

Delhi HC says can't reopen I-T cases below ₹50 lakh after 3 years

Delhi high court rules on limitation period for reopening tax assessments based on concealed income

The Delhi High Court on Monday held that the extended 10-year period for reopening income tax assessments should only be applicable when the alleged concealed income exceeds ₹50 lakh. The bench of Justice Rajiv Shakhder and Justice Girish Kathpalia observed that no notice was intended to be issued "in normal cases" after three years from the end of the relevant assessment year, according to Live Law.

"Notice, beyond the prescribed three years from the end of the relevant AY, could be issued only in a few specific cases; one such example which is given in the Bill is where the AO was in possession of evidence that escaped income amounted to ₹50 lakhs or more," the court held.

The bench further noted, "In sum, the sense that one gets upon a holistic reading of the backdrop in which the new regime for reopening assessments was enacted is that where escapement of income was below ₹50 lakhs, the normal period of limitation, i.e. three years was to apply. In comparison, the extended period of ten years would apply in serious tax evasion cases where there was evidence of concealment of income of ₹50 lakhs or more in the given period."

The Delhi high court had to decide the validity of the notices issued to petitioners under section 148 of the Income Tax Act, taking into consideration the "period of limitation" governing the timeframe for reopening cases.

Petitioners argued that in instances where the undisclosed income falls below ₹50 lakh, the three-year limitation period specified in clause (a) of section 149(1) should apply, reserving the extended 10-year limit for cases where the concealed income surpasses ₹50 lakh, reported Times of India.

The income tax authorities relied on the provisions of the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 (TOLA), and presented the "travel back in time" theory to justify that notices issued at a later stage were deemed to have been issued retroactively, according to the report.

(Source: hindustantimes.com)