IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED : 10.06.2025

CORAM

THE HONOURABLE MR.K.R.SHRIRAM, CHIEF JUSTICE
AND
THE HONOURABLE MR.JUSTICE SUNDER MOHAN

T.C.A.No.46 of 2025
and CMP Nos.5208 and 5211 of 2025

Commissioner of Income Tax,
International Taxation,
Chennai-600034. … Appellant

Vs

M/s.Laserwords US Inc.,
C/o. SPI Techonologies India Pvt Ltd,
Gothi Industirial Estate,
RS No.415 and 416, Vazhuduvur Road,
Kurumbapet Revenue Village,
Puducherry - 605 009
[PAN: AABCL 8781F] … Respondent

Prayer: Appeal filed under Section 260A of the Income Tax Act, 1961 against the order of Income Tax Appellate Tribunal, "D" Bench, Chennai, dated 22.12.2023 passed in IT (TP) A.No.44/CHNY/2021 for the AY 2015-16.

For Appellant	:	Mr.Karthik Ranganathan Sr. Standing Counsel
For Respondent	:	Mr.N.V.Balaji

JUDGMENT

(Delivered by SUNDER MOHAN, J)

By consent, the captioned Tax Case Appeal is taken up for final hearing and disposed of at the admission stage itself.

2. Respondent/assessee aggrieved by the final assessment order passed under Section 143 (3) r/w Section 144C (13) r/w Section 254 of the Income Tax Act, 1961 [hereinafter referred to as ***'the Act'***], for the assessment year 2015-16 filed an appeal in IT (TP) A.No.44/CHNY/2021, before the Income Tax Appellate Tribunal [hereinafter referred to as ***'ITAT'***].

3. ITAT by impugned order allowed the appeal holding that the direction issued by the Dispute Resolution Panel [hereinafter referred to as ***'DRP'***] under Section 144C (5) of the Act did not contain a Document Identification Number [hereinafter referred to as ***'DIN'***] as mandated by the Central Board of Direct Taxes [hereinafter referred to as ***'CBDT'***] by its Circular No.19/2019 [F.No.225/95/2019-ITA II] dated 14.08.2019

[hereinafter referred to as ***'Circular'***]; that the subsequent communication intimating the DIN for DRP proceedings did not satisfy the conditions prescribed in paragraph No.3 of the circular; and that therefore, the directions are invalid in law and as a *sequitur,* the assessment order which was impugned before ITAT is liable to be quashed. In the instant case, the assessment order also did not contain a DIN. Aggrieved by the said order passed in common along with the challenges made by other assessees raising the same points, appellant is before us.

4. Appellant in the grounds of appeal has proposed the following substantial questions of law.

> *"1. Whether on the facts and circumstances of the case the Income Tax Appellate Tribunal is correct in holding that that department has not complied with the CBDT Circular No.19/2019 dated 14.08.2019 even when the manual order was communicated with DIN and in addition to that order was also communicated by e-portal and email with intimation letter and that also had DIN and the information of the DIN of the assessment order, all these were done within 15 days as mandated in the said Circular.*
>
> *2. Whether on the facts and circumstances of the case, the Ld. Income Tax Appellate Tribunal had failed to consider that electronic quoting of DIN is only a procedural issue and the fact that DIN is issued only to keep track of the proceedings for audit trial of the department and to ensure genuineness of the orders passed and that non-mentioning of the DIN in the DRP order electronically*

which was otherwise generated immediately and informed to the assessee is sufficient compliance of the CBDT Circular No.19/2019 dated 14.08.2019.

3. Whether the Ld. Income Tax Appellate Tribunal is right in not appreciating the fact that the impugned final assessment order had electronically generated valid DIN which order alone is challengable before the ITAT and that the directions of the DRP merged with the final assessment orders serves only as a guidance to the Assessing Officers to pass the final assessment orders."

5. Mr.Karthik Ranganathan, learned counsel for appellant/revenue, submitted that DRP proceedings had a valid DIN and was also subsequently communicated to assessee by another communication and therefore, the requirement under the circular has been complied with; and that in any case, assessee had not challenged the directions issued by DRP and therefore, the impugned assessment order ought not to have been quashed.

6. Mr. Balaji, learned counsel for respondent/assessee submitted that apart from the fact that a DIN was not generated electronically for DRP proceedings, the subsequent communication does not satisfy the requirement in paragraph No.3 of the circular, i.e., to state the reasons in the prescribed format for not generating the DIN; that in the instant case, the assessment order also does not contain a DIN; and that therefore, the

impugned order by ITAT does not call for any interference.

7. It is not in dispute that the assessment order which was challenged before ITAT was passed pursuant to the directions of DRP. The circular issued by the Director of CBDT reads as follows:

> *"CIRCULAR NO.19/2019 (F. NO.225/95/2019-ITA.II], DATED 14-8-2019*
>
> *Subject: Generation / Allotment / quoting of Document Identification Number in Notice / Order / Summons / letter / correspondence issued by the Income-tax Department – reg.*
>
> *With the launch of various e-governance Initiatives, Income tax Department is moving toward total computerization of its work. This has led to a significant improvement in delivery of services and has also brought greater transparency in the functioning of the tax-administration Presently, almost all notices and orders are being generated electronically on the Income Tax Business Application (ITBA) platform. However, it has been brought to the notice of the Central Board of Direct Taxes (the Board) that there have been some instances in which the notice. order, summons, letter and any correspondence (hereinafter referred to as "communication" were found to have been issued manually, without maintaining a proper audit trail of such communication.*
>
> *2. In order to prevent such instances and to maintain proper audit trail of all communication, the Board in exercise of power under section 119 of the income-tax Act, 1961 (hereinafter referred to as "the Act"), has decided that no communication shall be issued by any income-tax authority relating to assessment, appeals, orders, statutory or otherwise, exemptions, enquiry. investigation, verification of information, penalty, prosecution, rectification, approval etc. to the assessee*

or any other person, on or after the 1st day of October, 2019 unless a computer- generated Document Identification Number (DIN) has been allotted and is duly quoted in the body of such communication.

3. In exceptional circumstances such as,-

(i) when there are technical difficulties in generating/allotting/ quoting the DIN and issuance of communication electronically; or

(ii) when communication regarding enquiry, verification etc. is required to be issued by an income-tax authority, who is outside the office, for discharging his official duties; or

(iii) when due to delay in PAN migration. PAN is lying with non-jurisdictional Assessing Officer; or

(iv) when PAN of assessee is not available and where a proceeding under the Act (other than verification under section 131 or section 133 of the Act) is sought to be initiated; or

(v) when the functionality to issue communication is not available in the system,

the communication may be issued manually but only after recording reasons in writing in the file and with prior written approval of the Chief Commissioner/ Director General of income-tax. In cases where manual communication is required to be issued due to delay in PAN migration, the proposal seeking approval for issuance of manual communication shall include the reason for delay in PAN migration. The communication issued under aforesaid circumstances shall state the fact that the communication is issued manually without a DIN and the date of obtaining of the written approval of the Chief Commissioner/ Director General of Income-tax for issue of manual communication in the following format-

"....... This communication issues manually without a DIN on account of reason/reasons given in para3(i)/3(ii)/3(iii)/3(iv)/ 3(v) of the CBDT Circular No .... dated (strike off those which are not applicable) and with the approval of the Chief Commissioner/Director General of Income Tax vide number .... dated ...."

4. Any communication which is not in conformity with Para-2 and Para-3 above, shall be treated as invalid and shall be deemed to have never been issued.

5. The communication issued manually in the three situations specified in para 3- (i), (ii) or (iii) above shall have to be regularised within 15 working days of its issuance, by-

i. uploading the manual communication on the System.

ii. compulsorily generating the DIN on the System;

iii. communicating the DIN so generated to the assessee/any other person as per electronically generated pro-forma available on the System.

6. An intimation of issuance of manual communication for the reasons mentioned in para 3(v) shall be sent to the Principal Director General of Income-tax (Systems) within seven days from the date of its issuance.

7. Further, in all pending assessment proceedings, where notices were issued manually, prior to issuance of this Circular, the Income-tax authorities shall identify such cases and shall upload the notices in these cases on the Systems by 31th October, 2019."

8. It is well settled that circulars issued by CBDT in exercise of its powers under Section 119 of the Act are binding on the revenue. The consequences of not following the directions issued in the circular are also provided in the circular.

9. Paragraph No.4 of the circular extracted above would make it clear that any communication which is not in conformity with paragraph Nos.2 and 3 of the circular shall be treated as invalid and shall be deemed to have never been issued.

10. Paragraph No.3 of the circular provides for exceptional circumstances where the mandatory requirement may not be adhered to but requires that if an order/communication is issued without a DIN, it could be done after recording reasons in writing in the file and with prior written approval of the Chief Commissioner / Director General of Income Tax. Paragraph No.3 also states that if DIN is not generated and quoted in the body of the communication, then reasons for not generating and quoting DIN should be mentioned in a specific format set out in paragraph No.3 of the circular, which is extracted *supra.*

11. From the third question of law raised by appellant, it could be seen that their stand is that even assuming that the proceedings of DRP did not contain a valid DIN, it would not render the DRP directions invalid. It is their case, that the proceedings of the DRP is not an order of an income tax authority and therefore, the circular requiring the generation of DIN would not be applicable to DRP proceedings. This submission cannot hold water.

12. Firstly, on facts, it is the case of appellant that there was a DIN generated and it was written in hand in the proceedings of DRP and

subsequently, communicated to assessee on the same day, i.e., on 12.02.2021. Therefore, appellant concedes that DIN has to be generated for DRP proceedings.

13. Secondly, the issue is no longer *res integra*. A Division Bench of Bombay High Court in ***Ashok Commercial Enterprises v. Assistant Commissioner of Income Taxation***[1] in which one of us [the Hon'ble Chief Justice] was a member, held as follows:

> *"18 (b)...*
> *19. The object and purpose of the issuance of the 2019 Circular, as indicated hereinabove, inter alia, was to create an audit trail. Therefore, the communication relating to assessments, appeals, orders, etcetera which find mention in paragraph 2 of the 2019 Circular, albeit without DIN, can have no standing in law, having regard to the provisions of paragraph 4 of the 2019 Circular.*
>
> *(c) During the course of hearing, Mr. Suresh Kumar produced an intimation letter dated 13th October 2021 stating that the order dated 28th September 2021 under Section 153C of the Act has a DIN, which is set out therein. Even if this is held to be in compliance with paragraph 5 of the Circular, which deals with regularization of communications without DIN, this can only seek to regularize the failure to generate a DIN, but yet the requirements of paragraph 3 of the Circular will still remain contravened and consequently, the order dated 28th September 2021 ought to be treated as invalid and never issued;*
>
> *(d) The said Circular also applies to the satisfaction note dated 13th July 2021 issued by respondent no.1. The satisfaction note will fall within the scope of paragraph 2 of the Circular as a communication of the specified*

1 [2023] 154 taxmann.com 144 (Bombay)

type issued to any person. In the case of the satisfaction note no regularization dated 13th October 2021 has been issued;

(e) In view of the binding nature of Circular issued under Section 119 of the Act, and the peculiar facts and circumstances of the case, the consequences of contravention of the Circular set out above, therefore, ought to be given full effect to. The object of the said Circular is clear and laudatory and intended to ensure that proper trail of all assessment and other orders are maintained and further that any deviation therefrom can only be undertaken after prior written approval of the higher authorities under the Act. Therefore, the satisfaction note dated 13 th July 2021 and the impugned order of assessment dated 28th September 2021 ought to be treated as invalid and deemed never to have been issued;

(f) On this ground, rule ought to be made absolute in the following petitions :

A.Y. 2011-2012 - WP No.2593 of 2021
A.Y. 2012-2013 - WP No.2598 of 2021
A.Y. 2013-2014 - WP No.2847 of 2021
A.Y. 2014-2015 - WP No.2597 of 2021
A.Y. 2015-2016 - WP No.2594 of 2021
A.Y. 2016-2017 - WP No.2588 of 2021
A.Y. 2017-2018 - WP No.2595 of 2021
A.Y. 2018-2019 - WP No.2625 of 2021
A.Y. 2019-2020 - WP No.2696 of 2021"

14. Thus, even a satisfaction note according to the Division Bench would fall within the scope of paragraph No.2 of the circular and therefore, in our view, there cannot be any doubt that the directions of the DRP which consists of a collegium of three Income Tax Commissioners also would fall within the scope of paragraph No.2 of the circular.

15. Apart from the fact that DRP proceedings did not contain a valid

DIN and is invalid for the reasons stated above, we find that the assessment order also in this case does not contain a DIN. There is no explanation offered by appellant for not generating the DIN in the assessment order. Therefore, the assessment order is invalid for both the reasons and we find no merit in the above appeal. The substantial questions of law are answered accordingly.

16. As a result, the Tax Case Appeal is dismissed. There shall be no order as to costs. Consequently, interim applications stand closed.

(K.R.SHRIRAM, C.J.) (SUNDER MOHAN, J.)
10.06.2025

Index: Yes
Neutral Citation : Yes
ars

THE HON'BLE CHIEF JUSTICE
AND
SUNDER MOHAN, J.

ars

To

1. The Income Tax Appellate Tribunal,
"D" Bench, Chennai.

2. The Joint Commissioner of Income Tax (OSD) & Secretary,
Dispute Resolution Panel-2,
Bengaluru.

3. The Assistant Commissioner of Income Tax,
International Taxation Circle 1(2), Chennai.

T.C.A.No.46 of 2025

10.06.2025