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

सुश्री पद्मावती एस, लेखा सदस्य के समक्ष
श्री मनु कुमार गिरि, न्यायिक सदस्य एवं

BEFORE MS. PADMAVATHY S, ACCOUNTANT MEMBER AND SHRI MANU KUMAR GIRI, JUDICIAL MEMBER

आयकर अपील सं./**ITA No.3294/Chny/2025**

निर्धारण वर्ष/**Assessment Year: 2015-16**

Ms. A. Benazir Thusleema, **L/H of Late Abdullah Abdulmajeed,** 27, Avudayarkoil Road, Arantangi, Veeramangalam B.O., Nagamangalam, Pudukkottai – 614 616.	**v.**	**ITO,** Ward - 1, Pudukkottai.
[**PAN:AFIPA 6244 H**]		
(अपीलार्थी**/Appellant)**		**(**प्रत्यर्थी**/Respondent)**

अपीलार्थी की ओर से/ Appellant by	:	Mr. N. Arjun Raj, Advocate
प्रत्यर्थी की ओर से /Revenue by	:	Ms. Gouthami Manivasagam, Addl. CIT
सुनवाईकीतारीख/Date of Hearing	:	21.01.2026
घोषणाकीतारीख /Date of Pronouncement	:	04.03.2026

आदेश / O R D E R

PER MANU KUMAR GIRI, JM:

The present appeal arises out of reassessment proceedings initiated u/s. 147 of the Act for Assessment Year 2015-16, challenging the order dated 14.10.2025 passed by the ld.CIT(A), whereby the assessment framed u/s. 144 of the Act was set aside.

2. Briefly stated, the Jurisdictional Assessing Officer (JAO), upon receiving information flagged under the Risk Management Strategy formulated by the Central Board of Direct Taxes (CBDT), New Delhi, regarding certain financial transactions undertaken during Financial Year 2014-15, issued a notice u/s. 148A(b) of the Act on 25.03.2022. The said notice was issued with the prior approval of the Principal Chief Commissioner of Income Tax, Tamil Nadu & Puducherry, proposing initiation of reassessment proceedings u/s. 147 on the ground that income chargeable to tax had allegedly escaped assessment for AY 2015-16.

3. Subsequently, the JAO passed an order u/s. 148A(d) on 07.04.2022 holding it to be a fit case for issuance of notice u/s. 148. Accordingly, notice u/s. 148 dated 07.04.2022 was issued, thereby assuming jurisdiction u/s. 147.

4. During the reassessment proceedings, the appellant's representative informed the Assessing Officer that the assessee had expired on 11.02.2022 and that the bank account in question pertained to transactions of a firm, M/s. Nather Hussain. It was further submitted that the transactions reflected in the bank account had been duly recorded in the books of the firm, which had filed its return of income for AY 2015-16. However, the Assessing Officer noted that no supporting documentary evidence was furnished to substantiate the claim that the cash deposits belonged to the firm and had been accounted for therein.

5. Thereafter, a notice u/s. 142(1) along with a questionnaire was issued on 14.03.2024 to the legal heir, Smt. Benazir Thusleema. In response dated 19.03.2024, the legal heir reiterated that the assessee had expired on 11.02.2022 and requested that the reassessment proceedings be dropped.

6. The Assessing Officer also issued notice u/s. 133(6) to Tamil Nadu Mercantile Bank, Aranthangi Branch, seeking the bank statements of the deceased for the relevant year. On examination of the bank statements, the Assessing Officer found that cash deposits aggregating to Rs.4,14,52,028/- had been made. A show cause notice dated 20.03.2024 was therefore issued proposing to treat the entire cash deposits as unexplained money u/s. 69A.

7. In response, the legal heir again sought dropping of the proceedings and asserted that the deposits pertained to the partnership firm Nather Hussain. Copies of the cash book and bank statements of Sathyamurthy Indane Gas Services were furnished. However, the Assessing Officer held that the documents produced did not satisfactorily establish a nexus between the deposits and the firm Nather Hussain, and considered the evidences incomplete.

8. Consequently, the reassessment was completed u/s.144. Upon verification of the bank statements and KYC details, the Assessing Officer concluded that the deceased had operated an Indane Gas

Agency under the name "Sathyamurthy Indane Gas Services." Observing that payments had been made to Indian Oil Corporation through RTGS, the Assessing Officer treated the total bank credits of Rs.4,36,48,301/- as turnover and estimated business income at 8%, amounting to Rs.34,91,864/-, in the order dated 27.03.2024.

9. The appellant challenged the reassessment order before the First Appellate Authority [Ld.CIT(A)], raising multiple legal and jurisdictional grounds and had furnished the following written submissions as follows:

> *"GIST OF SUBMISSIONS*
>
> *The appellant is in receipt of the captioned hearing notice pertaining to the appeal against the re-assessment order dated 27.03.2024.*
>
> *The first facet of the submissions is that the impugned re-assessment proceedings were initiated by the Jurisdictional Assessing Officer by way of issuance of notice under Section 148 of the Act. The appellant submits the re-assessment order passed under Section 147 of the Act in consequence to passing of order under Section 148A(d) of the Act / issuance of the notice in terms of Section 148 of the Act by the Jurisdictional Assessing Officer, in contradiction to the statute envisaging the issuance of such notice by the Faceless Assessing Officer, should be reckoned as bad in law.*
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> *In this regard, it is submitted that the Central Board of Direct Taxes, New Delhi had issued the notification dated 29.03.2022, whereby a scheme called e-assessment of Income Escaping Assessment Scheme 2022 was notified with effect from 29.03.2022, wherein it was notified that all assessment proceedings, re-assessment proceedings under section 147 and the issuance of notice under section 148A shall be done through the automated allocation and accordingly notices under such proceedings ought to be issued in a faceless manner as is provided under section 144B of the Act.*
>
> *It is pertinent to note that with effect from 1-4-2021 by virtue of the Finance Act, 2021, Section 144B was inserted into the statute, which*

provides for faceless assessment and sub-section 1 of the said newly inserted Section 144B is an non-obstante clause.
The relevant portion of sub-section 1 of section 144B is reproduced herein under:

"Notwithstanding anything to the contrary contained in any other provision of this Act, the assessment, reassessment or recomputation under sub-section (3) of section 143 of under section 144 or under section 147 as the case may be with respect to the cases referred to in sub-section (2), shall be made in a faceless manner as per the following procedure, namely:-

(i) the National Faceless Assessment Centre shall assign the case selected for the purposes of faceless assessment under this section to a specific assessment unit through an automated allocation system;

(ii) the National Faceless Assessment Centre shall intimate the assessee that assessment in his case shall be completed in accordance with the procedure laid down under this section;

(iii) a notice shall be served on the assessee, through the National Faceless Assessment Centre, under sub-section (2) of section 143 or under sub-section (1) of section 142 and the assessee may file his response to such notice within the date specified therein, to the National Faceless Assessment Centre which shall forward the same to the assessment unit";

The corresponding amendments were also introduced in terms of Section 151A of the Act, wherein sub-section (1) of Section 151A which was inserted with effect from 1-11-2020.

The said sub – section refers to faceless assessment of income escaping assessment, which Section is being re-produced herein under:

"The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of assessment, reassessment or re-computation 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 import 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, re-computation or issuance or sanction of notice with dynamic jurisdiction."

The Central Board of Direct Taxes, consequently had amended Section 130 Act so far as conferring jurisdiction of the Income-tax Authorities in the light of the faceless assessment procedure being adopted.

The CBDT had notified the scheme, Faceless jurisdiction of Income Tax Authorities Scheme, 2022, wherein the corresponding amendment made in Section 130 of the Act were incorporated in the Scheme.

The said scheme framed by CBDT defines automated allocation which is defined under section 2 (1)(b), which is re-produced herein under:

"In this Scheme, unless the context otherwise requires, --

(a) "Act" means the Income-tax Act, 1961 (43 of 1961);

(b) "automated allocation" means 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;"

Further Section 3 of the said scheme deals with vesting of the jurisdiction with the Assessing Officer, which is being reproduced herein under:

"vesting the jurisdiction with the Assessing Officer as referred to in section 124 of the Act, shall be in a faceless manner, through automated allocation, in accordance with and to the extent provided in-

(i) Section 144B of the Act with reference to making faceless assessment of total income or loss of assessee;

In furtherance to the aforesaid notification, the Central Board of Direct Taxes again in exercise of its powers conferred under sub-sections 1 and 2 of section 151A framed another scheme called as the e-assessment of Income Escaping Assessment Scheme 2022, which defines automated allocation is reproduced herein under:

"In this Scheme, unless the context otherwise requires,-

(a) "Act" means the Income-tax Act, 1961 (43 of 1961);

(b) "automated allocation" means 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."

And the scope of the scheme again has been envisaged in Section 3 of the said scheme, which is being reproduced herein under:

"For the purpose of this Scheme,-

(a) assessment, reassessment or re-computation under section 147 of the Act,

(b) 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."

Thus, on a plain reading of the aforesaid two notifications issued by the Central Board of Direct Taxes dated 28.03.2022 and 29.03.2022, it would clearly indicate that the Central Board of Direct Taxes was very clear in its mind when it framed the aforesaid two schemes with respect to the proceedings to be drawn under section 148A, that is to have it in a faceless manner. Therefore, it is mandatorily required that the reassessment has to be done in a faceless manner to the extent provided under section 144B of the Act.

The said above amendments and schemes introduced by the CBDT was subject matter of batch of Writ Petitions filed before the High Court of Telangana in the case reported in 156 taxmann.com 178 wherein the High Court had quashed the notices issued under Section 148A(b) of the Act and the consequently orders passed under Section 148A(d) of the Act passed by the JAO by reckoning the same as neither tenable and not sustainable. The relevant portion of the above judgment of the Telangana High Court is extracted below:

***"35.** In view of the aforesaid discussions, it is by now very clear that the procedure to be followed by the respondent-Department upon treating the notices issued for reassessment being under section 148A, the subsequent proceedings was mandatorily required to be undertaken under the substituted provisions as laid down under the Finance Act, 2021. In the absence of which, we are constrained to hold that the procedure adopted by the respondent-Department is in contravention to the statute i.e. the Finance Act, 2021, at the first instance. Secondly, it is also in direct*

contravention to the directives issued by the Hon'ble Supreme Court in the case of Ashish Agarwal, supra.

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.*

39. *No order as to costs."*

Further, the above decision of the High Court of Telangana had been concurred with by the Bombay High Court in the recent order dated 03.05.2024 reported in W.P. No. 1778/2023.

The above stand is further fortified by the following judgments:

S. No.	***Date***	***Case Law***
1	*14.09.2023*	*Kankanala Ravindra Reddy v. Income-tax Officer - High Court of Telangana - 156 taxmann.com 178*
2	*03.05.2024*	*Hexaware Technologies Ltd. v. Assistant Commissioner of Income-tax - High Court of Bombay - 464 ITR 430*
3	*20.05.2024*	*Ram Narayan Sah v. Union of India - High Court of*

		Gauhati - 163 taxmann.com 478
4	*02.07.2024*	*Sushila Sureshbabu Malge v. Income-tax Officer - High Court of Bombay -164 taxmann.com 633*
5	*19.07.2024*	*Jatinder Singh Bhangu v. Union of India - High Court of Punjab & Haryana -165 taxmann.com 115*
6	*22.07.2024*	*Pravina Jagdish Patel v. Income-tax Officer - High Court of Bombay - 164 taxmann.com 659*
7	*24.07.2024*	*Sri Venkataramana Reddy Patloola v. Deputy Commissioner of Income Tax, Circle 1(1), Hyderabad and Others - High Court of Telangana- Writ Petition Nos. 13353, 16141 and 16877 OF 2024*
8	*29.07.2024*	*Jasjit Singh v. Union of India - High Court of Punjab & Haryana - 165 taxmann.com 114*
9	*05.08.2024*	*Samp Furniture Pvt. Ltd. v. Income Tax Officer, Ward 3(3)-Thane & Ors - High Court of Bombay – Writ Petition No. 3290 of 2024*
10	*05.08.2024*	*Kairos Properties Private Limited v. ACIT, Circle – 15(1)(2), Mumbai & Ors – High Court of Bombay – WP (LODG) No. 22686 of 2024*

Furthermore, the decision of the Single Judge of Hon'ble Madras High Court in W.P.Nos.25223 & 25227 of 2024 rendered on 20.12.2024 in favour of the revenue has been stayed by the Division bench of the Hon'ble Madras High Court in WA No. 781 of 2025 vide order dated 25.03.2025 by entertaining the plea of the assessee.

Another subsequent decision of the Madras High Court rendered on 21.04.2025 in W.P. No(s). 22402/2024 & Ors had disagreed with the earlier decision dated 20.12.2024 by placing the matter in the Division bench along with the appeal against the said earlier order pending in the Division Bench for decision.

Further, the Division bench of the jurisdictional High Court in W.A.No.781 of 2025 & Ors dated 24.06.2025 had re-iterated the law declared by the Bombay High Court dated 03.05.2024.

In such circumstances, the assessee pleads for annulling the re-assessment proceedings initiated by the Jurisdictional Assessing Officer for want of jurisdiction and thus render justice.

Furthermore, another issue in the present appeal relates to the validity of the re-assessment proceedings as the notice u/s 148 of the Act issued on 07.04.2022 was beyond the period of limitation as prescribed in the proviso to Section 149(1) of the Act read with the provision that existed 01.04.2021 as referred to in the newly amended first proviso referred to above.

The admitted facts of the present case are that the notice u/s 148 of the Act dated 07.04.2022 was issued beyond six years from the end of the assessment year under consideration thereby demonstrating the prohibition in limitation for the purpose reopening the re-assessment under consideration.

In the recent judgement of the Supreme Court rendered in the case of Rajeev Bansal wherein the limitation for the issuance of notice u/s 148 of the Act post Ashish Agrawal was subject matter of dispute before the Hon'ble Apex Court where the Department/Government represented by the Additional Solicitor General of India had made the following submissions which are as under:

C. Submissions

19. Mr. N Venkataraman, learned Additional Solicitor General of India, made the following submissions on behalf of the Revenue:

a. Parliament enacted TOLA as a free-standing legislation to provide relief and relaxation to both the assesses and the Revenue during the time of COVID- 19. TOLA seeks to relax actions and proceedings that could not be completed or complied with within the original time limits specified under the Income-tax Act;

b. Section 149 of the new regime provides three crucial benefits to the assesses: (*i*) the four-year time limit for all situations has been reduced to three years; (*ii*) the first proviso to Section 149 ensures that re-assessment for previous assessment years cannot be undertaken beyond six years; and (*iii*) the monetary threshold of Rupees fifty lakhs will apply to the re assessment for previous assessment years;

c. The relaxations provided under section 3(1) of TOLA apply "notwithstanding anything contained in the specified Act." Section 3(1), therefore, overrides the time limits for issuing a notice under section 148 read with Section 149 of the Income-tax Act;

d. TOLA does not extend the life of the old regime. It merely provides a relaxation for the completion or compliance of actions following the procedure laid down under the new regime;

e. The Finance Act 2021 substituted the old regime for re-assessment with a new regime. The first proviso to Section 149 does not expressly bar the application of TOLA. Section 3 of TOLA applies to the entire Income-tax Act, including Sections 149 and 151 of the new regime. Once the first proviso to Section 149(1)(*b*) is read with TOLA, then all the notices issued between 1 April 2021 and 30 June 2021 pertaining to assessment years 2013-2014, 2014-2015, 2015-2016, 2016-2017, and 2017-2018 will be within the period of limitation as explained in the tabulation below:

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Assessment Year	*Within 3 Years*	*Expiry of Limitation read with TOLA for (2)*	*Within six Years*	*Expiry of Limitation read with TOLA for (4)*
(1)	(2)	(3)	(4)	(5)
2013-2014	31-3-2017	TOLA not applicable	31-3-2020	30-6-2021
2014-2015	31-3-2018	TOLA not applicable	31-3-2021	30-6-2021
2015-2016	31-3-2019	TOLA not applicable	31-3-2022	TOLA not applicable
2016-2017	31-3-2020	30-6-2021	31-3-2023	TOLA not applicable
2017-2018	31-3-2021	30-6-2021	31-3-2024	TOLA not applicable

f. The Revenue concedes that for the assessment year 2015-16, all notices issued on or after 1 April 202 will have to be dropped as they will not fall for completion during the period prescribed under TOLA;

g. Section 2 of TOLA defines "specified Act" to mean and include the Income-tax Act. The new regime which came into effect on 1 April 2021, is now part of the Income-tax Act. Therefore, TOLA continue to apply to the Income T a x Act even after 1 April 2021; and

h. *Ashish Agarwal* (*supra*) treated Section 148 notices issued by the Revenue between 1 April 2021 an 30 June 2021 as show-cause notices in terms of Section 148A(*b*). Thereafter, the Revenue issue notices under section 148 of the new regime between July and August 2022. Invalidation of the Sectio 148 notices issued under the new regime on the ground that they were issued beyond the time limi specified under the Income-tax Act read with TOLA will completely frustrate the judicial exercis undertaken by this Court in *Ashish Agarwal* (*supra*).

Therefore, in the chart placed on record by the Department represent by the Additional Solicitor General of India makes it clear that the limitation of 6 years for the purpose of notice u/s 148 of the Act with respect to the assessment year 2015-16 would expire on 31.03.2022.

On the facts of the present case, the notice u/s 148 of the Act dated 07.04.2022 being issued admittedly beyond the prescribed time limit in terms of the first proviso to Section 149 of the Act, the consequential order of re-assessment passed and challenged in the present appeal may be annulled in the interest of justice.

The said issue on validity of re-assessment order passed for AY: 2015 – 16 in consequence to issuance of notice under Section 148 of the Act after 31.03.2022 was the subject matter of dispute before the jurisdictional Madras High Court in W.P.No.16526 of 2022 dated 28.11.2024, wherein the prayer to the Writ Petition before the Hon'ble Madras High Court reads as follows:

Prayer: Writ Petition filed under Article 226 of the Constitution of India, to issue a writ of certiorari to call for the records on the file of the Respondent and quash the impugned order under Section 148A(d) of the Act in PAN:ADDPL2229A dated 04.04.2022 in DIN & Notice No. ITBA/AST/F/148A/2022-23/1042464779(1) for the AY 2015-16 along with the impugned notice no.1 issued under Section 148A(b) of the Act in PAN:ADDPL2229A dated 23.03.2022 in DIN & Notice No. ITBA/AST/F/148A(SCN)/2021-22/1041356299(1) for the AY 2015-16 and the impugned notice No.2 under Section 148 of the Act in PAN:ADDPL2229A dated 04.04.2022 in DIN & Notice No. ITBA/AST/S/148_1/2022-23/1042466733(1) for the AY 2015-16.

The Hon'ble Madras High Court after taking into consideration the above fact of issuance of notice under Section 148 of the Act for AY: 2015-16 after 31.03.2022 had proceeded to quash the re-assessment proceedings initiated under Section 148 of the Act for AY: 2015 – 16.

Similarly, the Hon'ble Delhi High Court in W.P.(C) 17639/2022 dated 13.12.2024 under identical circumstances had held as follows:

1. The instant writ petition assails the reassessment action initiated under Section 148 of the Income Tax Act, 1961 ["Act"] for Assessment Year ["AY"] 2015-2016. The petitioner has impugned the order referable to Section 148A(d) of the Act dated 23 July 2022 and the consequential notice under Section 148 of the Act which came to be issued on the same date.

2. We bear in mind the following concession which came to be recorded on behalf of the respondent before the Supreme Court in Union of India and Others vs. Rajeev Bansal [2024 SCC OnLine SC 2693] and relevant parts whereof are reproduced hereinbelow:- …

3. In view of the aforesaid, it is evident that the impugned reassessment action for AY 2015-16 would not sustain.

4. The writ petition is accordingly allowed. The impugned order under Section 148A(d) of the Act dated 23 July 2022 and consequential notice referable to Section 148 of even date are hereby quashed and set aside.
Hence, the appellant pleads on this count too annulling the re-assessment order passed under Section 147 of the Act for AY: 2015 – 16 and thus render justice.

Furthermore, the appellant submits that another facet of submissions with regard to validity of assumption of jurisdiction is on the validity of the order of re-assessment passed in the absence of escapement of income being less than Rs. 50,00,000/-

The appellant submits that the order of re-assessment passed is time barred even in the new regime of re-assessment proceedings by the virtue of provisions in Section 149 of the Act. The provisions in Section 149 of the Act reads as follows:

149. (1) No notice under section 148 shall be issued for the relevant assessment year,—

(a) if three years have elapsed from the end of the relevant assessment year, unless the case falls under clause (b);

(b) if three years, but not more than ten years, have elapsed from the end of the relevant assessment year unless the Assessing Officer has in his possession books of account or other documents or evidence which reveal that the income chargeable to tax, represented in the form of—

(i) an asset;

(ii) expenditure in respect of a transaction or in relation to an event or occasion; or

(iii) an entry or entries in the books of account,
which has escaped assessment amounts to or is likely to amount to fifty lakh rupees or more:]

The disputed addition made to the tune of Rs. 34,91,864/- being the 8% of the total credits reflecting in the aggregate value of the cash deposits and interest income received in TamilNad Mercantile Bank by the appellant amounting to turnover of Rs.4,36,48,301/- cannot be construed as income for the purpose of assessment.

In this regard, the cardinal rule, namely 'All receipts are not income' is completely ignored while passing the re-assessment. The disputed credits in the said bank account as a whole cannot be reckoned as income in its entirety which would otherwise defeat the principles of fairness in taxation, especially in view of the fact that said credits were offered to taxation in the hands of M/s Nather Hussain.

The presumption of income assessable to tax escaping assessment is proved to be wrong and erroneous and the re-assessment passed in consequence to issuance of notice under Section 148 of the Act is subjected to the conditions prescribed under Section 149(1)(a) of the Act. The term "Income assessable to tax" was interpreted by the Karnataka High Court in the case reported in 455 ITR 370, wherein it was held as follows:

18. Accordingly, in the present case, the words found in section 149 which is 'income chargeable to tax' must be read in terms of 'income' as arising out of the 'Capital Gains' as provided under section 48 and this is the only manner of understanding the words, 'income chargeable to tax under section 149(1)(b) of I.T. Act.

19. The contention of the Revenue that under section 149 what is required to be taken note of, is the 'income that has escaped assessment' being the entirety of sale consideration of Rs. 55,77,700/-cannot be accepted, in light of the express words in the statutory provision '..... income chargeable to tax. which has escaped assessment amounts to or is likely to amount to fifty lakh rupees or more'.

It cannot be stated that since the stage at which the notice is issued is at a premature stage, the entirety of consideration of Rs. 55,77,700/-ought to be taken note of. A plain reading of section 48 would provide that the entirety of sale consideration does not constitute 'income'. The memorandum explaining the provisions of Finance Act, 2021 does not in any way lead to giving a different interpretation to the words, 'income chargeable to tax'. The words used under section 149 for the purpose of extended time limit is to be interpreted in terms of the plain wordings of section 149 and cannot be construed differently while relying on any executive instruction.

The said decision rendered by the Karnataka High Court was followed by the Madhya Pradesh High Court under similar circumstances, wherein it had held as follows:

6. After hearing ld. counsel for rival parties, short question which falls for consideration is as to whether income of Rs. 7205084/- shown in the impugned order and notice to have escaped assessment, is income chargeable to tax or not?

6.1 Admittedly, the expression 'income chargeable to tax' is not defined in the IT Act. However, the scheme of the IT Act specially the provisions which deal with computation of business income make it abundantly clear that definition of expression 'income' and 'income chargeable to tax' are at variance to each other. The expression 'income' is inclusively defined under section 2(24) of IT Act whereas 'income chargeable to tax' obviously denotes an amount which is less than 'income'. The 'income chargeable to tax' is arrived at after deducting the permissible deductions under IT Act from 'income'. As such quantum of 'income' is invariably more than the income chargeable to tax.

6.2 Moreso, all penal provisions under the scheme of income tax, emanate from the factum of evasion of tax calculated based on income chargeable to tax. 6.3 Several High Courts have held that income chargeable to tax cannot be the gross receipts/consideration in any business transaction. One such decision which appears to be closest to the facts of present case is the Single Bench decision of Karnataka High Court rendered on Sanath Kumar Murali (supra), the relevant extract of which is reproduced as follows……

The income embedded in the disputed cash deposits made by the appellant is very meagre. In this regard, the appellant submits that the notice under Section 148 of the Act was issued on 07.04.2022 and the assuming for a moment, the aforesaid disputed addition amounting to Rs. 34,91,864/- is the income chargeable to tax escaping assessment, by the virtue of the Section 149(1)(a) of the Act, the consequential re-assessment passed is barred by limitation in view of the fact the income

escaping assessment is less than Rs. 50,00,000/- and that the notice under Section 148 of the Act was issued upon the 07.04.2022, which is beyond 3 years from the end of the relevant assessment year under consideration.

Hence, the erroneously assumption of jurisdiction under Section 147 of the Act to assess an income escaping assessment, which income is less than Rs. 50,00,000/- by way of issuance of notice under Section 148 of the Act beyond 3 years from the end of the assessment year, the consequential re-assessment order dated 27.03.2024 would fall to the ground.

On the cumulative consideration of the above submissions, the appellant pleads for allowing all the grounds of appeal and thus render justice.

Without prejudice to the above submissions, the appellant submits that disputed credits reflecting in the bank account maintained with TamilNad Mercantile Bank amounting to Rs.4,36,48,301/- pertains to another entity / not the appellant herein.

The appellant during the course of re-assessment proceedings had placed on record the cash book, Sales Ledger and bank statement of "Sathyamurthy Indane Gas services", wherein the cash deposits were relatable to running of a Gas Agency and the income component in such transactions was offered to tax in the hands of the Partnership Firm, M/s Nather Hussain.

However, the said fact was not taken into consideration by the Assessing Officer in mechanically making an ad hoc addition of 8% of the total credits as income of the appellant for the purpose assessment.

The appellant is placing on record the above details filed during the course of re-assessment proceedings in the present appellate proceedings with a prayer for independent examination of the same and further with a prayer for deleting the disputed addition erroneously made as income of the appellant in complete defiance to the fundamental principles of taxation and thus render justice.

The appellant pleads for providing another opportunity of hearing after FOUR WEEKS for filing further submissions and thus render justice."

The First Appellate Authority while disposing off the said first appeal vide impugned appellate order dated 27.03.2024 had held as follows:

"6. Decision: I ,have considered the facts of the case, written submission and case laws relied upon by the appellant as against the observations

and findings of the AO in the assessment order. The submissions and contentions of the appellant are discussed and decided as under:

6.1 Ground No.1 to 14: In these grounds the appellant has challenged the addition worth Rs. 3491864/- on account of estimation @ 8% on the turnover of Rs. 43648301/-. This case was completed u/s 144 of the Income Tax Act as no evidences were filed by the appellant during the assessment proceedings.

6.1.1 Now before me in the appellate proceedings, the appellant has filed written submission. The appellant has filed additional evidences under Rule 46A of the Income Tax Rule before me. Since the assessment Qrder has been passed u/s 144 of the Income Tax Act, and hence in the interest of justice, the matter is set aside to the file of the AO."

10. It was contended that the reassessment proceedings were invalid as the notices u/s. 148A and 148 were not issued in a faceless manner, contrary to Section 144B and Section 151A of the Act and the schemes notified by the CBDT in March 2022. Reliance was placed on several High Court decisions which had quashed reassessment proceedings initiated by jurisdictional officers instead of through the faceless mechanism.

11. It was further argued that the notice u/s. 148 dated 07.04.2022 was barred by limitation, as it was issued beyond six years from the end of AY 2015-16, which expired on 31.03.2022. Reliance was placed on judicial precedents, including decisions interpreting the limitation provisions post the amendments introduced by the Finance Act, 2021. Additionally, the assessee contended that even under the amended regime of Section 149, the extended limitation of up to ten years would apply only where income chargeable to tax escaping assessment amounted to

Rs.50,00,000/- or more. Since the addition made was Rs.34,91,864/-, being 8% of turnover, the condition was not satisfied. It was also submitted that "income chargeable to tax" cannot be equated with gross receipts or total bank credits, and that all receipts do not constitute income.

12. Without prejudice, it was argued on merits that the bank deposits related to business transactions of another entity and that the income component had already been offered to tax in the hands of M/s. Nather Hussain. The estimation of income at 8% was described as arbitrary and mechanical.

13. The ld.CIT(A), in its order dated 27.03.2024, observed that the assessment had been completed u/s. 144 for non-furnishing of evidences. Since additional evidences were produced during appellate proceedings under Rule 46A, the matter was set aside to the file of the Assessing Officer in the interest of justice.

14. Before us, the limited issue is the validity of the assumption of jurisdiction u/s. 147 by issuance of notice u/s. 148 dated 07.04.2022. The ld. Authorised Representative (AR) submitted that the notice u/s. 148 dated 07.04.2022 was time-barred. The ld. Departmental Representative (DR) contended that the notice u/s. 148A(b) had been issued on 25.03.2022 and the order u/s. 148A(d) passed on 07.04.2022, and that in view of the third proviso to Section 149, the time allowed u/s. 148A(b) must be excluded while

computing limitation. Hence, according to the Department, the extended time permitted issuance of notice up to 07.04.2022, making the notice valid.

15. We have considered the rival submissions and examined the record. The sole question for determination is whether the notice issued u/s. 148 falls within the period prescribed u/s. 149. This issue has already been considered by a Co-ordinate Bench of the Income Tax Appellate Tribunal in ITA No. 3188/CHNY/2025, order dated 27.01.2026 (Paras 6 to 12).

> *6. We heard the rival submissions and perused the material on record. In order to find out whether the notice under section 148 is time barred or not, we need to first examine the relevant provisions of the Act and the legal position as per judicial precedence. Section 149(1) of the Act contain the provisions with regard to the time limit for issue of notice under section 148 of the Act. Notice has to judged according to the law existing on the date of notice issued. The relevant provisions applicable when the notice u/s.148 of the Act was issued reads as under (as on 01.04.2022):-*
>
> > *149 - Time limit for notice.*
> >
> > *(1) No notice under section 148 shall be issued for the relevant assessment year,—*
> >
> > *(a) if three years have elapsed from the end of the relevant assessment year, unless the case falls under clause (b);*
> >
> > *(b) if three years, but not more than ten years, have elapsed from the end of the relevant assessment year unless the Assessing Officer has in his possession books of account or other documents or evidence which reveal that the income chargeable to tax, represented in the form of— (i) an asset; (ii) expenditure in respect of a transaction or in relation to an event or occasion; or (iii) an entry or entries in the books of account, which has escaped assessment amounts to or is likely to amount to fifty lakh rupees or more: Provided that no notice under section 148 shall be issued at any time in a case for the relevant assessment year beginning on or before 1st day of April, 2021, if a notice under section 148 or*

section 153A or section 153C could not have been issued at that time on account of being beyond the time limit specified under the provisions of clause (b) of sub-section (1) of this section or section 153A or section 153C, as the case may be], as they stood immediately before the commencement of the Finance Act, 2021 Provided further that the provisions of this sub-section shall not apply in a case, where a notice under section 153A, or section 153C read with section 153A, is required to be issued in relation to a search initiated under section 132 or books of account, other documents or any assets requisitioned under section 132A, on or before the 31st day of March, 2021: Provided also that for the purposes of computing the period of limitation as per this section, the time or extended time allowed to the assessee, as per show-cause notice issued under clause (b) of section 148A or the period during which the proceeding under section 148A is stayed by an order or injunction of any court, shall be excluded: Provided also that where immediately after the exclusion of the period referred to in the immediately preceding proviso, the period of limitation available to the Assessing Officer for passing an order under clause (d) of section 148A is less than seven days, such remaining period shall be extended to seven days and the period of limitation under this sub-section shall be deemed to be extended accordingly.

Explanation.—For the purposes of clause (b) of this sub-section, "asset" shall include immovable property, being land or building or both, shares and securities, loans and advances, deposits in bank account. (2) The provisions of sub-section (1) as to the issue of notice shall be subject to the provisions of section 151

7. The time limits for issue of notice under section 148 of the Act were amended as above w.e.f. 01.04.2021. Prior to the amendment the relevant provisions of section 149(1) of the Act read as under –

*149 - Time limit for notice. (1) No notice under section 148 shall be issued for the relevant assessment year,— (a) if four years have elapsed from the end of the relevant assessment year, unless the case falls under clause (b) or clause (c); (b) if four years, but not more than six years, have elapsed from the end of the relevant assessment year unless the income chargeable to tax which has escaped assessment amounts to or is likely to amount to one lakh rupees or more for that year; (c) *****

Explanation.—In determining income chargeable to tax which has escaped assessment for the purposes of this sub-section, the provisions of Explanation 2 of section 147 shall apply as they apply for the purposes of that section.

*(2) & (3) ****

8. The time limit for issue of notice under section 148 of the Act was revised with effect from 01.04.2021 and the legislature in order to make the amendment prospective introduced the first proviso to section 149(1). The intent of the first proviso is that the revenue does not get the extended time of ten years where the notices were not issued within a period of six years for AYs prior to 2021-22. The said legislative intent has been clearly explained by the Hon'ble Supreme Court in the case of Rajiv Bansal (supra). The relevant of observations of the Apex Court is extracted below "–

> *46. The ingredients of the proviso could be broken down for analysis as follows: (i) no notice under section 148 of the new regime can be issued at any time for an assessment year beginning on or before 1 April 2021; (ii) if it is barred at the time when the notice is sought to be issued because of the "time limits specified under the provisions of" 149(1)(b) of the old regime. Thus, a notice could be issued under section 148 of the new regime for assessment year 2021-2022 and before only if the time limit for issuance of such notice continued to exist under section 149(1)(b) of the old regime.*
>
> *47. ****
>
> *48. Notices have to be judged according to the law existing on the date the notice is issued. Section 149 of the old regime primarily provided two time limits: (i) four years for all situations and (ii) beyond four years and within six years if the income chargeable to tax which escaped assessment amounted to Rupees one lakh or more. After 1 April 2021, the time limits prescribed under the new regime came into force. The ordinary time limit of four years was reduced to three years. Therefore, in all situations, reassessment notices could be issued under the new regime if not more than three years have elapsed from the end of the relevant assessment year. For example, for assessment year 2018-2019, the four year period would have expired on 31 March 2023 under the old regime. However, if the notice is issued after 1 April 2021, the three year time limit prescribed under the new regime will be applicable. The three year time limit will expire on 31 March 2022.*
>
> *49. The first proviso to Section 149(1)(b) requires the determination of whether the time limit prescribed under section 149(1)(b) of the old regime continues to exist for the assessment year 2021-2022 and before. Resultantly, a notice under Section 148 of the new regime cannot be issued if the period of six years from*

*the end of the relevant assessment year has expired at the time of issuance of the notice. This also ensures that the new time limit of ten years prescribed under section 149(1)(b) of the new regime applies prospectively. For example, for the assessment year 2012-2013, the ten year period would have expired on 31 March 2023, while the six year period expired on 31 March 2019. Without the proviso to Section 149(1)(b) of the new regime, the Revenue could have had the power to reopen assessments for the year 2012-2013 if the escaped assessment amounted to Rupees fifty lakhs or more. The proviso limits the retrospective operation of Section 149(1)(b) to protect the interests of the assesses. 50. to 52. *** 53. The position of law which can be derived based on the above discussion may be summarized thus: (i) Section 149(1) of the new regime is not prospective. It also applies to past assessment years; (ii) The time limit of four years is now reduced to three years for all situations. The Revenue can issue notices under section 148 of the new regime only if three years or less have elapsed from the end of the relevant assessment year; (iii) the proviso to Section 149(1)(b) of the new regime stipulates that the Revenue can issue reassessment notices for past assessment years only if the time limit survives according to Section 149(1)(b) of the old regime, that is, six years from the end of the relevant assessment year; and (iv) all notices issued invoking the time limit under section 149(1)(b) of the old regime will have to be dropped if the income chargeable to tax which has escaped assessment is less than Rupees fifty lakhs."*

9. From the perusal of the legislative intent of the first proviso to section 149(1) of the Act and interpretation given by the Hon'ble Supreme Court it is clear that Revenue cannot issue notice under section 148 for assessment years prior to AY 2021-22 if six years from the end of the relevant assessment year has expired on the date of issue of such notice. In the light of the above legal position we will now examine the facts in present case. The year under consideration here is AY 2015-16. For assessment year 2015-16, the time limit as per the old regime, for issue of notice for AY 2015-16 under section 148 of the Act is six years from the end of the relevant assessment year. i.e. 31.03.2022. Accordingly, the notice dated 01.04.2022 issued u/s.148 of the Act in assessee's case is beyond the time limit and not valid.

10. The argument of the Ld.DR is that the time allowed to the assessee to respond to the notice issued under section 148A(b) i.e., from 22.03.2022 to 29.03.2022 should be excluded as per the third proviso to section 149(1). We are of the considered view, for the purpose applying the exclusion period, the notice should first survive the test of being issued either under section 149(1)(a) or 149(1)(b) under the new regime. In the given case the notice under section 148 of the Act for AY 2015-16 does

not survive the test by virtue of the first proviso and therefore the question of applying the third proviso for calculating the time limit does not arise. In this regard, the Hon'ble Jurisdictional High Court in the case of Sridhar Lokesh vs. ITO in WP No.16526 of 2022 (judgment dated 28.11.2024) was considering the following prayer:-

> *Writ Petition filed under Article 226 of the Constitution of India, to issue a writ of certiorari to call for the records on the file of the Respondent and quash the impugned order under Section 148A(d) of the Act in PAN:ADDPL2229A dated 04.04.2022 in DIN & Notice No.ITBA/AST/F/148A/2022-23/1042464779(1) for the AY 2015-16 along with the impugned notice no.1 issued under Section 148A(b) of the Act in PAN:ADDPL2229A dated 23.03.2022 in DIN & Notice No.ITBA/AST/F/148A(SCN)/2021-22/1041356299(1) for the AY 2015- 16 and the impugned notice No.2 under Section 148 of the Act in PAN:ADDPL2229A dated 04.04.2022 in DIN & Notice No.ITBA/AST/S/148_1/2022-23/1042466733(1) for the AY 2015-16.*

11. In disposing off the above prayer, the Hon'ble Jurisdictional High Court held as follows:-

> *"2.The issue, as on date is covered by a decision of the Division Bench of the Bombay High Court in Hexaware Technologies Ltd. Vs. Assistant Commissioner of Income Tax [(2024) 162 taxmann.com 225 (Bombay)]. In paras 29 and 30, the Court has examined the issue in the light of the 1st and 3rd proviso to Section 149 of the Income Tax Act, 1961 as in force with effect from 01.04.2021. The 3rd proviso to Section 149 (1) is now the 5th proviso to Section 149 (1) with effect from 01.04.2023.*
>
> *3. Although, the submissions made by the learned counsel for the respondents appears to be more attractive, I am bound by the decision of the Division Bench of the Bombay High Court in the above case, which had followed an earlier decision rendered in Godrej Industries Vs. The Assistant Commissioner of Income Tax and Ors. rendered on 28.02.2024."*

12. In light of the aforesaid discussion and relying on the judicial pronouncements cited supra, we hold that the notice issued u/s.148 of the Act dated 01.04.2022 is barred by limitation. Consequently, the reassessment proceedings based on an invalid notice is quashed and addition made therein is deleted. Since, we have adjudicated the legal ground, the grounds raised on merits is not adjudicated and is left open. It is ordered accordingly.

13. In the result, the appeal filed by the assessee is partly-allowed.

16. Respectfully following the said decision and relying on the binding judgment of the jurisdictional High Court, we hold that the notice issued u/s. 148 dated 07.04.2022 is barred by limitation. Consequently, the reassessment proceedings based on time barred notice is quashed. Since, we have adjudicated the legal ground, the other grounds raised are not adjudicated and are left open. It is ordered accordingly.

17. In the result, appeal filed by the assessee is partly allowed.

Order pronounced in the open court on 04th day of March, 2026 at Chennai.

Sd/-	**Sd/-**
(पद्मावती एस)	**(मनु कुमार गिरि)**
(PADMAVATHY S)	**(MANU KUMAR GIRI)**
लेखा सदस्य**/ACCOUNTANT MEMBER**	न्यायिक सदस्य**/JUDICIAL MEMBER**

चेन्नई/Chennai,
दिनांक/Dated: 04th March, 2026.
SP
आदेश की प्रतिलिपि अग्रेषित**/Copy to:**
1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT, Chennai / Madurai / Salem / Coimbatore.
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF