

**Karan and Co. Vs. Itat**

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**SooperKanoon Citation :** [sooperkanoon.com/710441](http://sooperkanoon.com/710441)

**Court :** Delhi

**Decided On :** Jul-20-2001

**Reported in :** (2001)169CTR(Del)361

**Appeal No. :** Civil Writ Petn. No. 3337 of 2001 20 July 2001 A.Y. 1985-86

**Appellant :** Karan and Co.

**Respondent :** itat

**Advocate for Pet/Ap. :** P.N. Monga and; Manu Monga and; Navneet Negi, for the  
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**Judgement :**

Arijit Pasayat, C.J.

By this petition under Articles 226 and 227 of the Constitution of India, 1950 (hereinafter referred to as the Constitution), the petitioner, hereinafter referred to as the assessed, calls in question legality of order dated 31-1-2001, passed by a Bench of Income Tax Appellate Tribunal, New Delhi (hereinafter referred to as the Tribunal), in purported exercise of powers under section 254(2) of the Income Tax Act, 1961 (hereinafter referred to as the Act).

2. Factual position which is almost undisputed is as follows :

The assessed had filed an appeal before the Tribunal primarily challenging the reopening of assessment under section 147(a) for assessment year 1985-86. By order dated 24-11-1993, a Bench of the Tribunal consisting of the President Shri Ch. G. Krishnamurthy and Shri Vimal Gandhi, Member, allowed the appeal. We are not very much concerned with various issues which were examined by the Tribunal for allowing the appeal in view of certain factual aspects with which we shall deal infra. Subsequently, the revenue filed an application for reference under section 256(1) of the Act praying for a reference to this court which was numbered as RA 915/Del/1996. An application for rectification under section 254(2) was also filed on 20-10-1994. assessed filed an objection to the prayer made in the said application on the ground that the nature of relief sought for cannot be granted in an application under section 254(2) of the Act. The application was numbered as MA 163-D/94 and was disposed of by a Bench consisting of Shri M.A. Bakshi and Miss. Moksh Mahajan by order dated 25-7-1995. The relevant portion of the order reads as follows :

'Thus on verification of records it is clear that the court proceedings which were held to be vital information in para 33 of the order were not filed by the assessed before the assessing officer at the time when original assessment was framed. therefore, as the court proceedings were not there before the assessing officer while framing the original assessment proceedings the finding/observation of the Tribunal giving the impression that court proceedings contrary to record and thus constitute a mistake apparent from the record. To this extent the order of the Tribunal would stand rectified.'

Revenue filed an application under section 256(1) of the Act in respect of the said order passed in RA/915/Del/1996. This was stated to be a modified reference application. assessed also filed an application for reference under section 256(1) in respect of the order in Miscellaneous Application 163/Del/1994. Revenue again filed another application under section 254(2) of the Act on 10-4-1997. Prayer, inter alia, was to recall/review the original order dated 24-11-1993, passed in ITA 1356/Del/63 in the light of the aforesaid quoted portion of the order in MA 163/Del/1994. Same was originally heard by a Bench consisting of M/s Nathu Ram and UBS. Bedi. Though a copy of the order passed is available on record, one of

the members Mr. Bedi did not sign the order and noted as follows : 'There are certain reservations and other member had since retired, it may be fixed before a Bench'. File was released on 1-6-1999. therefore, the Departmental Representative placed the matter before the Vice President to consider whether it was to be treated as de-heard and fixed for fresh hearing or to be treated as a case of difference of opinion between the two members. Vice President observed that the AM to whom the case was allotted had dictated the order and if the JM had a difference of opinion on any point, he was to express it judicially and in a proper manner. He further observed that the remarks of the JM cannot be said to be judicial order in terms of section 255(4) and, therefore, the case was not to be referred to President for disposal. The file was directed to be placed before JM for passing judicial order by him for taking necessary action. Finally the matter was heard by a Bench consisting of M/S UBS Bedi and Sikander Khan and the impugned order was passed, by which the order passed, in appeal has been recalled and registry has been directed to put up the appeal for fresh adjudication, Direction so far as relevant read as under :

'After considering the submissions made before us by both the sides, the materials on the file and various decisions cited by both the sides, we are of the view that there was mistake apparent from the record in both the orders dated 24-11-1993, in the appeal and order dated 25-7-1995, in the first miscellaneous application passed by the Tribunal. After making observations in the order dated 25-7-1995, in the first miscellaneous application accepting the revenues plea that there was mistake apparent from record insofar as the Tribunal's order dated 24-11-1993, in the appeal was concerned Tribunal should have recalled the order dated 24-11-1993, for fresh adjudication.

Therefore, as the court proceedings were not there before the assessing officer while passing the original assessment proceedings the findings/observations of the Tribunal giving the impression that court proceedings were filed in the original assessment proceedings are contrary to record and thus constituted a mistake apparent from record. To this extent the order of the Tribunal would stand rectified.

In the above view of the matter we recall the Tribunal's order dated 24-11-1993, in ITA No. 1356/Del/1992 for the assessment year 1985-86 and direct the Registry to post the appeal for fresh hearing and fresh adjudication.'

3. Mr. P.N. Monga, learned counsel for the assessed, submitted that the course adopted by the Tribunal is unknown. Order purported to have been passed under section 254(2) is clearly misconceived in law, considering the limited scope of rectification permissible. It is submitted that there is no power to recall and review the order which the Tribunal has done. Shri R.C. Pandey, learned counsel for revenue, on the other hand, contended that the order is perfectly in order and this petition should not be entertained. According to him, order in MA/1993/Del/94 was to be given effect and only possible course to be adopted was to recall the order and to have a fresh hearing so that the factual position could be duly taken note of and then an order could be passed in the appeal itself on merit.

4. A bare look to section 254(2) of the Act makes it clear that a 'mistake apparent from the record', is rectifiable. In order to attract the application of section 254(2), a mistake must exist and the same must be apparent from the record. The power to rectify the mistake, however, does not cover cases where a revision or review of the order is intended. 'Mistake' means to take or understand wrongly or inaccurately; to make an error in interpreting; it is an error : a fault, a misunderstanding, a misconception. 'Apparent' means visible, capable of being seen, easily seen, obvious, plain. A mistake which can be rectified under section 254(2) is one which is patent, which is obvious and whose discovery is not dependent on argument or elaboration. The language used in section 254(2) makes it clear that only amendment to the order passed under section 254(1) is permissible when it is brought to the notice of the Tribunal that there is a mistake apparent from the record. In our view amendment of an order does not mean obliteration of the order originally passed and its substitution by a new order. Where an error is far from self-evident, it ceases to be an apparent error. It is no doubt true that a mistake capable of being rectified under section 254(2) is not confined to clerical or arithmetical mistakes. On the other hand, it does not cover any mistake which may be discovered by a complicated process of investigation, argument or proof. As observed by the Apex Court in Master Construction Co. (P)

Ltd. v. State of Orissa (1966) 17 STC 360, an error which is apparent on the face of the record should be one which is not an error which depends for its discovery on elaborate arguments on question of fact of law. A similar view was also expressed in Satyanarayan Laxminarayan Hedge v. Mallikarjun Bhavanappa Tirumale : [1960]1SCR890 . It is to be noted that the language used in 0.47, rule 1 of the Civil Procedure Code, 1908, is different from the language used in section 254(2) of the Act. Power is given to various authorities to rectify any mistake 'apparent from record'. In the Civil Procedure Code, the words are 'an error apparent on the face of the record'. The two provisions do not mean the same thing. The power of the Tribunal in section 254(2) to rectify 'any mistake apparent from the record' is undoubtedly not more than that of the High Court to entertain a writ petition on the basis of 'an error apparent on the face of the record'. (See T.S. Balaram, ITO v. Volkart Bros. : [1971]82ITR50(SC) . Mistake is an ordinary word, but in taxation laws, it has a special significance. It is not an arithmetical or clerical error alone that comes within its purview. It comprehends errors which, after a judicious probe into the record from which it is supposed to emanate, are discerned. The word 'mistake' is inherently indefinite in scope, as what may be a mistake for one may not be one for another. It is mostly subjective and the dividing line in border areas is thin and indiscernible. It is something which a duly and judiciously instructed mind can find out from the record, In order to attract the power to rectify under section 254(2) it is not sufficient if there is merely a mistake in the orders sought to be rectified. The mistake to be rectified must be one apparent from the record. A decision on a debatable point of law or disputed question of fact is not a mistake apparent from the record. The plain meaning of the word 'apparent' is that it must be something which appears to be so ex facie and it is incapable of argument or debate. It, therefore, follows that a decision on a debatable point of law or fact or failure to apply the law to a set of facts which remains to be investigated cannot be corrected by way of rectification. This position was highlighted by us in Smt. Baljeet Jolly v. CIT (2001) 19 DTC 195 (Delhi) : (2001) 250 ITR 113 .

5. The scope and ambit of an application of section 254(2) is very limited. The same is restricted to rectification of mistakes apparent from the record. We shall

first deal with the question of the power of the Tribunal to recall an order in its entirety. Recalling the entire order obviously would mean passing of a fresh order. That does not appear to be the legislative intent. The order passed by the Tribunal under section 254(1) is the effective order so far as the appeal is concerned. Any order passed under section 254(2) either allowing amendment or refusing to amend gets merged with the original order passed. The order as amended or remaining unamended is the effective order for all practical purposes. The same continues to be an order under section 254(1). That is the final order in the appeal. An order under section 254(2) does not have existence de hors the order under section 254(1). Recalling of the order is not permissible under section 254(2). Recalling of an order automatically necessitates rehearing and read judication of the entire subject-matter of appeal. The dispute no longer remains restricted to any mistake sought to be rectified. Power to recall an order is prescribed in terms of rule 24 of the Income Tax Appellate Tribunal Rules, 1963, and that too only in cases where the assessed shows that it had a reasonable cause for being absent at a time when the appeal was taken up and was decided ex parte. 'This position as highlighted by one of us (Justice Arijit Pasayat, Chief Justice) in CIT & Anr. v. ITAT & Anr. : [1992]196ITR640(Orissa) . Judged in the above background the order passed by the Tribunal is indefensible.

6. We may take note of the preliminary objection raised by Mr. Pandey, learned counsel for revenue, about the maintainability of the writ petition in the presence of statutory remedy. Rule relating to exhaustion of statutory remedy is essentially a rule of prudence and not one of law. There are several exceptions to the salutary requirement of the exhaustion of statutory remedy. One of them is lack of jurisdiction of the authority who has passed the order impugned. As indicated above. Tribunal had no jurisdiction to pass the impugned order in the absence of any statutory prescription. We find no substance in the plea of Mr. Pandey that the assessed should have availed of the statutory remedy.

7. In the result, the impugned order, Annexure A is quashed. Needless to say that the applications filed under section 256(1) shall be dealt with and disposed of by the Tribunal in accordance with law.

