CNR No: PHHC010615772026

2026:PHHC:200051-DB

IN THE HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH

CWP No. 11395 of 2026 (O&M)

Vikas Bansal

… Petitioner

Versus

National Faceless Assessment Centre

… Respondent

1.	The date when the judgment is reserved	17.09.2026
2.	The date when the judgment is pronounced	12.11.2026
3.	The date when the judgment is uploaded on the website	13.11.2026
4.	Whether only operative part of the judgment is pronounced or whether the full judgment is pronounced	Operative
5.	The delay, if any, of the pronouncement of full judgment, and reasons thereof	Not applicable

CORAM : HON'BLE MR. JUSTICE DEEPAK SIBAL
HON'BLE MR. JUSTICE SUNISH BINDLISH

Argued by: Mr. Nikhil Goyal, Advocate, for the petitioner.

Ms. Gauri Neo Rampal Opal, Senior Standing Counsel, Income Tax Department, for the respondent.

SUNISH BINDLISH, J.

1. This petition under Article 226 of the Constitution of India has been filed by the petitioner, assailing the assessment order dated 16.03.2026 **(Annexure P-14)** passed under Section 143(3) read with Section 144B of the Income Tax Act, 1961 ('the Act') by the National Faceless Assessment Centre ('NFAC') for the Assessment Year 2024-25 and the consequential notice of demand dated 16.03.2026 **(Annexure P-15)** issued under Section 156 of the Act.

The principal grievance of the petitioner is that the impugned order has been passed in violation of the principles of natural justice, inasmuch as the

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request of the petitioner for personal hearing through video-conferencing and the reply filed by the petitioner in response to the show cause notice were not considered before the assessment was finalised and therefore the assessment order suffers from the vice of having been passed without affording adequate opportunity as contemplated under Section 144B of the Act.

2. The relevant facts, as borne out from the record may be noticed in brief:

(i) The case of the petitioner for the Assessment Year 2024-25 was selected for scrutiny through CASS and assigned to the Assessing Officer on 27.06.2025. An intimation letter dated 28.06.2025 was issued to the petitioner informing him that the assessment would be conducted in accordance with the procedure prescribed under Section 144B of the Act, followed by a notice dated 28.06.2025 under Section 143(2) of the Act, requiring him to submit any evidence in support of the return of income on or before 13.07.2025.

(ii) In the course of the assessment proceedings, notices under Section 142(1) of the Act were issued from time to time, fixing successive dates of compliance (25.09.2025, 30.10.2025), the last of such notices fixing 14.11.2025 as the date of hearing. The petitioner-assessee filed various replies to the aforesaid notices issued under Section 142(1) on 4.12.2025, 9.12.2025, 2.2.2025 and 23.2.2026.

(iii) With a view to independently verify the transactions of the petitioner, the Assessing Officer issued notices dated 20.02.2026 under Section 133(6) of the Act to three persons, namely, Monika Sharma, Ajay and Dinesh Kumar **(Annexure R-1)**, calling for

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information regarding their dealings with the petitioner. The issuance of these notices stand duly recorded in the order-sheet **(Annexure R-2).**

(iv) A show-cause notice dated 24.02.2026 **(Annexure P-9)** was thereafter issued in the course of the scrutiny assessment under Section 143(3) of the Act, the faceless procedure being governed by Section 144B. The notice set out the proposed variations prejudicial to the petitioner and fixed 01.03.2026 at 17:40 hours as the last date and time for compliance. Clause 3(c) thereof informed the petitioner that, in addition to filing a written reply, he could seek personal hearing through video-conferencing by using the designated 'Seek Video Conferencing' facility, but expressly stated that such request could be made only before expiry of the compliance date and time.

(v) It is borne out from the petitioner's own pleadings that no response to the show-cause notice, no application for extension of time and no request for personal hearing was made on or before 01.03.2026, i.e. the date and time fixed in the notice.

(vi) The order-sheet details**(Annexure R-2)** annexed with the Reply, assume significance at this stage. It records that the show-cause notice was generated on 24.02.2026 with the hearing/compliance date fixed on or before 01.03.2026 at 17:40 hours. Thereafter, on 13.03.2026, the Income or Loss Determination Proposal ('ILDP') was submitted for approval, approved, generated and its details were shared with NFAC. Thus, by 13.03.2026, the departmental record itself reflects that the show-cause/hearing stage had been

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treated as complete on account of non-response within the stipulated period.

(vii) On 16.03.2026, NFAC recorded the direction, *'Please prepare Draft Assessment Order in accordance with Income or Loss Determination Proposal'*. The draft assessment order was thereafter prepared and submitted to the Range Assessment Unit for approval. The order-sheet further records that, on the same date i.e. 16.03.2026, the petitioner made a request for video-conferencing ('VC'), stating that the matter required explanation on account of the complexity of facts and that written submissions would be furnished on that very day. This entry finds place in the order-sheet before the entries recording approval of the draft order by the Range and its submission to NFAC and before the direction to 'Pass Final Assessment Order in accordance with Draft Order', which are recorded thereafter on the same date. The assessment order under Section 143(3) read with Section 144B was generated on the portal on 17.03.2026, followed by the demand notice and computation sheet.

(viii) On 17.03.2026, the petitioner uploaded his detailed written reply together with supporting documents (Annexures P-12 and P-13), at about 04:52 PM. This was, no doubt, after the compliance date of 01.03.2026 had expired and after the ILDP had been generated, but it was before the impugned order stood authenticated at about 05.54 PM, since it is the respondents' own stand in their reply that the date of digital signature i.e. 17.03.2026 reflects the final

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authentication of the order. The order-sheet also records receipt of this response on 17.03.2026.

It is the grievance of the petitioner that the impugned assessment order makes no reference whatsoever either to the request for VC or to the reply filed by the petitioner, and that the assessment order records that no additional information, explanation or documentary evidence has been furnished by the assessee after the issuance of the show cause notice.

(ix) Penalty notices dated 17.03.2026 and 25.03.2026 (Annexures P-16 and P-17) under Section 274 read with Section 271AAC(1) of the Act were also issued consequent to the additions made in the assessment order.

3. Learned counsel for the petitioner has raised the following contentions:

(a) That the e-mail containing the show-cause notice escaped the petitioner's attention due to inadvertence; that the petitioner became aware of it on 15.03.2026, on which date he immediately prepared a reply; and that on 16.03.2026 he sought an opportunity for personal hearing through VC at about 01:10 PM. The petitioner also submitted a detailed reply on 17.03.2026 at 04:52 PM along with complete supporting documents. It is submitted that the respondent failed to consider the same and proceeded to pass the impugned order without affording any effective opportunity of being heard, thereby clearly demonstrating non-application of mind and violation of principles of natural justice. It is pointed out

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that the impugned order does not even notice the request for VC or the reply dated 17.03.2026.. It is accordingly contended that the impugned assessment order has been passed in gross violation of the principles of natural justice, as the reply and request of the petitioner for personal hearing through video-conferencing ought to have been considered before the assessment was finalised, particularly when the matter involved complex facts and additions running into substantial amounts.

(b) That there is a discrepancy between the date of the assessment order (16.03.2026) and the date of digital signing thereof (17.03.2026), which renders the order legally unsustainable and non est in the eyes of law.

(c) That the mandatory procedure prescribed under Section 144B of the Act, which is intended to ensure a fair and transparent faceless assessment, has not been complied with in letter and spirit, inasmuch as no effective opportunity was granted to the petitioner before passing the impugned order.

(d) Reliance has been placed on the judgments of this Court in **Arihant Roller Flour Mills v. NFAC (CWP No. 7239 of 2023)** and **Suvidhi Udyog Pvt. Ltd. v. National Faceless Assessment Centre (CWP No. 8976 of 2022)** and of **Gujarat High Court in Champion Exim Company v. Union of India, 2025:175 taxmann.com 1006 (Gujarat)**, wherein failure to grant personal hearing despite a specific request amounting to violation of principles of natural justice, has been alleged and dealt with.

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(e) That the penalty notices issued under Section 274 read with Section 271AAC(1) of the Act have been issued mechanically, without independent application of mind, and without granting the petitioner a fair opportunity to respond. The same are therefore unsustainable.

4. Per contra, learned Senior Standing Counsel for the respondent, while relying upon the reply filed by way of affidavit of Sh. Vijay Kumar Saini, Income Tax Officer, Ward-1, Kurukshetra, has controverted the aforesaid submissions and contended as under:

(a) That adequate, sufficient and reasonable opportunity was granted to the petitioner by way of the show-cause notice dated 24.02.2026, which clearly and unambiguously specified the compliance date as 01.03.2026 and further stipulated that any request for personal hearing had to be made **only** before the expiry of the said date and time. The petitioner neither filed any response nor made a request for personal hearing through VC within the stipulated period. The plea that the e-mail containing the notice was not noticed due to inadvertence is wholly untenable and does not constitute a valid ground for non-compliance with stipulated timelines. The failure of the petitioner to respond within time is attributable solely to his own negligence.

(b) That the request for video-conferencing made on 16.03.2026 and the reply filed on 17.03.2026 were both substantially beyond the compliance date of 01.03.2026 and after sufficient opportunity had already been afforded, the respondent was under no obligation to

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consider such belated submission particularly in light of statutory timelines governing completion of assessment. Principles of natural justice do not mandate that the authority must wait indefinitely for a response or consider belated submissions beyond the stipulated timeline, particularly in timebound statutory proceedings. The obligation of the authority is to provide an opportunity, not to ensure that such opportunity is availed.

(c) That the discrepancy, if any, between the date of the order (16.03.2026) and the date of its digital signing (17.03.2026) is attributable to the system-driven process of generation and digital authentication of orders on the Income Tax portal, and constitutes, at best, a technical/procedural nicety causing no prejudice whatsoever to the petitioner.

(d) That the judgments relied upon by the petitioner in **Arihant Roller Flour Mills** *(supra)* **and Suvidhi Udyog Pvt. Ltd.** *(supra)* are clearly distinguishable on facts, inasmuch as in both the cited cases the assessee had duly made a timely request for personal hearing, which request remained unattended – a situation squarely different from the case at hand, where the petitioner himself failed to respond within time.

(e) That the judgment of the Gujarat High Court in **Champion Exim Company** (supra) is also clearly distinguishable, since in that case the assessee was denied an effective opportunity on account of notices having been sent to a wrong e-mail address, whereas in the present case the show-cause notice was duly served, its contents

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stood admitted by the petitioner in the writ petition itself, and the compliance date was unambiguously specified.

(f) That initiation of penalty proceedings under Section 274 read with Section 271AAC(1) of the Act is a statutory consequence flowing from the additions made and the satisfaction recorded in the assessment order, the penalty proceedings are independent of and separate from the assessment proceedings and the notice under Section 274 itself affords a fresh opportunity to the petitioner to explain his case and contest the levy of penalty. Any challenge to the penalty notices would, therefore, be premature at this stage.

5. We have heard learned counsel for the parties, perused the paper-book and given our thoughtful consideration to the rival submissions.

6. Section 143(3) is the substantive provision under which, upon scrutiny, the Assessing Officer makes an assessment "*after hearing such evidence as the assessee may produce and such other evidence as the Assessing Officer may require on specified points, and after taking into account all relevant material which he has gathered*".

7. Where such assessment is required to be made in the faceless regime, Section 144B regulates the manner in which that exercise is to be undertaken. During the assessment under Section 143(3), a show-cause notice is issued in a case involving a proposed prejudicial variation in accordance with Section 144B(1)(xii)(b) calling upon the assessee to submit as to why the proposed variation should not be made and an opportunity to make a request for oral hearing , so as to make it's oral submissions is provided under Section 144B(6)(vii). Clause (viii) of sub-section (6) provides that where the request

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for personal hearing has been received, the income-tax authority of the relevant unit shall allow the hearing through NFAC by video-conferencing or video-telephony in accordance with the procedure laid down by the Board.

8. For ready reference, the provisions of Section 144B which bear directly on the controversy, as substituted by the Finance Act, 2022 with effect from 01.04.2022, are reproduced below:

> **"Section 144B(1)**
>
> *(1) Notwithstanding anything to the contrary contained in any other provision of this Act, the assessment, reassessment or recomputation under sub-section (3) of section 143 or under section 144 or under section 147, as the case may be, with respect to the cases referred to in sub-section (2), shall be made in a faceless manner as per the following procedure, namely:—*
>
> *XXX XXX XXX*
>
> *(xii) the assessment unit shall, after taking into account all the relevant material available on the record, prepare, in writing,—*
>
> *(a) an income or loss determination proposal, where no variation prejudicial to assessee is proposed and send a copy of such income or loss determination proposal to the National Faceless Assessment Centre; or*
>
> *(b) in any other case, a show cause notice stating the variations prejudicial to the interest of assessee proposed to be made to the income of the assessee and calling upon him to submit as to why the proposed variation should not be made and serve such show cause notice, on the assessee, through the National Faceless Assessment Centre;*
>
> *(xiii) the assessee shall file his reply to the show cause notice served under sub-clause (b) of clause (xii) on a date and time as specified therein or such time as may be extended on the basis of an application made in this regard, to the National Faceless Assessment Centre, which shall forward the reply to the assessment unit;*
>
> *(xiv) where the assessee fails to file response to the notice served under sub-clause (b) of clause (xii) within the time specified therein or within the extended time, if any, the National Faceless Assessment Centre shall intimate such failure to the assessment unit;*
>
> *(xv) the assessment unit shall, after considering the response received under clause (xiii) or after receipt of intimation*

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under clause (xiv), as the case may be, and taking into account all relevant material available on record, prepare an income or loss determination proposal and send the same to the National Faceless Assessment Centre;

XXX XXX XXX

Section 144B(6)

(6) For the purposes of faceless assessment—

XXX XXX XXX

(vii) in a case where a variation is proposed in the income or loss determination proposal or the draft order, and an opportunity is provided to the assessee by serving a notice calling upon him to show cause as to why the assessment should not be completed as per such income or loss determination proposal, the assessee or his authorised representative, as the case may be, may request for personal hearing so as to make his oral submissions or present his case before the income-tax authority of the relevant unit;

(viii) where the request for personal hearing has been received, the income-tax authority of relevant unit shall allow such hearing, through National Faceless Assessment Centre, which shall be conducted exclusively through video conferencing or video telephony, including use of any telecommunication application software which supports video conferencing or video telephony, to the extent technologically feasible, in accordance with the procedure laid down by the Board;

XXX XXX XXX

9. The obligation to issue a show-cause notice where a variation prejudicial to the assessee is contemplated, is traceable to Section 144B(1)(xii)(b) of the Act. Clause (xii) requires the assessment unit, after taking into account all the relevant material on record, to prepare in writing one of two things. Where no prejudicial variation is proposed, it prepares an income or loss determination proposal ('ILDP') under sub-clause (a). "In any other case", that is to say, wherever a variation prejudicial to the assessee is proposed, sub-clause (b) requires it to prepare a show-cause notice stating the proposed variations, calling upon the assessee to submit why they should not be made,

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and to have the notice served through NFAC. The requirement of a notice is thus not a creation of any SOP or of departmental practice but it is a statutory pre-condition to the preparation of an ILDP in a case of prejudicial variation.

10. Clause (xiii) of Section 144B(1) requires the assessee to file his reply "*on a date and time as specified*" in the show-cause notice issued under Section 144B(1)(xii)(b), or within such time as may be extended on an application made by him. The date and time are thus to be specified by the assessing authority in the notice, and the statute itself contemplates extension on application. Clause (xiv) deals with the case in which the assessee fails to respond "*within the time specified*" or within the extended time.

11. Section 144B(6)(vii) takes the matter a step further. Where a variation is proposed and a show-cause notice has been served, the assessee or his authorised representative "*may request for personal hearing so as to make his oral submissions or present his case*". The legislature has thus treated the opportunity to seek an oral hearing as an incident of the show-cause notice itself i.e. the assessee may file a reply to the show cause notice as per clause (xiii) and also seek to explain his case orally by making a request for personal hearing as per the provisions of Section 144B(6)(vii). Section 144B(6)(viii) then prescribes what follows upon such a request viz. where the request for personal hearing "*has been received*", the income-tax authority of the relevant unit "*shall allow such hearing*", to be conducted exclusively by video-conferencing or video-telephony, to the extent technologically feasible and in accordance with the procedure laid down by the Board. Clause (vii) confers the liberty to ask while clause (viii) imposes the corresponding duty to grant, once the request has been made as contemplated by clause (vii).

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12. It may be apposite to note that no statutorily prescribed fixed time period has been provided either in clauses (xii) to (xv) of sub-section (1) or in clauses (vii) and (viii) of sub-section (6) of section 144B, within which the assessee is bound to respond to the show-cause notice or make a request for personal hearing. The Legislature has, where it so intended, fixed a period of its own; for instance, sub-section (2) of Section 144C prescribes thirty days for an eligible assessee to file objections to a draft order, and clause (ii) of Section 144B(1) as originally inserted in 2021 itself fixed fifteen days for responding to a notice under Section 143(2). In clauses (xii) to (xv) of Section 144B(1) and Sections 144B(6)(vii) and (viii)there is no such prescription.

The period is left to be fixed by the authority in each case, and the SOP of 03.08.2022, which is the Board-approved instrument laying down the procedure, treats seven days as the ordinary period and permits its curtailment. The timelines for seeking compliance may therefore be fixed by the authority, but in doing so the authority has to keep in view the statutory prescription for framing of the assessment, namely the period of limitation under Section 153, and the period fixed has to be a reasonable one that is realistically capable of being complied with. The date so fixed is a stipulation made under the authority of clause (xiii) of Section 144B(1) in aid of orderly and timely completion of assessment. Though it is not a statutory period of limitation, once the period so fixed is reasonable, the assessee is bound to adhere to it. The statute itself provides the course open to an assessee who is unable to comply within the time so fixed, namely, to apply for extension of time under clause (xiii). An assessee who neither complies within the time specified nor seeks extension within that time cannot thereafter insist that the authority must keep the show-cause stage open for him.

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13. Equally, the statute does not say what is to happen to a response or a request that reaches the authority after the date so specified but before the assessment is completed. Clause (xiv),however, prescribes the consequence of non-response within time, but that consequence is only that NFAC intimates the failure to the assessment unit, which then proceeds under clause (xv) to prepare the ILDP "*taking into account all relevant material available on record*".

The consequence of non-compliance is thus spelt out by the statute itself. Upon the failure of the assessee to respond within the time specified or within the extended time, NFAC intimates the failure and the assessment unit proceeds to prepare the ILDP. Nothing in clauses (xii) to (xv) of Section 144B(1) or clauses (vii) and (viii) of Section 144B(6) casts an obligation upon the authority, having so proceeded, to revert to the show-cause stage on the strength of a reply or a request for hearing received thereafter, or to pass a reasoned order on such belated reply or request. The cut-off date is therefore a rule of procedure which entitles the authority to proceed on the material available, if no response is received by that date. An assessee who has allowed the time to lapse without seeking extension cannot claim, as a matter of right, that such belated response must be considered and decided by a reasoned order.

14. The statutory scheme of faceless assessment is further supplemented by the afore referred Standard Operating Procedure dated 03.08.2022 issued by NFAC, with prior approval of the CBDT, under Section 144B(6)(xi). Paragraph N.1 requires a show-cause notice wherever a prejudicial variation is proposed and requires the notice to reflect the issues, earlier opportunities, compliance/non-compliance, submissions of the assessee, material proposed to be used and the proposed variations. Under paragraph

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N.1.3.1, the ordinary response time to the show-cause notice is seven days from its issue; paragraph N.1.3.2 permits that period to be curtailed keeping in view the limitation for completion of the assessment. Paragraph N.2.1 provides that where personal hearing is sought through the designated button on the e-filing portal, the Assessment Unit shall accord hearing through VC and paragraph N.2.2 contemplates that the VC should be given within two to three days of the request. Of particular significance is paragraph N.3.2, which provides that, in cases involving a variation prejudicial to the assessee, the ILDP shall be prepared after completion of the process of the show-cause notice and VC, if any.

Read together, the afore statutory provisions and the SOP disclose the sequence: show-cause notice and response; personal hearing, if sought in that process; completion of that stage; preparation of ILDP; preparation/review of the draft order and, thereafter, the final assessment order. Each stage is premised upon the completion of the preceding one. Once the show-cause stage stands closed on account of non-response within the stipulated time and the ILDP has been prepared, the process moves forward, and the scheme does not contemplate its reversal at the instance of an assessee who has defaulted.

15. It may also be noteworthy to mention that the Finance Act, 2022 brought about a material change in the statutory scheme governing personal hearing under faceless assessment. The provisions as they stood in Section 144B(7) prior to the substitution read as under:

Pre amendment:

"144B (7)- For the purpose of faceless assessment-

XXX XXX XXX

(vii) In a case where a variation is proposed in the draft assessment order or final draft assessment order or revised assessment order, and an opportunity is provided to the

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> *assessee by serving the notice calling upon him to show-cause as to why the assessment should not be completed as per the such draft or final draft or revised draft assessment order, the assessee or his authorised representative, as the case may be, may request for personal hearing so as to make his oral submissions or present his case before the income-tax authority in any unit;*
>
> *(viii) The Chief Commissioner or Director General, in charge of the Regional Faceless Assessment Centre, under which the concern unit is set up, may approve the request for personal hearing referred to in Clause (vii) if he is of the opinion that the request is covered by the circumstances referred to in sub-clause (h) of clause (xii);"*

The post-amendment provisions, namely Section 144B(6)(vii) and (viii), stand reproduced in paragraph 8 above. As would be evident from a comparison of the two, the pre-amended provision provided that the competent authority *'may approve'* a request for personal hearing, whereas upon substitution of Section 144B with effect from 01.04.2022, Section 144B(6)(viii) mandates that, where a request for personal hearing contemplated by clause (vii) has been received, the concerned income-tax authority '*shall allow such hearing'* through video-conferencing. The said amendment removed the discretion earlier available to the authority in dealing with a request for hearing. The word 'shall' is imperative and the provision is a statutory embodiment of the principle of *audi alteram partem* in the faceless regime.

16. Having said that we are equally mindful of the practical considerations urged on behalf of the respondents. Assessments under the Act are required to be completed within the period prescribed under Section 153, which, for the Assessment Year 2024-25, expired on 31.03.2026. Once the date fixed in the show-cause notice has passed, the assessment unit proceeds to prepare the ILDP, and the draft order then passes through a multi-tier process

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of review and approval before the final order is generated, authenticated and served. A request for hearing or a reply received late in that process may well present the authority with genuine difficulty in examining it and in framing a reasoned assessment order within the time permitted by law.

We also do not accept the proposition that an assessee can, regardless of the specific cut-off date fixed in the show-cause notice, seek personal hearing or file his response at any time he chooses, even on the eve of the last date on which the assessment itself would become barred by limitation. Assessments under the Act are required to be completed within the period prescribed under Section 153, which, for the Assessment Year 2024-25, expired on 31.03.2026. Were assessees to be permitted, as a matter of right, to request video-conferencing or to file replies up to that very last date, the Assessing Officer would be rendered incapable of examining the response, undertaking the multi-tier approval process and framing a reasoned assessment order within the time permitted by law. Such a construction would place it in the power of an assessee to defeat the timely completion of assessment by delaying his response until the eleventh hour. Even in the realm of assessment proceedings, the requirement is one of a reasonable opportunity of hearing and not an unlimited or open-ended one.

The word “shall” in Section 144B(6)(viii) of the Income-tax Act, 1961 must be construed harmoniously with the scheme of faceless assessment as a whole. That scheme is designed to operate within fixed time-frames and is bound by the limitation period prescribed for completing the assessment. The provision cannot be read in isolation from that statutory framework. To interpret it otherwise would render the time-bound mechanism of faceless

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assessment unworkable and otiose, a result the Legislature cannot be presumed to have intended.

On a proper construction, the amendment to Section 144B(6)(viii) does no more than remove the discretion previously vested in the authorities to decline a request for personal hearing at their pleasure. Where, however, the assessee has been granted a hearing and fails to avail of it within the time allowed, it would not be open to the assessee to insist on a hearing, irrespective of the attendant facts, merely because the amended provision uses the words *"shall allow such hearing."*

17. The fixation of a definite date for compliance is, therefore, not only permissible but necessary, and it serves a vital function in the faceless assessment scheme. It enables the Assessing Officer to proceed on the material available, if no response is received by that date, and to marshal the material, apply his mind and frame the assessment within the time permitted by law. The authority would, therefore, be justified in proceeding with the assessment and in not entertaining a request for hearing or a reply received after that date, where no extension has been sought within the time granted and no sufficient cause has been shown for the failure to act within time.

The obligation of the authority to deal with, and to pass a reasoned order on, a request for personal hearing, a reply or an application for extension of time arises where such request, reply or application is made within the time stipulated in the show-cause notice or within the time extended on an application in that regard. Had the assessee sought personal hearing or filed a reply within time, or sought extension within time, the authority would have been bound to deal with the same and to pass a reasoned order thereon, and a failure to do so may well have vitiated the assessment. The position is

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materially different where the assessee allows the stipulated time to lapse, seeks no extension and approaches the authority only after the show-cause stage has been closed and the assessment has moved on to the subsequent stages. In such a situation, the authority is justified in proceeding with the assessment keeping in view the timelines for its completion, and cannot be faulted for not passing a reasoned order on the belated request or reply.

18. Turning to the facts of the present case, the show-cause notice dated 24.02.2026 required the petitioner to submit his response by 17:40 hours on 01.03.2026. It gave three alternatives: acceptance of the variation, filing of a written objection or, in addition to the written reply, seeking a personal hearing through the designated VC facility.It further stated that the request for VC could be made **only** before expiry of the compliance date and time and that, in the absence of a response, the assessment would be finalised by taking the proposed variations into account.

Although the SOP ordinarily contemplates seven days for a response, it recognises curtailment of that period having regard to the limitation for completion of the assessment, and the period allowed by the notice was one which the authority was competent to fix in terms of clause (xiii) of Section 144B(1).

Admittedly, the petitioner did not respond or file a reply, did not seek extension and did not seek VC by 01.03.2026. The explanation offered by him is that the e-mail containing the notice escaped his attention, that he became aware of it on 15.03.2026 and that he sought VC on the very next day. Even upon becoming aware of the notice, the petitioner did not apply for extension of time setting out any cause for his default; he merely sought VC on 16.03.2026 and uploaded a reply on 17.03.2026.

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19. In the above facts, the question that would fall for consideration before us, therefore, is whether the respondents were bound to grant the hearing sought by the petitioner, or to consider his belated reply and pass a reasoned order thereon, when both were made long after the expiry of the time stipulated in the show-cause notice, without any application for extension of time having been made within the time granted, and after the show-cause stage stood closed and the ILDP had been generated. The order-sheet **(Annexure R-2)**, on which the respondents themselves rely, supplies the chronology, which is not in dispute:

(a) The show-cause notice was generated on 24.02.2026, with compliance fixed on or before 01.03.2026 at 05:40 PM, which date lapsed without response.

(b) The ILDP was submitted for approval, approved, generated and shared with NFAC on 13.03.2026.

(c) On 16.03.2026, NFAC directed preparation of the draft assessment order, which was submitted by the Assessing Officer to the Range Assessment Unit for approval. At that stage, the petitioner's request for VC, citing complexity of facts and stating that written submissions would be furnished the same day, was received on the same date. It stood on the order-sheet before the draft order was approved by the Range and before NFAC directed that the final order be passed.

(d) The final assessment order was generated and uploaded on 17.03.2026 and, as per the respondents' own case, was digitally signed and authenticated on that date.

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(e) The petitioner's detailed reply with supporting documents was filed at 04:52 PM on 17.03.2026, i.e. on the very day the final order was generated and only about an hour before the impugned order was authenticated.

(f) The period of limitation for completion of the assessment expired on 31.03.2026, i.e. about two weeks after the date on which the order was uploaded.

Thus, the request for VC came about fifteen days after the expiry of the compliance date, after the ILDP had been approved, generated and shared with NFAC, and when the draft assessment order had already been prepared and submitted to the Range for approval. The reply came on the very day on which the final order was generated. Neither the request nor the reply was preceded by any application for extension of time made within the time granted. The fact that about two weeks remained before the period of limitation expired on 31.03.2026 does not alter the position. The timelines fixed in the show-cause notice are intended precisely to enable the authority to complete the multi-tier process of preparation of the ILDP, preparation and review of the draft order and passing of the final order within the period of limitation; an assessee cannot, by his own default, compel the authority to rewind that process and compress it into whatever time happens to remain.

20. As regards the fact that the ILDP had already been generated on 13.03.2026, in our view, this is a circumstance of significance. Under clause (xv) of Section 144B(1), read with paragraph N.3.2 of the SOP, the ILDP is to be prepared after the process of the show-cause notice and VC, if any, is complete, or after intimation of the failure of the assessee to respond within

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time. Its generation thus marks the closure of the show-cause stage in accordance with the statutory scheme. The movement of the file thereafter between the Assessment Unit, the Range and NFAC is the onward progression of the assessment towards its completion within the time permitted by law. The final assessment order under clause (xxii) of Section 144B(1) is passed by the assessment unit in accordance with the draft order, and the relevant material which the authority is required to take into account is the material which has come on record in the manner and within the time contemplated by the scheme.

The scheme nowhere obliges the authority to revert to an earlier stage of the internal sequence merely because a defaulting assessee chooses to file a reply or seek a hearing after that stage has closed. The authority is not bound to do so, much less to record reasons for not doing so, at the instance of an assessee who has allowed the stipulated time to lapse without seeking extension. Paragraph N.3.2 prescribes the sequence in which the internal stages are to be undertaken, and to require the authority to re-open a completed stage at the asking of a defaulting assessee would run counter to that sequence.

In the present case, the ILDP had already been generated, the draft order had been prepared and placed for approval, and the multi-tier process would have had to be re-opened, all within the limited time remaining for completion of the assessment. In these circumstances, the authority was justified in proceeding to finalise the assessment on the basis of the ILDP and the draft order. The absence of a specific reference in the assessment order to the belated request and reply does not, in such circumstances, vitiate the order.

The stand of the respondents in the reply-affidavit, that the request and the reply were belated and that the authority was justified in proceeding on the material available, does not amount to supplying fresh reasons for the

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impugned order; it is a statement of the procedural position which the statute itself prescribes under clauses (xiv) and (xv) of Section 144B(1). The principle in **Mohinder Singh Gill v. Chief Election Commissioner, (1978) 1 SCC 405** is, therefore, not attracted.

21. The principles of natural justice are not a mere formality; equally, they are not cast in a rigid mould, and their content in a given case is shaped by the statutory framework within which the authority acts. Here, the statute itself structures the opportunity: a show-cause notice specifying a date and time for reply, the liberty to seek personal hearing within that time, and the liberty to apply for extension of time. The petitioner was afforded that opportunity and failed to avail of it. The obligation of the authority is to afford an opportunity, not to ensure that it is availed of. It is true that the assessment order does not refer to the request for VC made on 16.03.2026 or to the reply filed on 17.03.2026, and that it records that no additional information, explanation or documentary evidence had been furnished by the assessee after the issuance of the show-cause notice. That recital, read in its context, reflects the position that no response was received within the time stipulated in the show-cause notice. At the highest, it is an inaccuracy in narration which has caused no prejudice to the petitioner, since the request and the reply were belated and were not such as the authority was bound to consider and decide by a reasoned order.

It is well settled that the right to reason is an indispensable part of the dispensation of justice. Reasons are the live link between the material on record and the conclusion arrived at; they assure the person affected that his case has been considered, and they enable a superior forum to ascertain whether the decision was reached upon due application of mind. Even in respect of administrative orders, the giving of reasons is one of the fundamentals of good

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administration. The obligation applies with all the greater force to an assessment order, which is quasi-judicial in character and visits the assessee with civil consequences. However, the duty to record reasons is co-extensive with the duty to decide. Where a request for hearing, a reply or an application for extension is made within the time granted, the authority is bound to deal with it and to indicate, however briefly, the reason for the course adopted. That duty cannot be stretched to require the authority to render a reasoned decision on every belated communication received from an assessee after the stage to which it pertained has closed. To hold otherwise would enable an assessee to re-open, at his own convenience, a stage which the statute requires to be closed within the time specified.

A quasi-judicial order is expected to reflect application of mind to the material on record. The respondents' stand that the order was passed *'on the basis of the material available on record'* cannot, in the facts of the present case, be faulted, since the material which had come on record within the time contemplated by the statutory scheme was duly considered. What the petitioner complains of is, in substance, the consequence of his own failure to respond, or to seek extension, within the time granted.

22. The position that emerges is this. The petitioner was duly served with a show-cause notice which fixed a date and time for compliance and expressly stated that a request for VC could be made only before the expiry of that date and time. Under clause (xiii) of Section 144B(1), it was for the petitioner to file his reply within the time specified or within such time as may be extended on an application made in that regard. Under clause (vii) of Section 144B(6), the request for personal hearing is an incident of the show-cause notice and, in terms of the notice, had to be made before the expiry of the

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compliance date. The petitioner did neither, and also did not seek any extension of time. Upon such failure, clauses (xiv) and (xv) of Section 144B(1) came into operation, and the assessment unit prepared the ILDP, followed by the draft order and the final order. The authority thus acted in conformity with the statutory scheme.

The fact that the request and the reply were received after the date specified in the show-cause notice is, in the facts of this case, decisive. Had the petitioner sought personal hearing or filed a reply within time, or sought extension within the time granted, the authorities would have been bound to deal with such request and to pass a reasoned order thereon. That obligation does not arise now, when the petitioner failed to act within time, sought no extension and approached the authority only after the show-cause stage had closed and the assessment had reached its final stages.

We may also observe that the petitioner is not left without remedy. The Act provides a statutory remedy of appeal under Section 246A, in which the petitioner can raise all his contentions on the merits of the additions, including, subject to the conditions prescribed in Rule 46A of the Income-tax Rules, 1962, the production of additional evidence.

23. The petitioner has placed reliance on **Arihant Roller Flour Mills v. NFAC** *(supra)* and **Suvidhi Udyog Pvt. Ltd.** *(supra)*. The respondents seek to distinguish them on the ground that, in those cases, the assessee had made a timely request which remained unattended. It is true that those authorities concern a failure of the department to act upon a request for hearing made within the date fixed, and it is not the case of the petitioner that he sought VC by the compliance date fixed in the show-cause notice. Those decisions are,

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therefore, clearly distinguishable on facts and do not advance the case of the petitioner.

24. The judgment of the **Gujarat High Court** in **Champion Exim Company** is distinguishable on facts, since in that case the assessee was denied an effective opportunity on account of the notice under Section 148A(b) having been sent to an e-mail address other than the registered one, whereas in the present case the show-cause notice was sent to the petitioner and its receipt is not in dispute.

25. Learned Senior Standing Counsel has invoked the principle that the law does not assist a party who sleeps over his rights, and that an assessee is required to be vigilant and diligent in submitting his complete response at the first available opportunity. We find merit in the said submission. The only explanation offered by the petitioner for not acting within time is that the e-mail containing the show-cause notice escaped his attention due to inadvertence. The explanation is bald, is unsupported by any particulars and does not constitute sufficient cause. Under the faceless regime, notices are communicated through the registered e-mail address and the e-filing portal, and an assessee whose case is under scrutiny is expected to remain vigilant. It is significant that the petitioner had been actively participating in the assessment proceedings, having filed replies to the notices under Section 142(1), the last of which was filed on 23.02.2026, i.e. just a day before the issuance of the show-cause notice. In these circumstances, the petitioner cannot be heard to say that the show-cause notice escaped his attention, and the consequences of his default must be borne by him.

26. In view of the above discussion, the legal position may be summarised thus. The assessing authority is competent to fix a date and time

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for responding to a show-cause notice and further grant time to the assessee to make a request for personal hearing. Assessees are expected to follow the timelines so stipulated and would do well to treat them with the seriousness they deserve. An assessee who is unable to comply within the time so stipulated is required to apply for extension of time within that time, as contemplated by clause (xiii) of Section 144B(1). Where a reply, a request for personal hearing or an application for extension is made within the time granted, the authority is bound to deal with it and to pass a reasoned order thereon. On the failure of the assessee to do so, the assessing authority may proceed in accordance with the mandate of clauses (xiv) and (xv) of Section 144B(1), that is, upon failure of the assessee to respond to the notice within the prescribed time, prepare the income or loss determination proposal taking into account all relevant material available on record, and proceed to complete the assessment. Once the authority has so proceeded, it is not bound to revert to the show-cause stage, or to pass a reasoned order, on a request for VC or a reply made thereafter, where no extension was sought within the time granted and no sufficient cause has been shown for the failure to act within time. In the present case, the request for VC was made on 16.03.2026 and the reply was filed on 17.03.2026, long after the compliance date of 01.03.2026, without any application for extension, and after the ILDP had been generated and the draft order prepared. The authority was, therefore, justified in proceeding to complete the assessment keeping in view the timelines for its completion.

27. As regards the contention founded upon the discrepancy between the date recorded in the assessment order (16.03.2026) and the date of its digital signing (17.03.2026), we find no substance therein insofar as it is urged that the order is thereby rendered *non est*. The process of generation, approval and

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digital authentication of orders under the faceless assessment regime is inherently system-driven and sequential and a minor and explainable variance of this nature, without anything more, does not render the order invalid. Further no prejudice has been demonstrated as flowing from this variance alone and it is trite that a technical or venial irregularity, unaccompanied by prejudice, does not vitiate an otherwise valid administrative or quasi-judicial action. We have, however, proceeded on the footing which the respondents themselves admit, namely, that the date of digital signature reflects the final authentication of the order. The circumstance that the reply of the petitioner was uploaded a little before the order stood authenticated on 17.03.2026 makes no difference, for the reasons recorded above.

28. That as regards the petitioner contention regarding the issuance of penalty notices dated 17.03.2026 and 25.03.2026 (Annexures P-16 and P-17) issued under Section 274 read with Section 271AAC(1) of the Act and the consequent stand taken by the respondents that penalty proceedings are independent of and separate from the assessment proceedings and that the notice under Section 274 itself affords an opportunity to the petitioner to explain his case, it may suffice to notice that the petitioner has not made any prayer for quashing of the said notices, through the instant writ petition.

Since the penalty proceedings are independent of and separate from the assessment proceedings, and the notice under Section 274 itself affords an opportunity to the petitioner to explain his case, it shall be open to the petitioner to respond to the said notices taking all pleas as may be available to him in law. The authorities may then proceed subject to and in the manner contemplated by applicable provisions of the Act.

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29. The petitioner has a statutory remedy of appeal under Section 246A of the Act against the assessment order. In view of our finding that the impugned assessment order does not suffer from any violation of the principles of natural justice or from any foundational irregularity in the process by which it was framed, the contentions of the petitioner on the merits of the additions are matters which the appellate authority is fully equipped to examine. We, therefore, see no reason to entertain the petition on that score either. Should the petitioner choose to avail of the remedy of appeal, the appellate authority may, while considering any application for condonation of delay under Section 249(3) of the Act, take into account the time spent by the petitioner in bona fide pursuing the present writ petition, in accordance with law.

30. For the reasons recorded above, we are of the considered view that the impugned assessment order does not suffer from any infirmity warranting interference in exercise of the writ jurisdiction. The petitioner was afforded adequate opportunity in accordance with the scheme of Sections 143(3) and 144B(1)(xii) to (xv) read with 144B(6)(vii) and (viii) of the Act. He failed to respond, to seek personal hearing or to seek extension of time within the time granted, and has not shown sufficient cause for such failure. The authorities were justified in proceeding with the assessment keeping in view the timelines for its completion, and no violation of the principles of natural justice is made out.

Accordingly, the writ petition is dismissed with the following observations:

(i) The challenge to the assessment order dated 16.03.2026 (Annexure P-14) passed under Section 143(3) read with Section 144B of the Act for the Assessment Year 2024-25 and the

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consequential notice of demand dated 16.03.2026 (Annexure P-15) issued under Section 156 of the Act is rejected.

(ii) It shall be open to the petitioner to avail of the remedy of appeal under Section 246A of the Act, and the appellate authority may consider any application for condonation of delay in the manner indicated in paragraph 29 above.

(iii) As regards the penalty proceedings initiated under the notices dated 17.03.2026 and 25.03.2026 (Annexures P-16 and P-17), the petitioner shall be at liberty to respond to the said notices. The authorities may then proceed subject to and in the manner permissible in law.

(iv) The observations made herein are confined to the challenge founded on the alleged violation of the principles of natural justice, and the contentions of the petitioner on the merits of the additions, if raised in appeal, shall be decided by the appellate authority uninfluenced by anything observed herein.

31. Pending application(s), if any, stand disposed of. There shall be no order as to costs.

(DEEPAK SIBAL)
JUDGE

(SUNISH BINDLISH)
JUDGE

November 12, 2026
rps

Whether speaking/reasoned Yes/No
Whether reportable Yes/No

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