

SUPREME COURT OF INDIA

Hindustan Aeronautics Ltd. Bangalore

Vs.

Commr. of I-T., Bangalore

C.A.No.9104 of 1995

(S. Rajendra Babu and Y. K. Sabharwal, JJ.)

11.05.2000

JUDGEMENT

RAJENDRA BABU, J.:-

1. The appellant before us is M/s. Hindustan Aeronautics Ltd., which is a wholly centrally owned Government Company engaged in the manufacture of aeroplanes and its parts. For the assessment year 1970-71 the appellant filed its return before the concerned ITO who by an order made on March 15, 1973 completed the assessment by disallowing certain deductions claimed by the appellant on various grounds. Against the assessment order of the ITO, the assessee filed an appeal before the Appellate Assistant Commissioner who by an order made on October 27, 1976 partly allowed the same. By the order of the Appellate Assistant Commissioner, both the Revenue and the assessee preferred second appeals before the Income-tax Appellate Tribunal, Bangalore to the extent each one of them was aggrieved. However, on May 9, 1977, the assessee withdrew its appeal before the Tribunal with liberty reserved to it to approach the Commissioner of Income-tax (Commissioner) in a revision under Section 264 of the Income-tax Act, 1961 (hereinafter referred to as 'the Act'). On May 20, 1978 the Tribunal however, dismissed the appeal filed by the Revenue on merits.

2. The assessee filed revision petition on May 19, 1977 under Section 264 of the Act to the extent of the grievance projected before the Tribunal earlier. On 22-12-1978 the Commissioner dismissed the revision petition on the ground that he has no power to revise any order under Section 264 as the order had been made the subject to an appeal to the Appellate Tribunal.

3. A writ petition (No. 4803/79) was filed challenging this order made by the Commissioner. The learned single Judge, who considered the matter, directed the Commissioner to entertain the revision petition filed by the assessee in terms of Circular No. XVI/11/69 issued by the Central Board of Direct Taxes (hereinafter referred to as 'the Board) and examine its case on merits. Aggrieved by that order, an appeal was preferred by the Commissioner before the Division Bench.

4. The Division Bench following a decision in CIT v. Hindustan Aeronautics, (1986) 157 ITR 315 of the Full Bench of the High Court held that the revision petition filed by the appellant could not be maintained and the Commissioner was justified in dismissing the same. The question considered by the Full Bench was as follows:

"Can the Commissioner of Income-tax entertain assessee's revision petition under Section 264 of the Income-tax Act, 1961, preferred from a part of order of the Appellate Commissioner against which the assessee is aggrieved during the pendency or after the disposal, as the case may be, of the Department's Second appeal before the Income-tax Appellate Tribunal preferred against another part of the same order where the subject matter of the appellate and revisional proceedings are not the same but relates to distinct matters."

5. The said question was answered in the negative.

6. This view is a reiteration of earlier view stated in Vijayalakshmi Lorry Service case, ITRC 37 of 1973. The Commissioner had in fact followed the decision of the High Court in Vijayalakshmi Lorry Service case. It is not necessary for us to dilate on this aspect of the matter any further because this Court in CWT v. Kasturbai, 177 ITR 188 : (AIR 1989 SC 1326) has held that the Commissioner has no power to revise any order under Section 264 if the order "has been made subject to an appeal to the Appellate Tribunal, even if the relief claimed in the revision is different from the relief claimed in the appeal and irrespective of the fact whether the appeal is by the assessee or by the Department". That is because Section 264(4) provides that the Commissioner shall not revise any order under this section in a case where the order has been made the subject of an appeal to the Appellate Tribunal. What becomes final in such a proceeding is the order made by the Appellate Tribunal which is a superior forum than that of the Commissioner and the order which is the subject-matter of an appeal cannot be divided into two parts one which is the subject matter of the appeal and the other which was not in issue in the appeal before the Tribunal. What becomes

merged in the order of the Tribunal is the order made by the Appellate Assistant Commissioner in its entirety and not in part. Indeed where the legislature intended to make a distinction in such circumstances where there will be no merger in such cases is expressly provided. We may notice that Section 263 of the Act where a revision is permissible in cases of orders which are prejudicial to the interest of the Revenue, in the Explanation (c) thereof it has been provided where any order referred to in this sub-section and passed by the Assessing Officer had been the subject-matter of any appeal the powers of the Commissioner under this sub-section shall extend to such matters as had not been considered and decided in such appeal. Where the legislature intended that the scope of revision should extend to a part of the order which had not been considered and decided in an appeal and thereby does not merge is explicitly provided. When the legislature does not make such a distinction in the scheme of Section 264 of the Act the view taken by the High Court appears to us to be correct.

7. However, the learned counsel for the appellant relied on the decisions in *Navnitlal C. Javeri v. K.K. Sen*, AAC of Income-tax 56 ITR 198 : (AIR 1965 SC 1375); *Ellerman Lines Ltd. v. C.I.T.*, 82 ITR 913 : (AIR 1972 SC 524 : 1972 Tax LR 246) and *K.P. Varghese v. ITO*, 131 ITR 509 : (AIR 1981 SC 1922 : 1981 Tax LR 1448) to contend that the circular issued by the Board under Section 119 of the Act is binding on the Commissioner in terms of which he was bound to examine the revision of the appellant on merits and the order of the learned single Judge merely gives effect to such a course. Dr. Gauri Shankar learned senior advocate for the Revenue, however, pointed out by referring to several decisions of this Court to the effect that the circulars or instructions given by the Board are no doubt binding in law on the authorities under the Act but when the Supreme Court or the High Court has declared the law on the question arising for consideration it will not be open to a Court to direct that a circular should be given effect to and not the view expressed in a decision of the Supreme Court or the High Court. We find great force in this submission made by the learned senior advocate for the Revenue and find absolutely no merit in this appeal and the same stands dismissed, but in the circumstances of the case, there shall be no orders as to costs.

Appeal dismissed.