

Reassessment initiated held unjustified since it was done on basis of audit objection

Summary – The High Court of Delhi in a recent case of Lalit Bagai, (the Assessee) held that reassessment initiated held unjustified since it was done on basis of audit objection

Facts

- The assessee's return was taken up for scrutiny and an assessment order under section 143(3) was passed.
- After four years, re-assessment proceedings were initiated recording the reasons the assessee had not deducted any tax on payment towards job work charges and payments made to labourers and the same were to be disallowed.
- On appeal, the Commissioner (Appeals) and Tribunal held that the reopening by the Assessing Officer was merely on basis of the change of opinion and, thus, same was unjustified.
- On revenue's appeal to the High Court:

Held

- The HC observed that the reopening of the assessment was based on audit objections.
- The AO replied to these objections and at this stage he issued the notice for reassessment. There was no independent decision arrived at by the AO to form 'reasons to believe' for reopening of the assessment.
- Since the reopening of the assessment was based on a change of opinion it is bad in law and the same is quashed.