well as the memorandum to Finance Act, 2023 leave no room whatsoever to interpret it otherwise. Moreover, we are not inclined to accept the argument of the Department since the AO could not have foreseen such an amendment while passing the order u/s.148A(d) of the Act / issuing the notice u/s.148 of the Act nor the PCIT, Madurai – 1 could have foreseen such amendment while according sanction in terms of Section 151 of the Act.

53. Hence for the reasons discussed above, we hold that the amendment to Section 151 of the Act, introduced by Finance Act, 2023, with effect from 01.04.2023 cannot be reckoned to have retrospective applicability and on this ground we reject the argument put forth by the ld.DR.

54. It was further argued by the ld.DR, that the approval granted by the competent authority, i.e. PCIT, Madurai – 1 to the AO for issuing the notice u/s.148A(b) of the Act vide approval dated 23.03.2022 as mandated by 1st proviso to Section 148 of the Act would suffice the requirement as per the Section 151 of the Act and as such there was no requirement for the AO to obtain approval / sanction once again by the competent authority for issuing the notice u/s.148 of the Act / passing of the order u/s.148A(d) of the Act.

55. We find that the 1st proviso to Section 148 of the Act as per Finance Act, 2021 reads as follows:

“Provided that no notice under this section shall be issued unless there is information with the Assessing Officer which suggests that the income chargeable to tax has escaped assessment in the case of the assessee for the relevant assessment year and the Assessing Officer has obtained prior approval of the specified authority to issue such notice.”

Thus, on the facts of the present case, the Show Cause Notice u/s.148A(b) of the Act was issued upon the assessee herein only upon prior approval of the competent authority, PCIT, Madurai – 1. But whether this sanction

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would also be available / extended to the issuance of notice u/s.148 of the Act / passing of the order u/s.148A(d) of the Act by the AO by reckoning it was a fit case for issuance of such notice u/s.148 of the Act ?

56. We are unable to further accept this argument of the ld.DR, because if it were to be accepted, it would result in a scenario wherein the competent authority was according sanction / approval in terms of Section 151 of the Act for issuing notice u/s.148 of the Act even prior to reply of the assessee to the Show Cause Notice u/s.148A(b) of the Act and even prior the decision of the AO in reckoning whether it was a fit case or not for issuing notice u/s.148 of the Act.

57. Furthermore, if the said argument were to be accepted, then the very purpose behind introduction of provisions in Section 148A of the Act by way of Finance Act, 2021 to grant an opportunity to the tax payer to demonstrate his case for dropping the proceedings before issuing notice u/s.148 of the Act would stand defeated.

58. Thus, on the facts of the present case, we find that although the sanction was granted to the AO for issuing the Show Cause Notice u/s.148A(b) of the Act, a separate sanction is to be granted for the purpose of issuance notice u/s.148 of the Act as well as the passing of the order u/s.148A(d) of the Act, in the event of the AO finding it fit to do so. Hence, we reject this argument of the ld.DR also.

59. We further find that the Hon'ble Madras High Court in the case of Core Logistic Company v. Assistant Commissioner of Income-tax, reported in 175 taxmann.com 453, had proceeded to quash the re-assessment order passed in terms of Section 147 of the Act on account of grant of sanction by the improper authority. The Hon'ble Madras High Court while quashing the said re-assessment order had held as follows:

“9. A perusal of Section 151(i) would show that, the specified authority for the purpose of issuing notice under Section 148 within a period of three years from the end of the relevant assessment year is, the Principal Commissioner or Principal Director or Commissioner or Director. Further, in terms of provision of Section 149, three year time period is fixed for issuance of 148 notice, in the event of the amount is below 50 lakhs. In the present case, the amount involved is Rs.3,65,09,748/-, which is more than 50 lakhs. 148 notice was issued on 25.07.2022, which is beyond the period of three years. So admittedly, the approval has to be obtained from the Principal Chief Commissioner or Principal Director General or Chief Commissioner or Director General as defined under Section 151(ii). But, in the present case, the approval was obtained from the Principal Commissioner in terms of Section 151(i) and no approval was obtained before issuance of 148 notice in terms of provision of Section 151(ii), which is mandatory. Therefore, the notice under Section 148 was issued in the present case in violation of provision of Section

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*151(ii) of the Income Tax Act. In view thereof, the initiation of proceedings itself is without any jurisdiction. Hence, the same is liable to be quashed.”*

60. *Thus, respectfully following the decision of the Madras High Court in the case of Core Logistic Company (supra) we hold that the sanction accorded by the authorities prescribed u/s.151(i) of the Act on the facts of the case, i.e. PCIT, Madurai – 1 for the notice issued u/s.148 of the Act dated 19.04.2022 and the order u/s.148A(d) of the Act after the expiry of 3 years from the end of the relevant assessment year as against the correct sanction to have been granted by the authorities prescribed u/s.151(ii) of the Act would vitiate the entire re-assessment proceedings initiated and completed in terms of Section 147 of the Act. The PCIT by assuming revisionary jurisdiction in terms of Section 263 of the Act could not have set aside a non-est re-assessment order and further could not have directed the AO to pass a fresh assessment order.”*

4. The Id. DR on the other hand argued that the AO initiated the proceedings by issue of notice u/s. 148A(b) on 23.03.2022 which is within 3 years and therefore the AO has rightly obtained the approval from PCIT. The Id DR placed reliance on the decision of the Hon'ble Calcutta High Court in the case of Girija Commercial (P) Ltd vs UOI 2024 169 taxmann.com 168 (Calcutta).

5. We heard the parties and perused the material on record. From the perusal of the decision of the coordinate bench in the case of Meganapuram Primary Agricultural cooperative Credit Society, we notice that the ratio laid down is that a separate sanction is to be granted for the purpose of issue of notice u/s.148 of the Act from the appropriate authority u/s.151 of the Act. The coordinate bench has further held that and that if the argument of the Id DR to be accepted it would defeat purpose of introduction of section 148A of the Act whereby the assessee is granted an opportunity to demonstrate his case for dropping the proceedings before issuing notice u/s.148 of the Act. In this regard, we notice that the Hon'ble Bombay High Court in the case of M/s. Vodafone Idea Limited Vs DCIT (WP No. 2768 of 2022 dated 06.02.2024)

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has considered and identical issue where it is held that even in cases where the notice u/s. 148A(b) was issued before completion of 3 years, if the notice u/s. 148 is issued beyond 3 years the approval needs to be obtained from PCCIT as per Section 151(ii) of the Act.

6. In assessee's case though the notice under section 148A(b) was issued on 23.03.2022, and the notice u/s. 148 has been issued on 12.04.2022. On perusal of the notice u/s. 148 we notice that the approval has been obtained from PCIT, Madurai-1. The relevant extract of the notice u/s. 148 is as under:



GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
INCOME TAX DEPARTMENT  
OFFICE OF THE INCOME TAX  
OFFICER  
WARD 2, TUTICORIN/

To, THE TIRUCHENDUR CO OP PRI 96 KAYALPATNAM ROAD , TIRUCHENDUR 628215 , Tamil Nadu India	
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PAN: AADFT2560P	A.Y: 2018-19	Dated: 12/04/2022	DIN & Notice No: ITBA/AST/S/148 1/2022- 23/1042704795(1)
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**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 **2018-19**
  - 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/2022-23/1042696747(1)** dated **11/04/2022** and annexed herewith for reference.
- 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 **2018-19** 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 **2018-19**.
- This notice is being issued after obtaining the prior approval of the **PCIT, Madurai-1** accorded on date **08/04/2022** vide Reference No. **1000000294945**.

PERUMAL JEYASANKAR  
WARD 2, TUTICORIN/

7. From the perusal of these facts, we are of the considered view that the ratio laid down by the judicial precedence is applicable to the present case. Accordingly respectfully following the above judicial precedence we hold that the notice issued by the AO u/s.148 beyond 3 years on 12.04.2022 with the approval of PCIT instead of PCCIT as per the provisions of section 151(ii) is not valid. Consequently the assessment completed based on the invalid notice is liable to be quashed. In view of our decision with regard to Ground No.3, the rest of grounds have become academic.

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

*Order pronounced on 29<sup>th</sup> day of January, 2026 at Chennai.*

Sd/-  
(मनु कुमर गिरि)  
(Manu Kumar Giri)

न्यायिक सदस्य / Judicial Member

Sd/-  
(पदमवती यस)  
(Padmavathy.S)

लेखा सदस्य / Accountant Member

चेन्नई/Chennai, दिनांक/Dated: 29<sup>th</sup> January, 2026.

EDN, Sr. P.S

आदेश की प्रतिलिपि अग्रेषित/Copy to:

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