IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
WRIT PETITION (L) NO. 27936 OF 2026

Aavkar Trade Consultants LLP
(successor in interest of Aavkar
Trade Consultants Pvt Ltd .. Petitioner

Versus

The Income Tax Officer, Ward 24(1)(1),
Mumbai & Ors .. Respondents

Mr. Dharan Gandhi, *Advocates for the Petitioner.*

Ms. Mamta Omle, *Advocates for the Respondents.*

ANJALI TUSHAR ASWALE Digitally signed by ANJALI TUSHAR ASWALE Date: 2026.11.05 12:32:38 +0530

CORAM: B. P. COLABAWALLA &
FARHAN P. DUBASH, JJ.
DATE: NOVEMBER 4, 2026

P. C.

1. Rule. Respondents waive service. With the consent of the parties, Rule made returnable forthwith and heard finally.

2. By this Petition, the Petitioner challenges the validity of the reassessment proceedings for Assessment Year 2022-23 and seeks quashing and setting aside of the show cause notice dated 26th March 2026 issued under Section 148A(1) of the Income-tax Act, 1961 (***"the Act"***), together with the accompanying information under the Risk Management Strategy, the

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order dated 29th June 2026 passed under Section 148A(3) of the Act and the notice of the same date issued under Section 148 of the Act.

3. The facts necessary for deciding this Petition and as pleaded in the Petition are as under:

a) Aavkar Trade Consultants Private Limited, holding PAN AAACA8297Q, was converted into Aavkar Trade Consultants LLP with effect from 13th November 2018. The Certificate of Registration on Conversion issued by the Ministry of Corporate Affairs records the registration of the Petitioner LLP bearing LLP Identification Number AAN-5351. The Petitioner was allotted PAN ABPFA5050N. Upon conversion, the erstwhile company ceased to exist and its assets, liabilities, investments and business vested in the Petitioner LLP. The Ministry of Corporate Affairs records also reflect the status of the erstwhile company as "Converted to LLP".

b) The conversion was brought to the notice of the Income Tax Department through various communications. Applications for surrender/cancellation of the erstwhile company's PAN were submitted to ACIT 2(1)(1), Mumbai on 10th April 2019 and 16th March 2021. These communications expressly intimated that the company

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had been converted into an LLP with effect from 13th November 2018 and requested cancellation of PAN AAACA8297Q. They were, however, not acted upon.

c) It appears that certain deductors nevertheless continued to deduct and deposit tax under the PAN of the erstwhile company instead of the PAN of the Petitioner LLP. The Petitioner accordingly submitted an application dated 5th September 2023 filed on 6th September 2023, for transfer of such tax credit to the LLP's PAN. It explained that the income earned after conversion had been offered to tax in the returns filed by the LLP, whereas the corresponding TDS continued to appear against the company's PAN. Since, the credit did not appear in the LLP's Form 26AS, the Centralised Processing Centre had not granted the corresponding credit and had consequently raised a demand.

d) The Petitioner had also sought migration of PAN jurisdiction. By an order dated 21st November 2023 passed under Section 127 of the Act, the Principal Commissioner of Income Tax, Mumbai-2 transferred the case appearing against PAN AAACA8297Q from ACIT Circle 2(1)(1), Mumbai to ITO Ward 24(1)(1), Mumbai.

e) Thus, even before commencement of the impugned proceedings,

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communications concerning the conversion, surrender of PAN and transfer of TDS credit had been placed before the Department.

f) For Assessment Year 2022-23, the Petitioner LLP filed its return of income on 3rd November 2022 under PAN ABPFA5050N, declaring total income of Rs. 2,33,41,090/-. The return disclosed gross dividend income of Rs. 6,01,071/- under the head "Income from Other Sources". Dividend income was also reflected in the audited financial statements at Rs. 6,01,059/-. The Petitioner claimed TDS credit of Rs. 59,766/- in its return and furnished particulars of the relevant deductors and tax credits.

g) Respondent No. 1, thereafter, issued a show cause notice dated 26th March 2026 under Section 148A(1) of the Act. Although the notice was addressed to "Aavkar Trade Consultants LLP", it was issued against PAN AAACA8297Q, being the PAN of the erstwhile company. The accompanying information stated that dividend income aggregating to Rs. 5,76,429/- had been reported in TDS statements under Section 194 against that PAN during Financial Year 2021-22. Since, no return of income had been filed against that PAN for Assessment Year 2022-23, the case had been selected under "Non-filer cases under RMS cycle for A.Y. 2022-23". The notice required an explanation for non-filing of the

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return, financial statements, bank statements and documentary evidence supporting the reported transactions.

h) The Petitioner submitted a detailed response on 3rd April 2026. It explained the conversion of the company into the LLP, furnished the conversion certificate and copies of both PANs, and pointed out that the last return filed by the erstwhile company was for Assessment Year 2019-20. It submitted that the company could not file a return for Assessment Year 2022-23 because it had ceased to exist upon conversion. The Petitioner also furnished its return acknowledgement, complete return of income, computation of income and audited financial statements for Assessment Year 2022-23, demonstrating disclosure of the dividend income in the LLP's return. The response further explained that the continued reporting of TDS against the company's PAN was attributable to certain deductors using the old PAN notwithstanding conversion. The corresponding income had been recorded in the LLP's books and offered to tax in its return. Bank statements of Axis Bank, HDFC Bank and Saraswat Bank were also furnished. The Petitioner also submitted a detailed reconciliation of the dividend income appearing in the information supplied with the notice with the dividend income disclosed in its return, together with Form 26AS of the erstwhile company for Assessment Years 2021-22 and

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2022-23. Copies of the applications for transfer of TDS credit and surrender of PAN, and the order under Section 127, were also provided.

i) The reconciliation, appearing at pages 354 to 356 of the paper book, contained transaction-wise particulars and explanations for the differences. The Petitioner explained that, out of 89 entries, 82 entries matched exactly and that the remaining differences concerned, *inter alia*, dividend income of earlier years received during the current year, dividend income of the current year receivable subsequently and entries not reflected in the information accompanying the notice.

j) Despite these submissions, Respondent No. 1 passed the impugned order dated 29th June 2026 under Section 148A(3). Though the order recorded receipt of the conversion certificate, copies of PANs, the LLP's return of income, audited financial statements, bank statements, reconciliation of dividend income, Form 26AS and applications for transfer of TDS credit and surrender of PAN; however, stated that the Petitioner had not furnished conclusive evidence establishing a complete one-to-one reconciliation of every dividend transaction reported against the company's PAN with the income offered in the LLP's return. It further stated that contemporaneous records establishing transfer and accounting of the investments, dividend

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income and TDS credits required examination. Paragraph 7.1 of the impugned order ultimately holds that the correctness of the Petitioner's claim required detailed verification of books of account, investment records, demat accounts, corporate records and reconciliation of each transaction and such comprehensive verification was beyond the limited scope of proceedings under Section 148A and would be undertaken during reassessment proceedings.

k) A notice under Section 148 was consequently issued on 29th June 2026, again addressed to the LLP but against the company's PAN AAACA8297Q.

4. In this factual backdrop, the learned counsel for the Petitioner, advanced four principal submissions.

a) The impugned proceedings could not have been initiated against the PAN of the erstwhile company for a period during which that company was no longer in existence. Merely mentioning the LLP's name in the notice did not resolve the defect, since the proceedings remained linked to the company's PAN. In the ITBA architecture, a proceeding initiated in a particular PAN has to be completed only in such PAN.

l) That the proceedings demonstrated complete non-application of mind.

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The Department had repeatedly been informed of the conversion, the request for surrender of the company's PAN and the request for transfer of TDS credit. Nevertheless, the notice proceeded on the premise that no return had been filed, without considering the return filed by the LLP and disclosure of the corresponding dividend income. The "non-filer" information was therefore, founded on an incorrect premise. Had the Risk Management Strategy taken into account the conversion and the return filed under the successor LLP's PAN, then mere absence of a return against the company's PAN would not have triggered the impugned proceedings.

m) That paragraph 7.1 of the impugned order disclosed that reassessment had been initiated to undertake verification. The Assessing Officer could not invoke reassessment merely to conduct a fishing or a roving enquiry or to verify a claim without identifying material suggesting escapement of income.

n) The finding concerning absence of a complete reconciliation is incorrect, in as much as transaction-wise reconciliation and explanation was already furnished to the Assessing Officer which appears at pages 354 to 356 of the paper book.

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5. Mr. Gandhi also submitted that the notice under section 148 could not practically or legally be complied with, since it was issued against the company's PAN and the system required a return to be filed against that PAN. Moreover, he submitted that it is legally impossible to file a return of income against the company's PAN for Assessment Year 2022-23 when the company was no longer in existence, having been converted into an LLP in November 2018. Moreso, when the successor LLP had already filed a valid return of income. Therefore, he submitted that the notice under section 148 itself cannot be given effect to.

6. By our order dated 21st September 2026, the matter was adjourned to enable the learned Counsel appearing for the Revenue to take instructions. In the meanwhile, strictly without prejudice to the rights and contentions of the parties, the impugned notice dated 29th June 2026 under Section 148 was stayed.

7. Today, Ms. Omle, the learned counsel for the Respondents, on instructions states that pendency for Assessment Year 2022-23 could be created under the successor LLP's PAN and that existing notices, orders and correspondence could be placed there for record and reference; however the Systems authorities have clarified that this arrangement would facilitate only

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maintenance of records under the successor PAN and would not amount to transfer or merger of the existing proceedings. She specified that ITBA did not provide a specific facility to transfer or merge proceedings between predecessor and successor entities. In other words, the reassessment proceeding will have to be completed in the PAN of the erstwhile Company only and that the notices cannot be issued nor assessment order can be passed against the new PAN in respect of the impugned notice issued under Section 148 of the Act. She also did not dispute the fact, that no valid return can be filed in the erstwhile company's PAN.

8. Having heard the learned Counsel for the parties and considered the material placed before us, we are of the view that the Petition deserves to be allowed for the following reasons:

a) First, the company was converted into the Petitioner LLP on 13th November 2018 and ceased to exist upon conversion. It could not, therefore, have earned income or filed a return in its own capacity for the year under consideration. The reporting of dividend payments and TDS against its PAN by certain deductors did not revive its existence. Further, though certain parties continued to deduct TDS against the company's PAN, the Department had been requested to transfer the

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TDS credit from the company's PAN to the LLP's PAN. Sufficient submissions and communications had been made to the Department intimating the conversion and requesting that the corresponding income and tax credits be considered in the hands of the LLP. There could not have been any information or reason to suggest that any income in the PAN of the erstwhile company had escaped assessment. Therefore, the show cause notice under Section 148A(1), the order under Section 148A(3) and the impugned notice under Section 148, could not have been issued against the PAN of the erstwhile company, and therefore, have to be quashed and set aside.

o) In fact, the Revenue also acknowledge the difficulty in giving effect to these proceedings. The contention of the Petitioner that the notice under Section 148 cannot be given effect to as compliance would require filing of return of income in the erstwhile company's PAN and a return of income cannot legally be filed by the erstwhile company for the year under consideration in response to the notice under section 148, since the company had ceased to exist, is well founded and is also not disputed by the Revenue. Thus, the notice under section 148 which cannot be given effect to in the manner contemplated, shows that such notice could not have been issued in first place, in the erstwhile company's PAN for the period after such company ceases to be in

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existence. Such a notice, therefore, cannot be sustained as valid in the eyes of law.

p) Secondly, the Petitioner is correct in contending that the information was flagged on the portal as a "non-filer" case without taking account of the fact that no return was required to be filed against the company's PAN for the year under consideration and that the return had been validly filed under the PAN of the LLP, which was in existence and was the successor to the company. Therefore, the information proceeds on an incorrect premise. We also find merit in the contention that, had the Risk Management Strategy taken account of the conversion and the LLP's return disclosing total income of approximately Rs. 2.33 crores including dividend income, it may not have selected the case for reassessment on the stated ground of non-filing of return of income against the company's PAN. Thus, since, the case has been selected on the stated reason of "non-filer", such proceedings cannot even otherwise be transferred in the PAN of the successor LLP which has infact, filed its return of income. Otherwise, it would allow an Officer to reopen a case in a particular PAN on one premise and transfer such proceeding in another PAN where such reason or ground does not exist at all. On that premise also, it can be deduced there is no valid information under Section 148(3)(i) of the Act to justify the impugned

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proceedings.

q) Thirdly, even if information is flagged under the Risk Management Strategy, the Assessing Officer must apply his mind to the same and he cannot simply proceed on the basis of information received. Once the facts were placed before him showing that the company was no longer in existence and that the corresponding income had been offered to tax in the LLP's hands, he could not simply initiate reassessment without dealing with that explanation. The Assessing Officer, ought to have appreciated that the information was flagged in the PAN of the erstwhile Company which was incapable of earning any income and filing any return and that notice under Section 148 even if issued, would be incapable of any compliance. The Assessing Officer, was made aware of the communications for surrender of PAN, and transfer of TDS credit etc. Despite intimation, if the Assessing Officer chooses to go ahead and issue notice in the PAN of the erstwhile Company, then the same shows complete non-application of mind. It is when the Petitioner approached this Court, and when instructions were sought, he realized that the entire exercise is futile. Thus, on this ground as well the reassessment proceedings cannot be allowed to survive.

r) The finding in the Section 148A(3) order concerning the absence of a

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complete reconciliation also fails to consider the reconciliation actually furnished which is at pages 354 to 356 of the paperbook. Further, paragraph 7.1 ultimately concludes that detailed verification and enquiry are required during reassessment proceedings. The same is reproduced hereunder:

> *"7.1 Although the assessee has explained that the erstwhile company was converted into an LLP and that the successor LLP has disclosed the corresponding income in its return of income, the information available with the Department specifically relates to PAN AAACA8297Q and reflects substantial dividend transactions reported by third-party deductors under the Risk Management Strategy formulated by the CBDT. The correctness of the assessee's claim that the entire dividend income, investments and corresponding TDS credits have been duly accounted for by the successor LLP requires detailed verification of the books of account, investment records, demat accounts, corporate records and reconciliation of each transaction with the information reported under the erstwhile PAN. Such comprehensive verification is beyond the limited scope of proceedings under section 148A, which are confined to examining whether the information available with the Assessing Officer suggests escapement of income. Since the information available with the Department has not been conclusively rebutted and requires detailed examination during reassessment proceedings, I am satisfied that the information in possession of the undersigned continues to suggest that income chargeable to tax has escaped assessment for the relevant assessment year."*
>
> *(emphasis supplied)*

It is settled law that there must be material suggesting escapement of income; an assessment cannot be reopened merely to undertake verification. Under the erstwhile law the Assessing Officer was required to form a *"reason to*

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believe" whereas under the new regime, the *sine qua non* to issue the notice is *"information suggesting income escaping assessment*". Thus, there has to be a suggestion as to escapement of income. When an Officer wants to make a detailed verification during the reassessment proceedings, then there is no suggestion of escapement of income at all. This is precisely what the courts have held to be impermissible i.e., reassessment proceedings cannot be initiated merely for fishing and roving enquiries or verification purposes. Reference may be made to the decision of this Court in ***S. V. Jadhav v. Income Tax Officer & Ors. reported in (2024) 477 ITR 80(Bom)***, decided on 22nd April 2024, wherein this Court held thus:

> *"In paragraph 6.1, however, the AO proceeds on the basis that on a search conducted under s. 132 of the Act on one Prathamesh Constructions, it was found that Prathamesh Constructions was subcontracting its jobs to various subcontractors and petitioner was one of such subcontractors. The AO, therefore, wanted to verify the genuineness of the contract work done by petitioner or whether any accommodation entry was provided to Prathamesh Constructions. It is necessary to note that, first of all, in re-assessment proceedings, the law is clear. An AO cannot indulge in a fishing enquiry. In Asstt. CIT vs. Rajesh Jhaveri Stock Brokers (P) Ltd. (2007) 210 CTR (SC) 30 : (2007) 291 ITR 500 (SC), the apex Court has held that at the stage of issuance of notice, the only question is whether there was relevant material on which a reasonable person could have formed the requisite belief of escapement of income. In the notice issued under s. 148A(b) of the Act, there is not even a reference of what is stated in para 6.1 of the impugned order. As held by this Court in Neetu M. Chandaliya vs. ITO 2023 SCC Online Bom 2046, the reasons as mentioned in para 6.1 of the impugned order, at the highest, can only be termed as "a suspicion subject to a case of fishing enquiry".*

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(emphasis supplied)

The same principle is well accepted in the erstwhile regime, in ***Jalaram Enterprises (P.) Ltd. v. Income-tax Officer*, (2019) 262 Taxman 404 (Bom); *Nivi Trading Ltd. v. Union of India*, (2015) 375 ITR 308 (Bom), and *Principal Commissioner of Income-tax v. Rajesh D. Nandu (HUF)*, (2019) 261 Taxman 110 (Bom)**. These decisions distinguish material furnishing a basis for reassessment from a mere desire to verify transactions or undertake further enquiry. Here, despite the documentary explanation and reconciliation, the impugned order rests on the need for comprehensive verification without identifying a specific transaction or discrepancy suggesting escapement. Thus, even on this ground, there is no valid reason to justify the reassessment proceedings.

9. In light of the above, we have no hesitation in holding that the impugned proceedings under Sections 148A and 148 are bad in law. The Petition is accordingly allowed in terms of prayer clause 12(a), which reads thus:

> *"(a) that this Hon'ble Court may be pleased to issue a Writ of Certiorari or a Writ in the nature of Certiorari or any other appropriate Writ, Order or direction, calling for the records of the Petitioner's case and after going into the legality and propriety thereof, to quash and set aside the notice issued u/s 148A(1) of the Act dated 26.03.2026 (Exhibit "I") along with the information of the Risk Management Strategy, order issued u/s 148A(3) of the Act dated 29.06.2026*

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(Exhibit "L") and notice issued under section 148 dated 29.06.2026 (Exhibit "M")"

10. Rule is accordingly made absolute and the Writ Petition is also disposed of in terms thereof. However, there shall be no order as to costs.

11. This order will be digitally signed by the Private Secretary/ Personal Assistant of this Court. All concerned will act on production by fax or email of a digitally signed copy of this order.

[FARHAN P. DUBASH, J.] **[B. P. COLABAWALLA, J.]**

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