

In The Income Tax Appellate Tribunal, Rajkot Bench, Rajkot

Before Dr. Arjun Lal Saini, Accountant Member

And

Dr. Dinesh Mohan Sinha, Judicial Member

आयकरअपीलसं./ITA No. 984/Rjt/2025

Assessment Year: (2010-11)

Pardes Dehydration CO HUF, Gondal National Highway Near Gundala Road Crossing, Gondal Highway Gondal Bypass, Rajkot, Gujarat, 360001	Vs.	ITO WD 1(2)(1), Rajkot IT Office, New Aayakar Bhawan, Vatiaka, Rajkot – 360001
स्थायीलेखासं./जीआइआरसं./PAN/GIR No.: AAIHP4156Q		
(Appellant)		(Respondent)

Appellant by : Shri Kalpesh Doshi, Ld. AR
Respondent by : Shri Dheeraj Kumar Gupta, Ld. CIT(DR)
Date of Hearing : 03/02/2026
Date of Pronouncement : 16/04/2026

आदेश / ORDER

Per, Dr. Dinesh Mohan Sinha, JM:

Captioned appeal filed by the assessee, pertaining to Assessment Years (AY) 2010-11, is directed against the order passed by the Learned Commissioner of Income Tax(Appeals), National Faceless Appeal Centre, Delhi [hereinafter referred to as “the Ld. CIT(A), NFAC”], dated 29.10.2025, which in turn arises out of a penalty order passed by Assessing Officer [hereinafter referred to as “the AO”] u/s 271(1)(c) of the Income Tax Act, 1961 [hereinafter referred to as “the Act”], vide order dated 08.03.2016.



2. Grounds of appeal raised by the assessee, are as follows:
- “1. That, the Ld. CIT(A) has wrongly confirmed levy of penalty of Rs.93,112/- u/s 271(1)(c) of the LT. Act, 1961.*
 - 2. That, the findings of the Ld. CIT(A) are not justified and are bad-2 in-law.*
 - 3. The appellant craves to add, amend, alter and DLEETE any of the above grounds of appeal.”*
3. Brief facts of the case is that the appellant is HUF and is engaged in the business of import and export of dehydrated vegetable fruit, food, grains and other commodities in the name of M/s Pardes Dehydration. The return of income is filed on 30/09/2010 declaring total income at Rs.11,05,035/- for AY 2010-11. The assessment u/s. 143(3) of the I.T. Act, 1961 has been completed vide assessment order dated 15/03/2013 by making an addition of Rs. 13,64,697/- and initiated penalty proceeding u/s 271(1)(c) of the Act for furnishing of inaccurate particulars of income. AO has issued a notice on dt. 26.02.2016 asking an explanation why a penalty should not be levied on the assessee. In reply the assessee submitted that no inaccurate particular of income was filed during the course of assessment proceeding and relied on the judgment of Reliance Petro Products Pvt. Ltd. SC 322 ITR 158. The assessee has levied a penalty of Rs.93,112/- by order dt. 08.03.2016.
4. That the assessee has filed an appeal before the CIT(A), which was dismissed by following observation:
- “Considering the totality of the facts and the law applicable to the case, I am satisfied that the penalty proceedings have been properly initiated and concluded, and that the clerical error in mentioning the assessment year does not vitiate the validity of the order in view of the clear provisions of section 292B of the Act. The appellant's explanation is not found to be bona fide and the findings of the Assessing Officer are based on sound reasoning supported by evidence. There is, therefore, no infirmity in the penalty order warranting any interference. Accordingly, the appeal filed by the assessee is found to be devoid of merit. In the result, the appeal is dismissed.”*



5. That the assessee filed an appeal against the impugned order dated 15.03.2013 before this Tribunal.
 - a. During the course of hearing, the Ld. AR of the assessee submitted that the appellant has claimed revenue expenses amounting to Rs.6,32,657/- as preparation of furniture, expenses on purchase of AC and LCD for the head office and the same was disallowed during the assessment proceeding. The appellant had claimed revenue expenses amounting to Rs.6,32,657/- for furniture, purchase of AC and LCD under the head office expense. That penalty u/s 271(1)(c) cannot be levied on the basis of wrong claim of expenses. There was no inaccurate particular filed by the assessee.
 - b. On the other hand, Ld. DR for the revenue has relied on the order of the Ld. CIT(A).

6. We have heard, both the parties and perused the material available on record. We note that the assessee has filed return of income declaring of Rs.11,05,035/-. The assessment was completed by make an addition of Rs.91,500/-. We note that during the course of penalty proceeding the assessee submitted that merely because of expenses were not sustainable in the assessment, it does not amount to furnishing of inaccurate particulars of income. The appellant has duly disclosed the said expenses in the books of account for the year under consideration. Moreover, the said expenses have been duly verified by the AO at the time of assessment proceedings and the same did not amount to bogus expenses. Thus the expenses were genuinely incurred by the appellant and duly reflected in return of income as well as computation of income. Alternatively, it is also stated that the penalty proceedings are different from the assessment proceedings. Thus the appellant has not furnished inaccurate particulars of income or concealed income and therefore penalty u/s 271(1)(c) shall not be levied. In this regard, reliance is placed on the decision.



7. We note that in response to show cause notice, the assessee has claimed expenses and all the details given in the return of income, there was no any inaccurate particulars of such income furnished. It was pointed out that the disallowance of claim by Assessing Authority in the assessment order under section 143(3) of the Act in the assessment proceedings could not be the sole basis for levying penalty under section 271(1)(c) of the Act. It was further submitted that making a wrong claim would not make the assessee liable under section 271(1)(c) of the Act. It was again reiterated that there was absolutely no concealment, nor were any inaccurate particular were submitted by the assessee. As against this, learned Counsel appearing on behalf of the assessee pointed out that the language section 271(1)(c) had to be strictly construed, this being a taxing. Section 271(1)(c) is as under:-

- "1. That, the learned Assessing Officer has wrongly levied penalty of Rs.93,112/- u/s 271(1)(c) of the I.T. Act, 1961.*
- 2. That the findings of the learned Assessing Officer are not justified and are bad-in-law.*
- 3. The assessee craves to add, amend, alter or delete any of the above grounds of appeals."*

8. Therefore, the conditions under section 271(1)(c) must exist before the penalty was imposed. There can be no dispute that everything would depend upon the Return filed because that is the only document, where the assessee can furnish the particulars of his income. When such particulars are found to be inaccurate, the liability would arise. To attract penalty, the details supplied in the return must be inaccurate. Where there is no finding that any details supplied by the assessee in its return are found to be incorrect or false there is no question of inviting the penalty under section 271(1)(c). A mere making of a claim, which is not sustainable in assessment proceeding will not amount to furnishing inaccurate particulars of the income of the assessee.



10. Thus in view of the facts and circumstances of the case we do not find any reason to confirm the penalty order of the A.O. u/s.271 (1)(c) and accordingly the same is quashed.
11. In the result, the appeal of the revenue is allowed.

Order is pronounced in the open Court on 16/04/2026.

Sd/-
[Dr. Arjun Lal Saini]
Accountant Member

Sd/-
[Dr. Dinesh Mohan Sinha]
Judicial Member

//True Copy//

Rajkot

दिनांक/ Date: 16/04/2026

Copy of the Order forwarded to

1. The Assessee
2. The Respondent
3. The CIT(A)
4. Pr. CIT
5. DR/AR, ITAT, Rajkot
6. Guard File

By Order

Assistant Registrar/Sr. PS/P.S.

ITAT, Rajkot.