



RJT ITAT: Merely Stating ‘Yes, I Am Satisfied’ By PCIT While Granting Approval U/S 151, Insufficient; Quashes Reassessment

Facts of the case

Girish Lahori, an individual was in receipt to notice u/s 148 of the Income-tax Act, 1961. The Assessee had traded with the NSE in Futures & Options in AY 2010 -11 amounting to Rs. 18.91 Cr and failed to furnish details regarding the same. Since the assessee provided no details, the AO made an estimated 1% addition on the sale of shares and Futures & Options. The Assessee failed to file his return in response to receipt of the notice. Aggrieved, the assessing officer framed assessment u/s 144 of the act. Aggrieved by the assessment order, the assessee preferred an appeal before the Ld. CIT(A), who upheld the action of the AO. The technical ground challenging reopening u/s 147/148 was dismissed, holding that the estimation of profit at 1% of turnover was based on reasonable belief of income escapement. The addition on merits was accordingly confirmed. Aggrieved by the order of the Ld. CIT(A), the assessee is in appeal before ITAT.

Contention of the Revenue

The Revenue contended that the reopening of assessment was valid as it was based on information available with the Assessing Officer indicating substantial share and F&O transactions by the assessee, giving rise to a reasonable belief of escapement of income, and that the approval granted by the PCIT u/s 151 by recording “Yes, I am satisfied” was sufficient compliance with the statutory requirement, particularly since the assessee had not filed the return of income or furnished requisite details during assessment proceedings; the Revenue further argued that in the absence of cooperation and documentary evidence from the assessee, the Assessing Officer was justified in proceeding ex parte, estimating income, and initiating reassessment proceedings in accordance with law.

Contentions of the Assessee

The Ld. counsel for the assessee argued on the reopening of assessment u/ss 147/148 of the Act. It was submitted that the addition of ₹18.91 lakhs was incorrect, as the assessee had not earned such income from F&O trading. It was further contended that the assessee’s income was below the basic exemption limit and hence no return was filed.

The Ld. counsel for the assessee argued that the reasons recorded for reopening were without application of mind, as the AO wrongly treated the entire value of F&O transactions as income escaped from assessment, instead of considering only the embedded profit or loss. It was contended that details of net loss from such transactions were already available but were ignored. The reopening was based on vague and unverified information, amounting to borrowed satisfaction, rendering the reasons and reopening u/ss 147/148 bad in law.

On another technical ground, the Ld. counsel argued that the approval granted by the Ld. PCIT u/s 148 was mechanical, as it merely stated “yes, I am satisfied” without recording any independent satisfaction regarding escapement of income. Relying on judicial precedents, it was contended that such approval is invalid and the assessment deserves to be quashed. On merits, it was submitted that despite available information showing losses in F&O trading, the Assessing Officer made an addition.



Contention of the honourable ITAT

The ITAT examined the first technical issue raised by the assessee-appellant concerning the approval granted by the PCIT stating “yes, I am satisfied.” It was held that the approval so obtained was without application of mind and mechanical in nature. The Ld. Bench also pointed out that approval provided, is written manually, which seems like an afterthought and the Ld. PCIT has not mentioned as to how and why he was satisfied with the reasons recorded by the AO.

The recent observation raises concerns over the procedural safeguards u/s 151 of the Income Tax Act. LD PCIT approved the reopening of an assessment based solely on the reasons recorded by the assessing officer, without conducting an independent review or having tangible supporting material. It was emphasized that the designated authority must apply its own judgment and not merely rely on the AO’s conclusions. The approval process should reflect genuine scrutiny, ensuring that the authority independently evaluates the reasons before deciding to reopen an assessment.

Consequently, the reassessment proceedings are quashed, and all other issues on merits or technical grounds arising from the impugned assessment are rendered academic and infructuous.

Citation

Girish Lahori [TS-1650-ITAT-2025(Rjt)]

Our Comments

In our view, the reassessment proceedings suffer from a fundamental jurisdictional defect as the mandatory approval u/s 151 has been accorded in a purely mechanical manner, with the PCIT merely recording “Yes, I am satisfied” without reflecting any independent application of mind or examination of the reasons recorded by the Assessing Officer, which defeats the very purpose of the statutory safeguard against arbitrary reopening; such borrowed satisfaction, unsupported by tangible material or objective reasoning, renders the sanction invalid in law and consequently vitiates the entire reassessment proceedings, as consistently held by the Supreme Court, the jurisdictional High Court and coordinate benches of the Tribunal.