

IN THE HIGH COURT OF GUJARAT AT AHMEDABAD

R/SPECIAL CIVIL APPLICATION NO. 11102 of 2025

FOR APPROVAL AND SIGNATURE:

HONOURABLE MR. JUSTICE A.S. SUPEHIA Sd/-
and
HONOURABLE MR. JUSTICE PRANAV TRIVEDI Sd/-

Approved for Reporting	Yes	No
	✓	

MUKESH MANUBHAI SHAH
 Versus
ASSISTANT COMMISSIONER OF INCOME TAX CIRCLE - 1(1)(1)
AHMEDABAD

Appearance:
 MR B S SOPARKAR(6851) for the Petitioner(s) No. 1
 MR.VARUN K.PATEL(3802) for the Respondent(s) No. 1

CORAM: HONOURABLE MR. JUSTICE A.S. SUPEHIA
and
HONOURABLE MR. JUSTICE PRANAV TRIVEDI

Date : 23/12/2025
ORAL JUDGMENT
(PER : HONOURABLE MR. JUSTICE A.S. SUPEHIA)

1. Registry shall accept appearance note of learned Standing Senior Counsel Mr.Maunil Yajnik on behalf of the respondent authority, as and when it is filed.

2. Rule. Learned Senior Standing Counsel waives service of notice of rule for and on behalf of the respondent.

3. With consent of the learned advocates appearing for the respective parties, the matter is taken for final hearing.



4. In the present writ petition, the petitioner has assailed the notice issued under section 148A(1) of the Income Tax Act, 1961 (for short "the Act"), and the order passed by the respondent under section 148A of the Act along with consequential notice dated 19.06.2025, reopening the assessment for the Assessment Year (AY) 2019-20.

FACTS:

5. The petitioner is a Managing Director of data processing forms private limited, which is in the business of security printing. He is also a partner in the firms viz., M/s Date International, M/s. Form Stores and M/s. Superb World Biotech LLP. He filed his return of income on 27.08.2019 for AY 2019-20 declaring his total income at Rs.33,98,400/-. Thereafter on 27.06.2022, summon under section 131(1) of the Act was issued upon him for the FY 2018-19 to 2020-21, to which reply was filed on 04.07.2022. Subsequently, another summon was issued on 30.09.2022 and the same was replied on 20.10.2022.

6. On 30.03.2025, the respondent authority issued the impugned notice under section 148A(1) of the Act stating that the information is received suggesting that during the FY 2018-19, the petitioner has undertaken transactions of



Rs.37,40,31,604/- (Rs.18,70,59,704/- debit and Rs.18,69,71,900/- credit). The petitioner sought short adjournment to supply the details called on 15.04.2025, which was granted vide reply dated 16.04.2025. He filed detailed reply along with objections to the notice on 22.04.2025. The respondent authority thereafter, passed impugned order dated 19.06.2025 rejecting the objections of the petitioner and also issued impugned notice dated 19.06.2025.

SUBMISSIONS MADE ON BEHALF OF PETITIONER

7. Learned advocate Mr.Soparkar at the outset, has invited attention of this Court to the impugned notice dated 30.03.2025 and has submitted that in fact, the only information, which the respondent authority has received, is that the information provided by the State Bank of India (SBI) with regard to debit and credit amount totaling to Rs.37,40,31,604/- and after recording the same, the petitioner is called upon to provide various details relating to the bank accounts, transactions of the various parties for the FY 2018-19. It is submitted that the petitioner gave detailed reply disclosing all the names, with whom he had made the transactions. It is submitted that it was not alleged by the respondent-Assessing Officer (AO) that there were either cash transactions with the parties or there are any bogus transactions and the

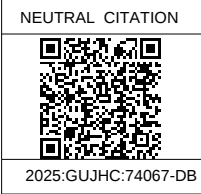


transactions have been made for accommodation of the entries.

8. By placing reliance on the judgement of this Court in the case of Vasuki Global Industrial Ltd. vs. Principal Chief Commissioner of Income-tax, [2025] 180 taxmann.com 16 (Gujarat) and the judgement of the Karnataka High Court in the case of Smt.Vasanthi Ramdas Pai vs. Income-tax Officer, [2024] 159 taxmann.com 392 (Karnataka), learned advocate Mr.Soparkar has submitted that in fact, the AO has tried to make roving inquiry, despite valid explanation is tendered by the petitioner. He has also referred to the provisions of section 148A of the Act in this regard. Thus, it is urged that the impugned notice and order may quashed and set aside.

SUBMISSIONS MADE ON BEHALF OF RESPONDENT

9. Vehemently opposing the present writ petition, Learned Senior Standing Counsel Mr.Yajnik at the outset, while referring to the provisions of section 148 of the Act more particularly, sub-section 3 has submitted that since the AO has received the information for the relevant AY, which was in accordance with Risk Management Strategy formulated by the bank, that the income for the AY 2019-20 has escaped the assessment, the petitioner was called upon to explain various entries found in his bank account



and hence, it is submitted that the AO has precisely invoked the provisions of section 148A of the Act.

10. Learned Senior Standing Counsel has also referred to the explanation tendered by the petitioner and while referring to the same, it is submitted that the petitioner has admitted that since he was not carrying on any personal business, he was not required to maintain personal books of account and hence, there is no question of furnishing copies of capital account, balance sheet and profit and loss account, which would show that the transactions, which were high value transaction, cannot be said to be dubious and further assessment proceedings may disclose that such transactions were made for showing accommodation entries. It is submitted that the credit and debit transactions appearing in the bank account of the petitioner refer to unsecured loans taken by him from time to time from various persons and repayment, all through banking channels only, details of which are yet to be collected. He has submitted that since the petitioner has not disclosed about borrowing of the funds in order to acquire additional shares of Data Processing Form Private Limited and details of repayment, he may be relegated for facing the assessment proceedings. Thus, it is urged that this Court may not delve into the

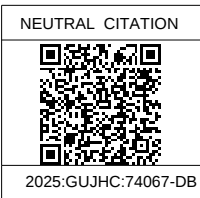
transactions or explanation tendered by the petitioner and the petitioner may be asked to further undergo the assessment proceedings.

ANALYSIS

11. We have heard the learned advocates appearing for the respective parties at length and also perused the documents, as pointed out by them.

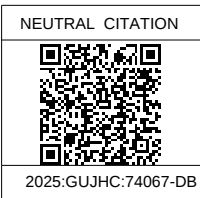
12. The facts, which are established from the pleadings and record are that the petitioner was issued the notice on 30.03.2025 under section 148(1) of the Act alleging that as per the information received from the SBI and transactions for the FY 2018-19 relevant AY 2019-20, in the account of the petitioner, debit of Rs.18,70,59,704/- was found and respectively, credit of Rs.18,69,71,900/- was also noticed, which amounts to total of Rs.37,40,31,604/-. Thus, the AO has doubted both, credit and debit entries.

13. The petitioner in his reply dated 21.04.2025 clarified that debit and credit entries have been reported without appreciating the transactions, which are done through banking channels and the same do not include any cash deposits. The summarized Excel Sheet showing the names and address of the parties, with whom such transactions have been entered into their PAN



opening balances and receipts and payments during the year, closing balances, interest paid, remarks on the nature of the transactions were also published. The petitioner also clarified that he has borrowed the funds in the earlier year to meet his financial needs arising out of acquisition of additional shares of Data Processing Form Pvt. Ltd. and as and when repayment had become due, he used to pay from his own funds but if the funds available with him were insufficient, he used to borrow again from other parties and repay to the previous parties to fulfill the commitment made earlier. It is further asserted that interest paid on such borrowings has never been claimed as a deduction in computing the total income. Further details of the transactions were submitted and from the statements recorded by the bank, it is submitted that the transactions are genuine and the provisions of section 148(1) of the Act would not be attracted in the present case.

14. The petitioner has further submitted that the transactions do not in any manner, suggest that income chargeable to tax has escaped the assessment in his case for the relevant AY. Although the bank has reported high risk transactions considering the total amount involved in the bank statement having regard to the details and the evidence, it was urged that



there is no information, which may suggest that the income chargeable to tax has escaped the assessment.

15. The petitioner is further called upon to clarify certain points with regard to information/details received by the AO and furnish data collected on such verification inquiry. When such explanations were supplied to the AO, the same were not considered and ultimately, the order under the provisions of section 148A(3) of the Act was passed on 19.06.2025.

16. It is interesting to note that the AO has acknowledged the production of documents of the respective parties, which include the bank opening/closing balances, receipts and payments of Income Tax Return however, the assessment proceedings re-continued only for verification for authenticity of declared transactions.

17. We have also considered the transactions in questions and the bank statements. It is noticed by us that the amounts, which have been borrowed, have been repaid by the petitioner and it is interesting to note that the AO has considered both, debit as well as credit entries though the petitioner has fully complied with the provisions

of the Act and disclosed the details of the transactions with all the parties.

18. At this stage, we may refer to the decision of this Court in the case of **Vasuki Global Industrial Ltd.(supra)**. The relevant observations read as under:

6. *Considering the above facts to the effect that the respondents have taken the corrective steps during the pendency of this petition, we are having a ray of hope that in future, no such action will be taken by the respondent-Authorities on the basis of the information made available on the Insight Portal without verification by the Jurisdictional Assessing Officer by considering such information as the correct information. The Scheme of the Act is well designed to take care of the information which is available on the Insight Portal by providing a mechanism in Section 148A of the Act by issuing notice to the assessed by the Jurisdictional Assessing Officer to verify the information as per clause (a) to Section 148A of the Act as was existent prior to 1st September, 2024 and thereafter, as per Subsection (1) of Section 148A of the Act, which reads as under now :*

"148A.(1) Where the Assessing Officer has information which suggests that income chargeable to tax has escaped assessment in the case of an assessee for the relevant assessment year, he shall, before issuing any notice under section 148 provide an opportunity of being heard to such assessee by serving upon him a notice to show cause as to why a notice under section 148 should not be issued in his case and such notice to show cause shall be accompanied by the information which suggests that income chargeable to tax has escaped assessment in his case for the relevant assessment year."

7. *** **

8. *It appears that the conducting of inquiry, if required, with prior approval of the specified authority with respect to the information which suggest that the income chargeable to tax has escaped the assessment, has been done away after the amendment of Section 148A of the Act with effect from 1st September, 2024. Section 148A(1) therefore is now similar to Section 148A(b) of the Act which was applicable up to 1st September, 2024, which reads as under :*

"148A(b)-provide an opportunity of being heard to the assessee, by serving upon him a notice to show cause within such time, as may be specified in the notice, being not less than seven days and but not exceeding thirty days from the date on which such notice is issued, or such time, as may be extended by him on the basis of an application in this behalf, as to why a notice under section 148 should not be issued on the basis of information which suggests that income chargeable to tax has escaped assessment in his case for the relevant assessment year and results of enquiry conducted, if any, as per clause (a)."

9. *However, we are of the opinion that before issuance of the notice under Section 148A(1) of the Act, it is the responsibility and liability of the Jurisdictional Assessing Officer to verify the information made available on the Insight Portal which suggests that the income chargeable to tax has escaped assessment in case of the assessee for the relevant Assessment Year and if necessary, the Assessing Officer must conduct inquiry with prior approval of the specified authority with respect to such information and only after verification of the information made available to the Assessing Officer, the provisions of Section 148A(1) of the Act shall be invoked."*

19. Thus, it is settled legal precedent that before issuance of notice under section 148A(1) of the Act, the jurisdiction of the AO is to verify the information made available on the



insight portal, which suggest that the income chargeable to tax has escaped the assessment. The provisions of section 148A(1) of the Act is self-explanatory and expression used in the provisions is that "information which suggests that income chargeable to tax has escaped assessment", and the same has to be taken in its literal sense, and no roving inquiry is permissible.

20. In the present case, genesis of issuance of the notice and the order lies only on the debit and credit entries, which have been supplied by the bank. Except that, there was nothing with the AO to reopen the assessment. Debit and credit entries are also consolidated into single amount, as mentioned hereinabove. The petitioner has not conducted transactions through cash and all the transactions are made through banking channels, explaining details of each and every party.

FINAL ORDER

21. Hence, in the considered opinion of this Court, the AO has travelled beyond the provisions of section 148A(1) of the Act and after the bank has tendered the information of debit and credit entries, roving inquiry is sought to be made by calling upon the petitioner to give all the details of transacting parties, which were already available with them.



22. The writ petition succeeds. The notice dated 30.03.2025, order dated 19.06.2025 passed by the respondent under section 148A of the Act along with the consequential notice dated 19.06.2025 reopening the assessment for the AY 2019-20 are hereby quashed and set aside. Rule made absolute. No order as to costs.

Sd/-
(A. S. SUPEHIA, J)

Sd/-
(PRANAV TRIVEDI,J)

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