



PUNE BRANCH OF WICASA OF ICAI

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

NEWSLETTER

Issue No. 7 - July 2022

(Subscribers copy not for sale)



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WRO0712162

Allahabad HC imposes costs of Rs. 50 lakhs on Income Tax Dept. for arbitrary & illegal reassessment in flagrant violation of principles of natural justice

A Bench of two Judges were dealing with a writ petition filed by the assessee i.e., S R Cold Storage against the reassessment proceedings initiated against it on the basis of false information uploaded in the insight portal of the Income Tax Dept.

Facts of the case

- Assessee is a partnership firm engaged in the business of running a cold-storage. The assessment was completed by the Assessing Officer under Section 143(3) of the Income Tax Act, 1961 accepting the total income as declared by the assessee.
- Learned A.O issued a notice to initiate proceedings under Section 147 of the Act, 1961 alleging that an information has been received that assessee has deposited a sum of Rs.13,67,24,000/- in its bank account which is undisclosed income and escaped assessment to tax.
- Assessee contested that they have deposited cash to the tune of Rs.3,41,81,000/- only and the same has been declared in the return of income. Relevant documents supporting the contention were submitted.
- However, without any whisper as to consideration of the reply of the assessee and the documentary evidences filed along with the aforesaid reply, learned A.O passed the impugned re-assessment order under Section 147 read with Section 144B of the Act

- Aggrieved by the re-assessment order, assessee filed writ petition in the Allahabad HC

Observations made by the court

- The department admitted their mistake and accepted the contention of the assessee of cash deposit amounting to Rs. 3,41,81,000/- instead of alleged amount of Rs.13,67,24,000/- which is exactly 4 times the amount actually deposited by the assessee i.e., Rs. 3,41,81,000/-. The court observed that the initiation of proceedings and passing the impugned reassessment order is a glaring example of highhandedness, arbitrary actions and abuse of power by the Income Tax Dept. on the one hand and on the other hand, flagrant violation of principles of natural justice by them.
- Holding that audi alteram partem is the first and foremost principle of natural justice, the Court ruled that in the absence of a notice which provide a kind and reasonable opportunity to be heard, the order passed becomes wholly vitiated and imposed a cost of Rs.50,00,000/- on the department, which shall be deposited in Prime Minister National Relief Fund within three weeks from the order.



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ERO0188631

Money, Savings and Investment



Pic Source: @dreamstime.com

I am starting with these three words which are very essential for everyone. You know well that money is everything "paisa bolta hai". Strangely, we are dependent upon money because if we have money then we can enjoy our life better with family.

In childhood, when we get Rs. 1 or 2 then we are going to the shop for buying chocolates and we feel happy. Our parents also give us money to buy them. But when we get addicted to chocolates then our parents tell us that if we eat chocolates then we get a cavity in our teeth.

This situation seems strange but this is the starting point of the importance of money in our life. We think if we have money then we can buy many but we can't because we need to respect our parent's talk.

Further, when we are going to school then we also get pocket money from our parents and fulfil our needs. But this time no one is here to stop us and guide us to keep our money in the bank or our piggy bank "Chukri" as

savings because this is the time to keep the money for the future. No one knows when we required this money in the needed time.

Saving is an essential part of our life which must be learned by youngsters because this is the time when our requirement list is huge but after purchasing everything, we lose our money and feel noting. We become helpless just because of money.

Requirements have no end. If our money goes out of our pocket then it will rarely come back to us. So, we need to keep the habit of savings. Now the question is how to create savings and where to keep them.

Suppose, if you are a minor, you can approach banks for a minor account or if you attain the age of 18 or more you can easily open your bank account. Try to keep your money which is your savings in banks. Nowadays, there are many options available in the bank through Internet banking from where you can start your savings by opening RD Accounts. Remember never to keep a huge amount in one RD. Make them in small amounts for a different period so that if you have a requirement then you can use them at maturity. For example,

If you have Rs. 1000/- monthly savings then you can invest Rs. 500/- in RD & PPF and the rest Rs.500 in your Bank Account like,

- Rs. 100 per month – in one RD for 2 years
- Rs.100 per month - in Second RD for 3 years
- Rs.100 per month – in the third RD for 5 or 6 years and
- Rs.200 per month - in PPF account for 15 years
- Rs. 500 per month – in Bank Account

This lumpsum amount can help you to keep your saving continue which will help you in the future.

Apart from this, there are many government schemes but, in my view, these are the safest mode of creation of Savings.

Now, the question is if we are saving our money in banks then what is the importance of Investment?

In layman's language, Investment is the term that is used to invest our money for the future benefit of our family. In taxation, Investments are covered under deduction under Chapter VI-A (Section 80C to 80 U) in which every section says about a different type of investment that can reduce our

income for computation of Tax. But for every student, this chapter is very important for their life because it helps them to understand the required savings in the form of Investment.

When we mature, our responsibility becomes too much for parents and family. We think about Investment in many areas like

1. Insurance premium- For their health care.
2. Mediclaim -To cover our family health protection.
3. Pension Funds – For retirement purposes and many more.

In the last, I would like to suggest our readers keep the habit of Savings and also teach your dear ones about it and secure your future without losing your earned money by any wrong decision.

The above article is belonging to my own experience which is very much important for the students like us because I realise that "aap kitne bhi ache firm / organization me kaam kar lo matters karta hai apka depth of Knowledge aur us se bhi jyada aap ke pass kitna savings hai aur wo bhi aese ki jarurat par aapka easily kaam ho jaye".

Saving is more precious than earning money.

Start saving your money and make a strength for your future.