IN THE INCOME TAX APPELLATE TRIBUNAL "G" BENCH, MUMBAI

BEFORE SHRI SAKTIJIT DEY, VICE PRESIDENT AND SHRI JAGADISH, ACCOUNTANT MEMBER

ITA No. 6724/Mum/2025
(Assessment Year: 2021-22)

Samsara Shipping Pvt. Ltd. 101/102, Technopolis Knowledge Park, Mahakali Caves Road, Chakala MIDC S.O., Mumbai-400 093	Vs.	Income Tax Officer Room No. 607, 6th Floor, Aayakar Bhavan, M. K. Road, Mumbai
PAN/GIR No. AAACS 9285 Q		
(Appellant)	:	**(Respondent)**

Appellant by	:	Shri Sandeep Bhalla & Shri Sagar Joshi
Respondent by	:	Shri Arun Kanti Datta

Date of Hearing	:	18.12.2025
Date of Pronouncement	:	23.12.2025

O R D E R

Per Saktijit Dey, Vice President:

This is an appeal by the assessee, against the order dated 27.08.2025 of Addl./JCIT(A), Panchkula, pertaining to the assessment year (A.Y.) 2021-22.

2. The sole grievance of the assessee in the appeal is concerning levy of interest u/s. 220(2) of the Income Tax Act, 1961 ('the Act' for short). Of course, vide letter dated 17.12.2025 the assessee has sought to raise an additional ground, challenging the validity of the order passed u/s. 154 of the Act on account of non-mentioning of document identification number (DIN). Be that as it may, we propose to deal the issue on merits.

3. Briefly stated, the assessee is a resident corporate entity. For the assessment year under dispute, the assessee filed its return of income on 14.03.2022, declaring total income of Rs.55,22,22,410/-. Though initially, the return of income was processed u/s. 143(1) of

the Act, however, subsequently, it was selected for scrutiny. In course of assessment proceeding, the Assessing Officer (A.O. for short) called for various details and after examining them ultimately, concluded the assessment vide order dated 22.12.2022 u/s. 143(3) r.w.s. 144B of the Act, determining the total income at Rs.204,90,47,769/-, after adding an amount of Rs.149,68,25,359/-. After completing the assessment as aforesaid, the A.O. issued the assessment order along with the demand notice dated 22.12.2022, in terms of section 156 of the Act, mentioning "zero" document. Thereafter, the A.O., based on objection raised by the Revenue audit party, having found that while computing the tax liability, total income was mistakenly taken at Rs.55,22,22,410/-, resulting in short levy of tax to the tune of Rs.116,75,23,779/- passed a rectification order u/s. 154 of the Act. In the income tax computation sheet attached to the order passed u/s. 154 of the Act, the A.O. computed interest u/s. 220(2) of the Act for an amount of Rs.32,54,36,620/-.

4. Being aggrieved with levy of such interest, the assessee preferred an appeal before ld. first appellate authority.

5. It was the say of the assessee before the first appellate authority that since there was no failure on the part of the assessee, in terms of section 220(1) of the Act, there cannot be any levy of interest u/s. 220(1) of the Act. The assessee further submitted that interest cannot be levied u/s. 220(2) of the Act for a period prior to the order passed levying such interest. The submissions made by the assessee, however, did not find favour with the first appellate authority. He observed, interest u/s. 220(2) of the Act is consequential and automatic. He observed, since in the original notice of demand issued u/s. 156 of the Act nil demand was shown as a result of computational error, the demand crystalized after the rectification order passed u/s. 154 of the Act would have retrospective effect from the date

of the original assessment order. Accordingly, he upheld the levy of interest u/s. 220(2) of the Act.

6. Being aggrieved, the assessee is before us. At the time of hearing, ld. Counsel appearing for the assessee primarily reiterated the submission made before the first appellate authority. Further, he relied upon the following decisions:

1. *Vodafone Mobile Service Ltd. vs. Union of India* [2013] 31 taxmann.com 213 (Del)
2. *Bharat Commerce & Industries Ltd. vs. CIT* [1994] 76 Taman 132 (Del)

7. Whereas, ld. DR relied upon the observations of first appellate authority.

8. We have carefully considered the rival submissions and perused the materials available on record. A careful perusal of the order of assessment dated 22.12.2022, passed u/s. 143(3) r.w.s. 144B of the Act indicates that while completing the assessment, the A.O. did determine the total income at Rs.204,90,47,769/-, after making upward variation to the income declared by the assessee. However, in the computation sheet forming part of the assessment order, the A.O. computed the taxable income at Rs.55,22,22,410/- and tax liability at Rs.13,89,83,336/-. After adjusting the prepaid taxes of Rs.1424,25,387/-, the A.O. even computed refund due of Rs.22,02,779/- to the assessee. In the accompanying demand notice issued u/s. 156 of the Act, the A.O. mentioned 'zero' demand. It is fairly well settled that without a valid demand notice, no demand is enforceable.

9. In the facts of the present case, admittedly, the demand notice issued u/s. 156 of the Act along with the assessment order did not show any demand payable by the assessee. Keeping in view, these primary facts, it would be prudent to examine the provisions contained u/s. 220 of the Act. Sub section (1) of section 220 of the Act provides that any

amount, other than amount payable by way of advance tax, specified in a demand issued u/s. 156 of the Act shall be paid within 30 days from the service of such notice on an assessee. However, as per the proviso to sub section (1) of section 220, the 30 days period can be curtailed with previous approval of superior authority. Sub section (2) of section 220, provides that in case the amount specified in the notice of demand issued u/s. 156 of the Act is not paid within the period specified therein, the assessee shall be liable to pay simple interest at 1% for over month or part of a month comprised in period commencing from the day immediately falling the end of the period mentioned in sub section (1) and ending on the day on which the amount is paid. Though, in the provisos to sub section (2) to section 220, certain exceptions have been provided, however, presently we are not concerned with them. Thus, on a conjoint reading of sub section (1) and (2) of section 220, the legal position which emerges is. if amount specified in the demand notice is not paid within the period specified therein, then, the A.O. is competent to levy interest u/s. 220(2) of the Act.

10. In the facts of the present appeal, admittedly, in the demand notice issued along with the assessment order, the A.O. has specified “zero” demand. Therefore, based on such demand notice, the assessee was not required to pay any amount. Long after completion of assessment and issuance of demand notice of almost two years, the A.O. suddenly realized the mistake committed in the computation part of the assessment order, that too, based on revenue audit objection and passed an order u/s. 154 of the Act on 28.11.2024, revising the demand. In the computation sheet attached to the order passed u/s. 154 of the Act, the A.O. has charged interest u/s. 220(2) of the Act for an amount of Rs.32,54,36,620/- for a period when there was no demand existing against the assessee by virtue of a valid demand notice

issued u/s. 156 of the Act. Therefore, the assessee cannot be accused of violating the conditions of section 220(1) of the Act, so as to empower the A.O. to levy interest u/s. 220(2) of the Act. Therefore, levy of interest u/s. 220(2) of the Act, in the instant case, is impermissible in terms with the statutory provisions. If the A.O. has committed a mistake in computing the tax liability of the assessee while completing the assessment, so be it. The assessee cannot be made to suffer for a mistake committed by the A.O. In the present case, admittedly, demand was created against the assessee by virtue of the rectification order passed u/s. 154 of the Act on 28.11.2024. Therefore, the demand would fall due for payment only after expiry of 30 days of the date of fresh demand notice issued u/s. 156 of the Act specifying the demand. Hence, interest u/s. 220(2) of the Act cannot be charged for a period prior to it. For coming to such conclusion, we draw support from the decision of Hon'ble Delhi High Court in the case of *Vodafone Mobile Service Ltd. vs. Union of India* (supra). In view of the aforesaid, we hold that interest levied u/s. 220(2) of the Act in the facts of the present appeal is unsustainable. The A.O. is directed to delete the same. Grounds are allowed.

11. In view our decision above, the additional ground raised by the assessee having rendered academic is kept open.

12. In the result, the appeal is allowed as indicated above.

Order pronounced in the open court on 23.12.2025

Sd/-	Sd/-
(Jagadish) Accountant Member	(Saktijit Dey) Vice President

Mumbai; Dated : 23.12.2025
Roshani, Sr. PS

Copy of the Order forwarded to :

1. The Appellant
2. The Respondent
3. The CIT(A)
4. CIT - concerned
5. DR, ITAT, Mumbai
6. Guard File

BY ORDER,

(Dy./Asstt. Registrar)
ITAT, Mumbai