

**IN THE INCOME TAX APPELLATE TRIBUNAL  
KOLKATA 'C' BENCH, KOLKATA**

**[Before Shri J. Sudhakar Reddy, Hon'ble Accountant Member & Shri Aby T. Varkey, Hon'ble Judicial Member]**

**I.T.A. No. 1090/Kol/2019**  
Assessment Year: 2011-12

*Asstt. Commissioner of Income Tax, Circle-33, Kolkata.....Appellant*  
**Vs.**

*Shri Bir Singh Atwal.....Respondent*  
**L/H of Shri Narinder Singh Atwal (Deceased)**  
*C/o Soumitra Choudhary, Advocate*  
**1A, Raja Subodh Mullick Square**  
**5<sup>th</sup> Floor**  
**Kolkata - 700 001**  
**[PAN: AACPA 3346 F]**

**Appearances by:**

*Shri Soumitra Choudhary, Advocate, appeared on behalf of the assessee.*  
*Shri Supriyo Pal, JCIT, Sr. D/R, appearing on behalf of the Revenue*

Date of concluding the hearing : November 4<sup>th</sup>, 2019  
Date of pronouncing the order : November 8<sup>th</sup>, 2019

**O R D E R**

**Per J. Sudhakar Reddy, AM :-**

This appeal filed by the assessee is directed against the order of the Learned Commissioner of Income Tax (Appeals) – 09, Kolkata, (hereinafter the “Id.CIT(A)”), passed u/s. 250 of the Income Tax Act, 1961 (the ‘Act’), dt. 25/02/2019, for the Assessment Year 2011-12.

2. The sole issue raised by the revenue in this appeal is against the deletion of the penalty u/s 271(1)(c) of the Act, imposed on the assessee by the Assessing Officer vide assessment order dt. 27/03/2014. The Id. D/R relied on the judgment of the Hon'ble Madras High Court in the case of *M/s. Sundaram Finance Ltd. vs. ACIT (2018) 403 ITR 407 (Mad.)*, for the proposition that when the assessee has understood the purport and import of notice, levy of penalty is held to be valid.

2.1. The Id. Counsel for the assessee submitted that the Id. CIT(A) has allowed the appeal of the assessee and deleted the penalty levied u/s 271(1)(c) of the Act, by following the judgment of the Hon'ble Karnataka High Court in the case of *CIT vs. Manjunatha Cotton & Ginning Factory 359 ITR 565* and also the order of the Kolkata Bench of the Tribunal in the case of *Jeetmal Choraria vs. ACIT in ITA No. 956/Kol/2016; Assessment Year 2010-11, order dt. 01/12/2017*. The Id. Counsel for

the assessee further placed reliance on the decision of the Kolkata 'B' Bench of the Tribunal in the case of *Amit Agarwal v. DCIT in ITA No. 1448/Kol/2018, Assessment Year 2009-10, order dt. 09/08/2019* and prayed that the order of the Id. CIT(A) be upheld.

3. We have heard rival contentions. On careful consideration of the facts and circumstances of the case, perusal of the papers on record, orders of the authorities below as well as case law cited, we hold as follows:-

4. We find that the Kolkata 'B' Bench of the Tribunal in the case of *Amit Agarwal (supra)*, under similar circumstances, has held as follows:-

*"3. We have heard the arguments of both the sides and also perused the relevant material available on record. At the time of hearing before us, the Id. Counsel for the assessee has raised a preliminary issue challenging the very initiation of the penalty proceedings by the Assessing Officer under [section 271\(1\)\(c\)](#) on the ground that in the absence of any specific mention in the show-cause notice issued under [section 274](#) of the Act as to whether the assessee is guilty of having "furnished inaccurate particulars of income" or of having "concealed particulars of such income", the initiation of penalty proceedings itself was bad in law and ITA No. 1448/KOL/2018 Assessment Year: 2009-2010 Amit Agarwal the penalty order passed in pursuance thereof is liable to be quashed being invalid. He has invited our attention to the copy of relevant penalty notice to point out that the irrelevant portion, viz. "furnished inaccurate particulars of income" or "concealed particulars of such income" was not struck off by the Assessing Officer. It is observed that the Coordinate Bench of this Tribunal in the case of *Suvaprasanna Bhattacharya -vs.- ACIT (in ITA No. 1303/KOL/2010)* cited by the Id. Counsel for the assessee had an occasion to consider a similar issue in the identical fact situation and the order passed by the Assessing Officer imposing penalty under [section 271\(1\)\(c\)](#) was held to be invalid by the Tribunal relying on the decision of the Hon'ble Karnataka High Court in the case of *CIT & Another -vs.- Manjunatha Cotton & Ginning Factory* reported in 359 ITR 565 after discussing the proposition laid down therein in great detail in paragraph no. 8 to 8.2 of its order dated 06.11.2015, which read as under:-*

*"8. The next argument that the show cause notice u/s.274 of the Act which is in a printed form does not strike out as to whether the penalty is sought to be levied on the for "furnishing inaccurate particulars of income" or "concealing particulars of such income". On this aspect we find that in the show cause notice u/s.274 of the Act the AO has not struck out the irrelevant part. It is therefore not spelt out as to whether the penalty proceedings are sought to be levied for "furnishing inaccurate particulars of income" or "concealing particulars of such income".*

*8.1 The Hon'ble Karnataka High Court in the case of [CIT & Anr. v. Manjunatha Cotton and Ginning Factory](#), 359 ITR 565 (Karn), has held that notice u/s. 274 of the Act should specifically state as to whether penalty is being proposed to be imposed for concealment of particulars of income or*

*for furnishing inaccurate particulars of income. The Hon'ble High court has further laid down that certain printed form where all the grounds given in section 271 are given would not satisfy the requirement of law. The Court has also held that initiating penalty proceedings on one limb and find the assessee guilty in another limb is bad in law. It was submitted that in the present case, the aforesaid decision will squarely apply and all the orders imposing penalty have to be held as bad in law and liable to be quashed.*

8.2 The Hon'ble Karnataka High Court in the case of [CIT & Anr. v. Manjunatha Cotton and Ginning Factory](#) (supra) has laid down the following principles to be followed in the matter of imposing penalty u/s.271(1)(c) of the Act.

"NOTICE UNDER SECTION 274

59. As the provision stands, the penalty proceedings can be initiated on various ground set out therein. If the order passed by the Authority categorically records a finding regarding the existence of any said grounds mentioned therein and then ITA No. 1448/KOL/2018 Assessment Year: 2009-2010 Amit Agarwal penalty proceedings is initiated, in the notice to be issued under Section 274, they could conveniently refer to the said order which contains the satisfaction of the authority which has passed the order. However, if the existence of the conditions could not be discerned from the said order and if it is a case of relying on deeming provision contained in Explanation-1 or in Explanation-1(B), then though penalty proceedings are in the nature of civil liability, in fact, it is penal in nature. In either event, the person who is accused of the conditions mentioned in Section 271 should be made known about the grounds on which they intend imposing penalty on him as the Section 274 makes it clear that assessee has a right to contest such proceedings and should have full opportunity to meet the case of the Department and show that the conditions stipulated in Section 271(1)(c) do not exist as such he is not liable to pay penalty. The practice of the Department sending a printed farm where all the ground mentioned in Section 271 are mentioned would not satisfy requirement of law when the consequences of the assessee not rebutting the initial presumption is serious in nature and he had to pay penalty from 100% to 300% of the tax liability. As the said provisions have to be held to be strictly construed, notice issued under Section 274 should satisfy the grounds which he has to meet specifically. Otherwise, principles of natural justice is offended if the show cause notice is vague. **On the basis of such proceedings, no penalty could be imposed on the assessee.**

60. Clause (c) deals with two specific offences, that is to say, concealing particulars of income or furnishing inaccurate particulars of income. No doubt, the facts of some cases may attract both the offences and in some cases there may be overlapping of the two offences but in such cases the initiation of the penalty proceedings also must be for both the offences. But drawing up penalty proceedings for one offence and finding the assessee guilty of another offence or finding him guilty for either the one or the other cannot be sustained in law. It is needless to point out satisfaction of the existence of the grounds mentioned in Section 271(1)(c) when it is a sine qua non for initiation or proceedings, the penalty proceedings should be

*confined only to those grounds and the said grounds have to be specifically stated so that the assessee would have the opportunity to meet those grounds. After, he places his version and tries to substantiate his claim, if at all, penalty is to be imposed, it should be imposed only on the grounds on which he is called upon to answer. It is not open to the authority, at the time of imposing penalty to impose penalty on the grounds other than what assessee was called upon to meet. Otherwise though the initiation of penalty proceedings may be valid and legal, the final order imposing penalty would offend principles of natural justice and cannot be sustained. **Thus once the proceedings are initiated on one ground, the penalty should also be imposed on the same ground. Where the basis of the initiation of penalty proceedings is not identical with the ground on which the penalty was imposed, the imposition of penalty is not valid. The validity of the order of penalty must be determined with reference to the information, facts and materials in the hands of the authority imposing the penalty at the time the order was passed and further discovery of facts subsequent to the imposition of penalty cannot validate the order of penalty which, when passed, was not sustainable.***

61. The Assessing Officer is empowered under the Act to initiate penalty proceedings once he is satisfied in the course of any proceedings that there is concealment of income or furnishing of inaccurate particulars of total income under clause (c). Concealment, furnishing inaccurate particulars of income are different. Thus the Assessing Officer while issuing notice has to come to the conclusion that whether is it a case of concealment of income or is it a case of furnishing of inaccurate particulars.

ITA No. 1448/KOL/2018 Assessment Year: 2009-2010 Amit Agarwal The Apex Court in the case of Ashok Pai reported in 292 ITR 11 at page 19 has held that concealment of income and furnishing inaccurate particulars of income carry different connotations. The Gujarat High Court in the case of MANU ENGINEERING reported in 122 ITR 306 and the Delhi High Court in the case of VIRGO MARKETING reported in 171 Taxman 156, has held that levy of penalty has to be clear as to the limb for which it is levied and the position being unclear penalty is not sustainable. Therefore, when the Assessing Officer proposes to invoke the first limb being concealment, then the notice has to be appropriately marked. Similar is the case for furnishing inaccurate particulars of income. The standard pro forma without striking of the relevant clauses will lead to an inference as to non-application of mind."

The final conclusion of the Hon'ble Court was as follows:-

"63. In the light of what is stated above, what emerges is as under:

- a) Penalty under Section 271(1)(c) is a civil liability.
- b) Mens rea is not an essential element for imposing penalty for breach of civil obligations or liabilities.
- c) Wilful concealment is not an essential ingredient for attracting civil liability.

*d) Existence of conditions stipulated in Section 271(1)(c) is a sine qua non for initiation of penalty proceedings under Section 271.*

*e) The existence of such conditions should be discernible from the Assessment Order or order of the Appellate Authority or Revisional Authority.*

*f) Even if there is no specific finding regarding the existence of the conditions mentioned in Section 271(1)(c), at least the facts set out in Explanation 1(A) & (B) it should be discernible from the said order which would by a legal fiction constitute concealment because of deeming provision.*

*g) Even if these conditions do not exist in the assessment order passed, at least, a direction to initiate proceedings under Section 271(1)(c) is a sine qua non for the Assessment Officer to initiate the proceedings because of the deeming provision contained in Section 1(B).*

*h) The said deeming provisions are not applicable to the orders passed by the Commissioner of Appeals and the Commissioner.*

*i) The imposition of penalty is not automatic.*

*j) Imposition of penalty even if the tax liability is admitted is not automatic.*

*k) Even if the assessee has not challenged the order of assessment levying tax and interest and has paid tax and interest that by itself would not be sufficient for the authorities either to initiate penalty proceedings or impose penalty, unless it is discernible from the assessment order that, it is on account of such unearthing or enquiry concluded by authorities it has resulted in payment of such tax or such tax liability came to be admitted and if not it would have escaped from tax net and as opined by the assessing officer in the assessment order.*

*l) Only when no explanation is offered or the explanation offered is found to be false or when the assessee fails to prove that the explanation offered is not bona fide, an order imposing penalty could be passed.*

*m) If the explanation offered, even though not substantiated by the assessee, but is found to be bona fide and all facts relating to the same and material to the computation of his total income have been disclosed by him, no penalty could be imposed.*

*n) The direction referred to in Explanation IB to Section 271 of the Act should be clear and without any ambiguity.*

*o) If the Assessing Officer has not recorded any satisfaction or has not issued any direction to initiate penalty proceedings, in appeal, if the appellate authority records satisfaction, then the penalty*

*proceedings have to be initiated by the appellate authority and not the Assessing Authority.*

*p) Notice under Section 274 of the Act should specifically state the grounds mentioned in Section 271(1)(c), i.e., whether it is for concealment of income or for furnishing of incorrect particulars of income*

*q) Sending printed form where all the ground mentioned in Section 271 are mentioned would not satisfy requirement of law.*

*r) The assessee should know the grounds which he has to meet specifically. Otherwise, principles of natural justice is offended. On the basis of such proceedings, no penalty could be imposed to the assessee.*

*s) Taking up of penalty proceedings on one limb and finding the assessee guilty of another limb is bad in law.*

*t) The penalty proceedings are distinct from the assessment proceedings. The proceedings for imposition of penalty though emanate from proceedings of assessment, it is independent and separate aspect of the proceedings. u) The findings recorded in the assessment proceedings in so far as "concealment of income" and "furnishing of incorrect particulars" would not operate as res judicata in the penalty proceedings. It is open to the assessee to contest the said proceedings on merits. However, the validity of the assessment or reassessment in pursuance of which penalty is levied, cannot be the subject matter of penalty proceedings.*

*The assessment or reassessment cannot be declared as invalid in the penalty proceedings."*

*(emphasis supplied)*

*It is clear from the aforesaid decision that on the facts of the present case that the show cause notice u/s. 274 of the Act is defective as it does not spell out the grounds on which the penalty is sought to be imposed. Following the decision of the Hon'ble Karnataka High Court, we hold that the orders imposing penalty in all the assessment years have to be held as invalid and consequently penalty imposed is cancelled.*

*For the reasons given above, we hold that levy of penalty in the present case cannot be sustained. We therefore cancel the orders imposing penalty on the Assessee and allow the appeal by the Assessee".*

*4. In our opinion, the decision of the Coordinate Bench of this Tribunal rendered in the case of Suvaprasanna Bhattacharya -vs.- ACIT rendered vide its order dated 06.11.2015 in ITA No. 1303/KOL/2010 by relying on the decision of the Hon'ble Karnataka High Court in the case of CIT & Another -vs.- Manjunatha Cotton & Ginning Factory reported in 359 ITR 565 is squarely applicable in the present case.*

*It is also noted that a similar view has been taken by the Hon'ble Calcutta High Court in the case of [Principal CIT -vs.- Bijoy Kr. Agarwal \(ITAT No. 272 of 2017 dated 02.04.2019\)](#), wherein the decision of the Tribunal cancelling the penalty imposed under [section 271\(1\)\(c\)](#) was upheld by the Hon'ble Jurisdictional High Court holding that the notice issued under [section 271\(1\)\(c\)](#) without specifying which of the two contraventions, the assessee is guilty of was defective and the penalty imposed in pursuance of such defective notice was not sustainable. To arrive at this conclusion, Hon'ble Calcutta High Court relied on the decision of [Amrit Foods -vs.- Commissioner of Central Excise UP](#) reported in (2005) 13 SCC 419 as well as their own decision in the case of [Principal CIT -vs. Dr. Murari Mohan Koley \(ITAT No. 306 of 2017 dated 18.07.2018\)](#). The issue raised by the assessee in this appeal thus is squarely covered by the said judicial pronouncements including the decision of the Hon'ble Jurisdictional High Court and respectfully following the same, we cancel the penalty imposed upon the assessee under [section 271\(1\)\(c\)](#) and allow the appeal of the assessee.*

5. Consistent with the view taken therein, we uphold the order of the Id. CIT(A) in deleting the penalty levied by the Assessing Officer u/s 271(1)(c) of the Act and dismiss this appeal of the revenue.

6. **In the result, appeal of the revenue is dismissed.**

***Kolkata, the 8<sup>th</sup> day of November, 2019.***

*Sd/-*  
**[Aby T. Varkey]**  
Judicial Member

Dated : 08.11.2019  
{SC SPS}

*Sd/-*  
**[J. Sudhakar Reddy]**  
Accountant Member

*Copy of the order forwarded to:*

**1. Shri Bir Singh Atwal**  
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**Kolkata - 700 001**

**2. Asstt. Commissioner of Income Tax, Circle-33, Kolkata**

3. CIT(A)-

4. CIT- ,

5. CIT(DR), Kolkata Benches, Kolkata.

True copy  
By order

Assistant Registrar  
ITAT, Kolkata Benches