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BLOCK ASSESSMENT IN SEARCH CASES - Assessment of undisclosed income - Block perio d 1996-97 -Assessee's premises was searched on 24-09-1996 and cash,jewellery, documents,etc., were seized and notice was issued - when assessee challenged notification u/sec.127(1) transferring case from Trichy to Chennai, High Court granted interim stay on 02-09-1997 -department issued fresh notification after following priscribed procedure which became effective from 16-04-1998 and framed assessment on 03-12-1998 - assessee contended that as assessment was not completed within 28 days from 16.04.1998,it was barred by time - whether when High Court had granted stay,it was impossible for authorities to restart proceedings immediately on conferment of jurisdiction on 16.04.1998 without express sanction of Court -held,yes -whether

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SEARCH & SEIZURE - block assessment years 1986-87 to 1996-97 - whether so far as making of assessment in search cases and adjudication of appeal thereon are concerned, question of validity of search is beyond pale of power of Assessing Officer and Tribunal- Held,yes - whether even if block assessment is declared invalid on ground that search was itself declared invalid, revenue cannot still be legally stopped from making use of material and information which came into revenue's possession in course of search for taking action against assessee under section 147 - held,yes - Virinder Bhatia vs. Dy. CIT

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- block period 1987-88 to 1997-98 - whether any income which was not intended to be concealed and found mentioned by way of note in regular assessment proceedings would be outside subject-matter of consideration in block assessment - held , yes - Morani Fire Works vs. Asstt. CIT (Mum. -Trib.)-(2001) 114 Taxman 78

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- Block period 1987-88 to 1997-98 - During course of search certain papers containing certain notings were seized from residence of one of partners of assessee-firm - It was explained that said partner maintained petty cash balance, which was, inturn, given to staff to meet daily petty expenses and whatever amount was given was to be adjusted against expenses - however, A.O. made addition u/s. 69C - Whether, u/s. 158BA(3) , income pertaining to that period for which assessment year was not over at time of search should be excluded from block assessment if assessee proves that such income is reflected in books maintained for income-tax purpose - Held, yes - Whether u/s. 69C, no addition can be made on mere presumption without establishing that assessee, in facts , incurred such expenditure but was not able to explain source - held, yes - Whether

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Block assessment years 1987-88 to 1997-98 - A.O. , while making block assessment, made additions on account of unexplained investment in purchase of a flat in 1987-88 as well as in FDRs/ bank deposits during years 1991-92 to 1996-97 - Whether since assessee had disclosed purchase of flat and source of investment for said purchase much prior to search, A.O. would be unjustified in considering same matter again in block assessment - held, yes - whether since assessee had already disclosed investments in FDRs/ bank accounts and source of such investments was also apparent from statement of affairs attached to returns of respective years filed prior to search, it was impermissible to consider such items once again in assessment of block period - held, yes- Whether all additions made had, thus, to be deleted - held, yes- Smt. Nirmala Jaiswal vs.

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Appropriation of retained assets -Adjustment of seized amount against arrears of tax - Seized amount has to be first adjusted against the liability that arises in the block assessment only and therefore AO erred in making the adjustment of seized cash against existing tax liability of the assessee - CIT vs. Ors. vs. K.T.Kunjumon (Mad)

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(2001) 169 CTR 54

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Computation of undisclosed income - Assessee - individual, carrying on business of construction activities in his own name and in name of various partnership firms of which he was a partner, had also income from various sources - Pursuant to search and seizure action , certain assets and other incriminating documents and loose sheets were found in assessee's premises- Assessee admitted, in his statement u/s. 131, having advanced cash loans and having written certain entries in coded language - Assessee accepted having concealed income to extent of Rs. 25 Lakhs, but assessment was completed on a total income of more than Rs. 2 crores, making several additions based on seized materials - Whether where assessee was having a power of attorney in respect of property in dispute he could be treated as 'owner' in view of extended meaning

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Ideal Plot Vikri Kendra & Others vs. Asstt. CIT (Pun

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(2001) 74 ITD 117

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Block period 1.4.86 to 29.11.96 -While completing block assessment, Dept. made certain additions on account of undisclosed income on sale of plots under Chapter XIV-B - Whether provisions of sec. 145 could be applied while assessing undisclosed income on sale of plots under Chapter XIV-B - Held, yes - Ideal Plot Vikri Kendra & Others vs. Asstt. CIT (Pune) (TM)

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Block assessment under s. 158BC framed before the expiry of 28 days from the date of vacation of stay by the High Court after the Department issued a fresh notification under s. 127 (1) curing the procedural defect in the notification issued under section 127(1) was not time-barred. - There was no need to issue a fresh notice under s. 158BC [V. Dhivakaran v. Dy. CIT (Chennai 'C') 37]

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BLOCK ASSESSMENT- ADDITIONS ON THE GROUND OF UNDERSTATEMENT OF CONSIDERATION OF PURCHASE OF PROPERTY , EXPENSES ON CONSTRUCTION AND PERSONAL EXPENSES AND INFLATION OF AGRICULTURAL INCOME- - PURCHASE OF PROPERTY OUT OF FOREIGN REMITTANCES - NO EVIDENCES OF EXTRA EXPENDITURE ON CONSTRUCTION AND PERSONAL EXPENSES AND INFLATION OF AGRICULTURAL INCOME - ADDITIONS BASED ON PURE ESTIMATE NOT JUSTIFIED IN THE BLOCK ASSESSMENT - IT ACT S. 158 BC.

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Smt.Purnima Beri vs. Dy.CIT(Asr.- Trib.)(TM).	[2002] 123 Taxman 61

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BLOCK ASSESSMENT IN SEARCH CASES:- Block period 1986-87 to 1996-97- certain documents, found at Y's premises during search proceedings, revealed that assessee had entered into an agreement with V for purchase of shares held by V, consideration being Rs. 1,01,04,000-However receipts showing payment of Rs.10,10,400 to V through cheque were found -'Y' and 'S' who were witnesses to agreement stated on date of search that further payments were made in cash -However, later on they resiled from earlier statements - Subsquente to date of search assessee paid balance amount of Rs. 80,600/- to V and denied having paid said amount earlier -Assessing Officer, relying on earlier statement of Y and S, made addition to assessee's income - Whehter other than mere suspicion there was no evidence with department to support its observation

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Validity - Block assessment framed within the period of limitation pursuant to action u/s 132 which was duly authorised in respect of the assessee and not suffering from any legal infirmity was valid. Ashok Kumar Kataria vs. Dy.CIT (Jp). (2002) 75 TTJ 392

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Block Assessment-Condition precedent- Valid search-Information providing reason to believe that person in possession of money or other asset will not disclose it -Mere information from CBI that cash was found in possession of individual-Not"Information" for purposes of authorising search-Search based on such information and consequent block assessment not valid-Income -tax Act, 1961, ss. 132 158BC. Writ-High Court-Territorial jurisdiction-person assessed regularly in Delhi-Search in Chennai-survey operations and block assessment in Delhi-High Court in Delhi-has jurisdiction-availability of alternative remedy-no bar when action complained of is wholly without jurisdiction-Income tax Act, 1961, ss. 132, 133A 158BC-constitution of India, art. 226. Union of India v. Ajit Jain

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Block period 1986-87 to 1995-96 and assessment year 1996-97 - Whether provisions of section 145 could be applied while assesssing undisclosed income under Chapter XIV - B - Held,no -
"(i)Even if the of income of assessment year 1955-56 was filed belatedly the income on the basis of normal books of account could not be treated as undisclosed income within the meaning of section 158B(b) of the Act.Relience was placed in the decisions of Amar Nath Agarwal vs.DCIT (67 TTJ - Del.551) and Sita Devi Daga vs. ACIT (67 ITD 151- Indore)" "(iv) The intimation of income at 10% of the total sales was arbitrary and without any basis, more so,when in a block assessment, undisclosed income had to be determined on the basis of seized materials found during the course of search. Reliance was placed on

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A harsh end to block assessment procedure -R.Raghunathan. [2003] 181 CTR 127

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[2003] 128 Taxman 4

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Budget 2003-04 - Block assessment procedure concerning search cases to be discontinued. T.N.Pandey. [2003] 128 Taxman 4

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CIT vs. K.T.Kunjumon (Mad)

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[2003] 128 Taxman 474

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Stage u/s 132B in respect of assets would come only after block assessment is done in terms of section 158BC. CIT vs. K.T.Kunjumon (Mad). [2003] 128 Taxman 474

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[2002] 123 Taxman 93

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Finance Act, 2002 - Amendments made in Chapter XIV-B - Block assessment revisited - V.S.Mani - [2002] 123 Taxman 93 " There are several instances where certain expenses or allowences are claimed under the bona fide belief that they are allowable but they may ultimately be decided by the Courts as not allowable. such expenditure can still be not characterised as undisclosed income unless the assessee has intentionally made a false claim by means of fabricating evidence and documents which were also obtained during the course of search action u/s 132. There is much differece between a wrong claim and a false claim.However, the matter of deciding whether the information is relatable to the evidence obtained as a result of search or not depends upon the facts and circumstances of

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Manmal Gululia vs. Dy CIT (Gua.-Trib.)

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UNDISCLOSED INCOME - Block period 1985 -86 to 1995-96 - Pursuant to search and saizure operatiion under section 132 in business and residential permises of assessee , certain books of account and documents were seized from assessee - group's office-cum-residential permises at Aizwal, which was used by C, an employee of M.T. (a concern of assessee) - Said documents as well as diposition of 'C' under section 132 (4) contained names of some tribal firms - Documents contain details of amounts of supply and contract works done with Mizoram Government in names of said tribal firms - 'C' stated that JP (son of assessee) was owner of MT and he was also making supplies to Mizoram Government on behalf of assessee - Group and own behalf of different parties on commission basis - Assessing Officer inferred that assessee and his group were

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Smt. Sangeeta Goel vs. Asstt. CIT (Chd. -Trib.)

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Block assessment years 1986-87 and 1996-97 - Assessing Officer seized some gold ornaments from business premises of assessee which were received just before date of search and made addition of same observing that accounts were incomplete and no entries were passed to record above items in books of account - whether a mare fact that cash book was found complete would by itself justify conclusion that assessee had not made purchases against bill found and seized during course of seach or that these were not intended to be disclosed in regular books - Held,no -Smt. Sangeeta Goel vs. Asstt. CIT (Chd. -Trib.). [2002] 122 Taxman 121

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Appeals to - Whether various parts of Chapter XX are independent by themselves and there cannot be any over-lapping of one into other since these deal with appeals at different forums- Held,yes - Consequent to intertion of Chapter XIV-B with effect from 1-7-1995, there was a conscious consequential amendment in section 253(3) whereby a proviso was inserted to effect that in respect of block assessment, first appeal would be filed to Tribunal - Provision pertaining to fist appeal to Tribunal lasted for a limited period only, i.e. 1-7-1995 to 31-12-1996 and, subsequently, first appeal against a block assessment reverted back to commissioner (appeals) - Whether for that period provisions of sectoin 249(4) would be applicable in respect of first appeals filed to Tribunal against block assessment - Held,no - Anil Sanghi vs. Asstt. CIT (Delhi) (SB) - [2003] 85 ITD 73

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Cas Card Finance Ltd. vs. Asstt. CIT (Ahd.) (TM)	[2003] 84 ITD 1

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During course of search operations, certain incriminating documents including share application forms and other loose papers pertaining to assessee companies /firms were found and on basis thereof and after making inquiries, additions were made by Assessing Officer on account of investments in share capital of companies and deposits by certain individuals in partnership firms and assessments were completed in cases of assessee u/s 158BC, read with section158BD 0 On appeal, Accountant Member directed deletion of additions made by Assessing Officer whereas Judicial Member confirmed those additions and, therefore, matter was referred to third member - Whethere assessment made under chapter XIV - B is to be based on evidence found as a result of search, requisition of books of account or documents; and such other material or

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M/s Naval Kishore & Sons	[2003] 84 ITD 7(Luc)

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Whether the provision of sub-section(2) of section 143 of the Income-tax Act, 1961 are applicable to the block assessment proceedings. If so, whether non-issuance and non-service of notice under section 143(2) shall have the effect of vitiating the block assessment order, so as to render the assessment order itself as null and void ?- M/s Naval Kishore & Sons - [2003] 84 ITD 7(Luc)

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Chhabria Mktg. Ltd. vs. Dy.CIT (Mum.)	[2002] 81 ITD 314 (Mum.)

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Proceedings against assessee company u/s 158BD were initiated on receipt of satisfaction note from Assessing Officer making block assessment in respect of one company MCPL when he came across alleged bogus purchases made from certain non-existent parties by that company and sale made by said company to assessee company emplying its undisclosed income - Whether satisfaction recorded by Assessing Officer was based on material but was contrary to material and avidence on record, since inference of non-existance of said parties was based communication of Inquiry Officer which call for more details for locating those companies and those were never furnished and presumption of bogus sales was made without considering availability of large stock with MCPL which was physically verified by department and therefore, notice under

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Computation of undisclosed income - Once the genuineness of the sale-cum-leaseback agreements was eccepted by the AO in the cource of regular assessment u/s 143(3) and deduction of lease rent of the sylenders was allowed said sale-cum-lease-back agreement coould not be rejected as non-genuine in the block assessment when no cliching material was discovered during search which could prove that the sale-cum-lease transaction were same and bogus. - Ellenbarrie Industrial Gases Ltd. vs.Jt. CIT (Cal 'E')(TM) -[2002] 76 TTJ 941 (Cal)

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Raj Kumar Sharma, In re (ITSC)

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[2003] 129 Taxman 542 (SC)

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Union of india vs. Ajit jain (SC)	[2003] 129 Taxman 74 (SC)

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Whether availability of an remedy is absolute bar to entertainment of a petition under article 226 and on account of availability of statutory remedies, courts normally would decline to entertain writ petitions - Held,yes - Whether, however, when an action is wholly without jurisdiction and results in infrigement of any fundamental right, plea of alternative remedy would be of no avail - Held,yes - Whether where respondent was a regular assessee in New Delhi, survey operation u/s 133 has been conducted by the authorities of Delhi and entire action of search ultimately culminated at block assessment by the Assessing Officer based at new Delhi, not only a part of cause of action but a substaitial part of cause of action would arise within territorial jurisdiction of Delhi High Court even though authorisation of search was issued in Chennai - Held,yes - Union of india vs.

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In this regard he placed reliance on the decission of Ahmedabad Bench of the Tribunal in Rakesh S.Mardia v. Dy.CIT [2002] 74 TTJ 836, a copy of which has been placed on our records . In this case it was a case of block assessment. Though it was a block assessment, the

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CIT(A) having deleted entire income assessed in block assessment, there was no occasion for the CIT to order charging of interest u/s. 158BFA by way of revision u/s.263; AO having not passed any order either charging or waiving interest, there was nothing which could be revised by CIT.Anand Kumar Agarwal(HUF) v ACIT.(2005) 92 TTJ 81 (Agra)

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Smt mahesh Kumari Batra vs JCIT,Special Range ,

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(2005) 95 ITD 152 (ASR)(SB)

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Any defect with regard to issue of notice under s 158BC cannot render block assessment proceedings to be null and void;such defect will be rectifiable under s292B.Smt mahesh Kumari Batra vs JCIT,Special Range ,Jammu ,(2005) 95 ITD 152 (ASR)(SB).

Merely because the assessee participated in the proceedings ,it dis not confer jurisdiction on the Assessing officer which was never there .In support of this , the learned counsel relied on the following:
1) Urmila Chandak vs Asstt CIT (1998) 60 TTJ 758 (Mad)

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Once block assessment is completed without levying interest under section 158BFA such interest cannot be levied subsequently having recourse to proceedings under section 154 (Kol.)Arun Kumar Bagla v DCIT.[2005] 93 ITD 110 (Kol)