

I-T Officer Must Give Taxpayer Reasons for Reopening Case: Income-tax Appellate Tribunal

An income-tax officer is bound to inform a taxpayer his reasons for reopening an income-tax assessment, so that the taxpayer is given an opportunity to file his objections to such reopenings, according to a recent order by the Income-tax Appellate Tribunal, Bangalore. Usually, income-tax department reopens a completed assessment if it has reasons to believe that income has escaped assessment.

The taxpayer, in this case, was the Ireland-based software company Synopsis International, which is in the business of selling and marketing software licences.

The taxpayer company was served a notice for reopening the assessment under section 147 of the I-T Act. The company had asked the assessing officer for a copy of the recorded reasons for reopening of the assessment, but the assessing officer did not furnish a copy of the same. Instead, the assessing officer passed a reassessment order and served a copy of it to the taxpayer, along with the recorded reasons for the reassessment.

The taxpayer company moved the ITAT claiming that the reassessment order was void since reasons for reopening the assessment had not been furnished to it before passing the order. The ITAT decided the case in favour of the taxpayer.

The ITAT, in support of its order, cited the Supreme Court order in the case of GKN Driveshafts 259 ITR. In this case, the apex court held that the assessing officer has to supply a copy of the recorded reasons for reopening an assessment within a timeframe to enable the assessee to file its objections. It further said, basic rules of natural justice demand that the taxpayer be informed of the reasons on the basis of which the assessing officer formed an opinion.

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