



DEL ITAT: Emphasizes AO's Duty To Scrutinize All Issues Noticed During Reassessment Proceedings

Facts of the Case

The taxpayer's case for AY 2018-19 was reopened by the Assessing Officer (AO) treating the cost of a painting (INR 11,32,525) which was not explained, as income escaping assessment. Not satisfied with the submissions made by the taxpayer, the AO passed the reassessment order adding the aforesaid amount to his income. Later, in terms of a show cause notice issued to the taxpayer, the Principal Commissioner of Income Tax alleged that the taxpayer had entered into one more transaction of purchase of painting worth INR 40,45,500, about which the AO failed to make an enquiry. The Principal Commissioner, 'accordingly considering the reassessment order as erroneous and prejudicial to the interest of the Revenue, passed an order u/s 263 of the Income-tax Act, 1961 (ITA) directing the AO to pass a fresh order after making necessary verification.

Contentions of the Taxpayer

It was contended on behalf of the taxpayer that only the transaction of purchase of the first painting (INR 11,32,525) was mentioned in the reasons recorded before initiating the reassessment; and the transaction relating to the second painting (INR 40,45,500) was never a part of such reasons. Therefore, the reassessment order could not be considered as erroneous due to lack of any enquiry into the second transaction.

Observations and Ruling of the Tribunal

The Tribunal observed that it was a settled position that once an assessment was reopened, the AO could make further enquiry even on the issues for which no satisfaction was recorded.

Further, the Tribunal stated that once the AO had made the additions on issues for which the satisfaction of escapement of income was recorded, it was his duty to make necessary verification of the other issues which came to his notice subsequently.

Accordingly, the Tribunal upheld the revision order passed by the Principal Commissioner u/s 263 of ITA.

Citation

Harsh Vardhan Singh v. PCIT [TS-1634-ITAT-2025(DEL)]

Our Comments

An assessing officer's power to delve into new issues coming to his notice after initiation of reassessment based on other issues is confirmed time and again. An issue could still remain as to the start of the period of limitation – from the date of the regular assessment order or the date of reassessment order. `