Rallis India Limited 2022 23 vs Central Processing Centre

[Cites 18, Cited by 0] Bombay High Court Rallis India Limited 2022 23 vs Central Processing Centre on 19 January, 2026 Author: B. P. Colabawalla Bench: B. P. Colabawalla 2026:BHC-OS:2265-DB 56-WP(L)-37314-2025.doc IN THE HIGH COURT OF JUDICATURE AT BOMBAY ORDINARY ORIGINAL CIVIL JURISDICTION WRIT PETITION (L) NO. 37314 OF 2025 Rallis India Limited .. Petitioner Versus Central Processing Centre and Ors. .. Respondents Adv. P.J. Pardiwalla, Senior Advocate, a/w Adv. Jeet Kamdar, i/b Adv. Atul K. Jassani, for the Petitioner. Adv. Dhananjay B. Deshmukh, for the Respondent. CORAM: B. P. COLABAWALLA & FIRDOSH P. POONIWALLA, JJ. DATE: JANUARY 19, 2026 P. C.

1. By this Petition, the Petitioner challenges the adjustment made in the intimation dated 29 July 2023 passed under section 143(1) of the Income-tax Act, 1961 (for short "the IT Act") by Respondent No. 1 for the AY 2022-23 inter alia on the ground that it is passed without complying with the mandatory requirements of the first and second proviso to section 143(1) of the Act. Page 1 of 15 JANUARY 19, 2026 Darshan Patil 56-WP(L)-37314-2025.doc

2. The facts leading to the filing of the present petition are set out hereunder:- a) The Petitioner filed its return of income on 25 November 2022 declaring a total income of Rs. 232,26,45,096/- and claimed a refund of Rs. 6,52,94,994/-. In the return of income, the Petitioner made a Suo Motu adjustment of Rs. 1,15,08,631/- as quantified in clauses 13(d) and 13(e) of the Tax Audit Report as contemplated by Section 145(2), viz., the Income Computation and Disclosure Standard (for short "ICDS"). b) Subsequently, Respondent No. 1 issued a notice on 14 December 2022 proposing to make an adjustment under Section 143(1)(a) of the IT Act on three issues viz; Section 36(1)(va), Section 145A and Section 35(1)(iv) of the IT Act. The Petitioner filed its response on 30 December 2022 objecting to the three proposed adjustments. c) The Petitioner's case was selected for scrutiny and notices dated 23 June 2023 and 28 June 2023 were issued under Section 143(2) and Section 142(1) of the Act respectively. The Petitioner filed its response to these notices on 21 July 2023. Page 2 of 15 JANUARY 19, 2026 Darshan Patil 56-WP(L)-37314-2025.doc d) Thereafter, Respondent No. 1 issued the impugned intimation dated 29 July 2023 under Section 143(1) of the IT Act determining the income of the Petitioner at Rs. 1515,81,25,530/- and raised a demand of Rs. 383,80,01,710/-. The reason for the increase was an ICDS adjustment of Rs. 1284,66,97,880/- made by Respondent No. 1 as against the voluntary adjustment of Rs. 1,15,08,630/- made by the Petitioner in its return of income. The notice dated 14th December 2022 issued for the proposed adjustment under Section 143(1)(a) did not ask the Petitioner to show cause in respect of this ICDS adjustment and no opportunity of being heard was provided to the Petitioner at any time thereafter with regard to the ICDS adjustment. This, according to the Petitioner, was in contravention of the first proviso to Section 143(1) of the IT Act. e) Be that as it may, the Petitioner filed a rectification application on 11 August 2023 under section 154 of the Act with Respondent No. 2 to rectify the mistake apparent on record in the impugned intimation. According to the Petitioner, Respondent No. 1 had made a patent mistake by computing totals of figures reported by the tax auditor under clause 13(e) of the tax audit report in an erroneous and arbitrary manner. The Petitioner filed another letter dated 14 August 2023 with Respondent No. 2 referring to the communication that it tried to file a rectification application with Respondent Page 3 of 15 JANUARY 19, 2026 Darshan Patil 56-WP(L)-37314-2025.doc No. 1 but received an error message on the portal that since the case was selected for scrutiny, the rectification request is to be taken up by Respondent No. 2. f) The Petitioner filed an application for stay of demand on 14 August 2023 with Respondent No. 2 requesting that the recovery of the demand of Rs. 383,80,01,710/- raised in the impugned intimation passed under section 143(1) of the Act be stayed. g) The Petitioner also filed an appeal before the Commissioner of Income Tax Appeals (for short "CIT(A)") in Form 35 on 29 August 2023 against the intimation passed under Section 143(1) of the IT Act. The appeal before the CIT(A) was subsequently transferred to Respondent No. 3. h) The Petitioner also addressed a letter dated 12 September 2023 to the Principal Commissioner of Income Tax-8 making an application for stay of recovery of the demand raised pursuant to the impugned intimation. i) Respondent No. 3 issued a notice dated 26 September 2023 under section 250 of the Act asking the Petitioner to furnish ground wise Page 4 of 15 JANUARY 19, 2026 Darshan Patil 56-WP(L)-37314-2025.doc submissions. The Petitioner filed its ground wise submissions on 10 October 2023 but, thereafter, no order has been passed till date. j) Subsequently, the assessment unit issued notices dated 15 January 2024 and 25 January 2024 under Section 142(1) of the IT Act which were replied to by the Petitioner on 22 January 2024, 31 January 2024, 6 February 2024, 12 February 2024 and 16 February 2024 respectively. k) The assessment unit issued a show cause notice on 11 March 2024 for making proposed variations on six issues. The Petitioner filed its response on 15 March 2024 dealing with all the six issues. In none of the notices issued under Section 142(1) or in the show cause notice was any clarification sought on the adjustment made in respect of ICDS. l) Therefore, the Petitioner also filed a letter dated 21 March 2024 with the assessment unit pointing out that the intimation under Section 143(1) will merge with the order under Section 143(3) and requested to delete the erroneous ICDS adjustment. m) However, the Assessment unit passed an assessment order dated 26 March 2024 under Section 143(3) read with Section 144B of the Act without Page 5 of 15 JANUARY 19, 2026 Darshan Patil 56-WP(L)-37314-2025.doc making any variation to the total income on the six issues raised in the show cause notice, but without considering the submission made on 21 March 2024, made a variation to the income of the Petitioner by considering the total income as computed under Section 143(1)(a) of Rs. 1515,81,25,530/-. The assessment unit passed the computation sheet and notice of demand on 26 March 2024 determining a demand of Rs. 408,49,75,780/-. n) The Petitioner, therefore, filed a rectification application dated 8 April 2024 under Section 154 of the IT Act with Respondent No. 2 referring to its earlier rectification application filed on 9 August 2023 but till date no rectification order has been passed. o) The Petitioner also filed an appeal with Respondent No. 4 on 23 April 2024 against the assessment order passed on 26 March 2024. p) After all this, Respondent No. 3 issued another notice dated 22 May 2025 under Section 250 of the IT Act in connection with the appeal against the impugned intimation filed on 29 August 2023, once again asking for written submissions. The Petitioner filed an additional ground of appeal with Respondent No. 3 on 26 May 2025 and filed written submissions on 4 June 2025. Page 6 of 15 JANUARY 19, 2026 Darshan Patil 56-WP(L)-37314-2025.doc q) The Petitioner also filed a letter dated 11 August 2025 with Respondent No. 4 pointing out that since the addition in the assessment order emanates from the intimation, it would be better to club both the appeals (i.e. against the impugned intimation and the assessment order) and hear them together. r) However, Respondent No. 4 passed an order dated 27 September 2025 dismissing the appeal by stating that the current appeal is filed against the assessment order and not against the intimation and the issue arising in the intimation cannot be decided in the appeal against the final assessment order as it lacked jurisdiction and the issue fell outside its statutory boundaries. Respondent No. 4 dismissed the appeal with liberty to the Petitioner to file an appeal against the impugned intimation without considering that an appeal was already filed and pending adjudication before Respondent No. 3,

and despite written submissions being submitted on 10 October 2023 and 4 June 2025, and despite the request already made to hear both appeals together.

3. In this factual backdrop, at the outset, the learned Senior Counsel for the Petitioner pointed out that the ICDS adjustment made in the impugned intimation is without providing any opportunity of being heard to the Petitioner as mandated by the first proviso to Section 143(1), and Page 7 of 15 JANUARY 19, 2026 Darshan Patil 56-WP(L)-37314-2025.doc therefore, the adjustment made is in breach of the principles of natural justice and against the statutory mandate. Undoubtedly, the Petitioner has filed an appeal before CIT(A) against the impugned intimation in 2023 which is not disposed off till date in spite of the hearing being fixed twice and written submissions being filed on 10 October 2023 and 4 June 2025. The assessment order has been passed considering the income as per Section 143(1) without considering the specific submissions made on 21 March 2024. The Petitioner has filed rectification applications to correct the mistake apparent on record both in the intimation and the assessment order but no rectification order has been passed till date. The Petitioner filed an appeal with Respondent No. 4 against the assessment order and Respondent No. 4 has passed an order dated 27 September 2025 dismissing the appeal on the ground that he lacked jurisdiction to decide the issue arising in the intimation without considering the fact that the intimation would merge with the assessment order. Unable to obtain any redressal on this issue before any forum, the Petitioner was constrained to file the writ petition to challenge the intimation as being non-est and passed in breach of the principles of natural justice, contrary to the statutory requirements in the first proviso to Section 143(1), and being patently illegal on merits too. Page 8 of 15 JANUARY 19, 2026 Darshan Patil 56-WP(L)-37314-2025.doc

4. The learned Counsel for the Petitioner invited our attention to the provisions of Section 143(1) of the IT Act where the first and second proviso require an intimation to be given to the assessee either in writing or in electronic mode before making any adjustment under Section 143(1) of the IT Act and that the response received from the assessee shall be considered before making any adjustment. The Petitioner pointed out that the intimation is passed making an ICDS adjustment of Rs. 1284,66,97,880/- without issuing a notice for the proposed adjustment on this issue. Attention was invited to the notice issued on 14 December 2022 [for proposed adjustments] which dealt only with three issues, i.e., Section 36(1)(va), Section 145A and Section 35(1)(iv). After considering the Petitioner's reply, no adjustment was made on these three issues in the intimation. The ICDS adjustment made in the intimation did not form part of the notice for proposed adjustment and therefore, the ICDS adjustment is made without following the jurisdictional requirements of the first and second proviso to Section 143(1) of the IT Act. On this ground itself the adjustment should be quashed, was the submission. Further, our attention was also drawn to paragraphs 9 and 10 of the Affidavit-in-reply filed by the Respondents where they have not disputed the fact that a notice for the proposed adjustment was not issued to the Petitioner in respect of the ICDS adjustment. Page 9 of 15 JANUARY 19, 2026 Darshan Patil 56-WP(L)-37314-2025.doc

5. The learned Counsel for the Petitioner also pointed out that a Suo Motu ICDS adjustment of Rs. 1,15,08,631/- was made by the Petitioner in its return of income based on clauses 13(d) and 13(e) of the Tax Audit Report and the ICDS adjustment made by Respondent No. 1 of Rs. 1284.66 crores is made by computing the totals of figures reported by the auditor under clause 13(e) of the Tax Audit Report in an erroneous and arbitrary manner. Further, the Petitioner pointed out that the adjustment made in the intimation is highly debatable and beyond the scope and jurisdiction of Respondent No. 1 under Section 143(1) of the IT Act.

6. The Respondents, on the other hand, pointed out that the Petitioner has an alternate remedy by way of appeal which it has availed, and therefore, should pursue it before the CIT(A) instead of seeking relief by this Petition. The Respondent referred to the alternative contention of the Petitioner in this Petition and pointed out that the Court should grant a direction to Respondent No. 4 to dispose off the appeal in a time bound manner.

7. Secondly, the Respondent pointed out that the present petition is filed belatedly as the intimation under Section 143(1) was passed on 29 July 2023 and the Petitioner has approached this Hon'ble Court only in the month Page 10 of 15 JANUARY 19, 2026 Darshan Patil 56-WP(L)-37314-2025.doc of November 2025. Therefore, the petition be disposed off with a direction to the Petitioner to pursue the appellate remedy. This is more so because if the Petition is disposed off by this Court the appeal of the Petitioner challenging the order passed under Section 143(3) would become infructuous.

8. In rejoinder, the learned Counsel for the Petitioner pointed out that it has filed this Petition as it has not obtained any redressal before any appellate forum and since the intimation is non-est and passed in breach of principles of natural justice and contrary to the statutory requirements stipulated in the first proviso to Section 143(1), such intimation should be quashed. The assessment order has not made any other additions except considering the total income as per the intimation. Pursuant to the order of Respondent No. 4 on 27 September 2025, the Petitioner filed an appeal before the Income Tax Appellate Tribunal (for short 'Tribunal') in ITA no. 7688/Mum/2025 on 24 November 2025 and if the ICDS adjustment in the intimation is quashed by this Court then the Tribunal as a consequence of the order of this Court will have to pass a consequential order deleting the addition in appeal against the assessment order.

9. We heard the learned Counsel for the parties and perused the record. Although multiple grounds are raised in the present writ petition Page 11 of 15 JANUARY 19, 2026 Darshan Patil 56-WP(L)-37314-2025.doc challenging the intimation and the adjustment made therein, we propose to confine ourselves only to the issue of the impugned intimation being passed without complying with the jurisdictional requirements of the first and second proviso to Section 143(1) of the IT Act.

10. Section 143 of the Act, in so far as it is relevant for our purpose, reads thus:- "143.(1) Where a return has been made under section 139, or in response to a notice under sub-section (1) of section 142, such return shall be processed in the following manner, namely:- (a) the total income or loss shall be computed after making the following adjustments, namely:- (i) any arithmetical error in the return; (ii) an incorrect claim, if such incorrect claim is apparent from any information in the return; (iia) any such inconsistency in the return, with respect to the information in the return of any preceding previous year, as may be prescribed; (iii) disallowance of loss claimed, if return of the previous year for which set off of loss is claimed was furnished beyond the due date specified under sub-section (1) of section 139; (iv) disallowance of expenditure [or increase in income] indicated in the audit report but not taken into account in computing the total income in the return; (v) disallowance of deduction claimed under [section 10AA or under any of the provisions of Chapter VI-A under the heading "C.-Deductions in respect Page 12 of 15 JANUARY 19, 2026 Darshan Patil 56-WP(L)-37314-2025.doc of certain incomes", if] the return is furnished beyond the due date specified under sub-section (1) of section 139; or (vi) addition of income appearing in Form 26AS or Form 16A or Form 16 which has not been included in computing the total income in the return: Provided that no such adjustments shall be made unless an intimation is given to the assessee of such adjustments either in writing or in electronic mode: Provided further that the response received from the assessee, if any, shall be considered before making any adjustment, and in a case where no response is received within

thirty days of the issue of such intimation, such adjustments shall be made:]..." (emphasis supplied)

11. It is apparent from a perusal of the above reproduction that the first and second proviso to Section 143(1) of the IT Act specifically provides that no adjustment shall be made unless an assessee is given an intimation of the adjustment either in writing or in electronic mode and the response received from the assessee must be considered before making any such adjustment. In the present case, admittedly the Petitioner has not been given any intimation of the ICDS adjustment before passing the impugned intimation. The proposed adjustment under Section 143(1)(a) of the IT Act on 14 December 2022 did not raise any issue with regard to the ICDS adjustment of Rs. 1284,66,97,880/-, and no opportunity of being heard was granted to the Petitioner on this issue before the intimation was passed. This is, therefore, a clear breach of the principles of natural justice, and in any   event in contravention of the jurisdictional requirements laid down in the first and second proviso to Section 143(1) of the IT Act. Further, the department in their Affidavit-in-reply have accepted the fact that no notice for the proposed adjustment was issued on the ICDS adjustment. Hence, on this ground alone the adjustment made in the intimation in respect of the ICDS adjustment of Rs. 1284,66,97,880/- is liable to be quashed and set aside.

12. As regards the Revenue's arguments on the Petitioner having already exercised an alternate remedy, we feel that the same does not debar the Petitioner from invoking the jurisdiction of this Court. The breach of principles of natural justice is one exception that is consistently applied in negating a challenge in a writ petition on the ground of alternate remedy [see Whirlpool Corporation v. Registrar of Trade Marks, Mumbai (1998) 8 SCC 1 (SC)]. In the present case more than two years have elapsed since the Petitioner availed of the alternate remedy and yet no effective hearing of the Petitioner's appeal has taken place. The Petitioner's appeal against the order under Section 143(3) was disposed off summarily without dealing with the merits of the adjustment made. The Petitioner has undertaken to withdraw the appeal before Respondent No. 3 within a period   of 15 days from this order, which undertaking is accepted. In these circumstances we have entertained and disposed off the present petition.

13. In view of the aforesaid discussion, the adjustment made in the intimation under Section 143(1) in respect of the ICDS adjustment of Rs.1284,66,97,880/- is hereby quashed and set aside. All other contentions raised by the Petitioner are kept open to be agitated, if this need so arises.

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

15. 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. [FIRDOSH P. POONIWALLA, J.] [B. P. COLABAWALLA, J.] Signed by: Darshan Patil Designation: PA To Honourable Judge Date: 28/01/2026 11:08:44