

Reason to initiate reassessment includes receipt of information from DDIT (Investigation) regarding tax evasions

Summary – The High Court of Bombay Bombay in a recent case of **Spicy Sangria Hotels (P.) Ltd., (the Assessee)** held that reason to initiate reassessment includes receipt of information from DDIT (Investigation) regarding tax evasions

Facts

- The assessee was purchasing and selling shares through brokers at National Multi Commodity Exchange Platform (NMCE). The assessee's return was processed.
- The Assessing Officer received information from DDIT (Investigation) regarding systematic evasion of taxes by members of the NMCE. From the records it was observed that the assessee had traded through NMCE in order to book the contrived losses/profit from different entities/companies which were found to be shell companies. The Assessing Officer recorded reasons to believe that taxable income had escaped assessment and he issued reopening notice under section 148.
- The assessee contended that the material cited by AO was not tangible material evidence to reopen assessment.
- On writ petition before the High Court:

Held

- The HC held that the requirement at the stage of issuing reopening notice is only with a *prima facie* view that income chargeable to tax has escaped assessment. The reason in support of the notice was that income chargeable to tax has escaped assessment on the basis of the tangible material and information received from the DDIT (Investigation) by misuse of NMCE platform. These reasons are sufficient to initiate reassessment proceedings.
- Accordingly, the petition is dismissed.