



ITA No.5774Mum/2018  
M/s. Deepchand Chemicals Private Ltd.  
Assessment Year :2011-12

**आयकर अपीलीय अधिकरण “डी” न्यायपीठ मुंबई में।**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**“D” BENCH, MUMBAI**

**माननीय श्री अमरजीत सिंह, न्यायिक सदस्य एवं**  
**माननीय श्री मनोज कुमार अग्रवाल, लेखा सदस्य के समक्ष।**  
**BEFORE HON’BLE SHRI AMARJIT SINGH, JM AND**  
**HON’BLE SHRI MANOJ KUMAR AGGARWAL, AM**

आयकर अपील सं./ I.T.A. No.5774/Mum/2018

(निर्धारण वर्ष / Assessment Year: 2011-12)

<b>ACIT-Circle-6(2)(1)</b> Room No.504, 5 <sup>th</sup> Floor Aaykar Bhavan, M.K. Road Mumbai-400 020.	<b>बनाम/</b> <b>Vs.</b>	<b>M/s. Deepchand Chemicals Pvt.Ltd.</b> 11/1, Ambedkar Nagar Near Chunabhatti Station, Sion Mumbai-400 022.
स्थायी लेखा सं./जी आइ आर सं./PAN/GIR No. <b>AAACD-5403 B</b>		
(पीलार्थी/ <b>Appellant</b> )	:	(प्रत्यर्थी / <b>Respondent</b> )

<b>Assessee by</b>	:	Shri Sanjay R. Bhatt- Ld. AR
<b>Revenue by</b>	:	Ms. Jyoti Lakshmi Nayak-Ld.DR

सुनवाई की तारीख/ <b>Date of Hearing</b>	:	11/02/2020
घोषणा की तारीख / <b>Date of Pronouncement</b>	:	11/02/2020

**आदेश / ORDER**

**Manoj Kumar Aggarwal (Accountant Member)**

1. Aforesaid appeal by revenue for Assessment Year [in short referred to as ‘AY’] 2011-12 contest the order of Ld. Commissioner of Income-Tax (Appeals)-12, Mumbai, [in short referred to as ‘CIT(A)’], *Appeal No. CIT(A)-12/DCIT-6(2)(1)/C-1/17-18* dated 02/07/2018 qua deletion of penalty u/s 271(1)(c) for Rs.1.01 Lacs as levied by Ld. AO vide penalty order dated 20/03/2017.



2. The Ld. Authorized Representative for Assessee (AR), at the outset, raised a preliminary issue by submitting that the appeal is not maintainable in view of low tax effect Circular No.17/2019 dated 08/08/2019 issued by Central Board of Direct Taxes [CBDT].

3. The Ld. DR controverted the same by submitting that the quantum additions of *alleged bogus purchases* were made upon receipt of incriminating information from Sales Tax Department, which was an external agency. Since the penalty was levied against additions so made, the penalty proceedings would be covered by exception (e) of clause 10 of the circular no. 3 of 2018 as amended on 20/08/2018, which read as under: -

**10. Adverse judgments relating to the following issues should be contested on merits notwithstanding that the tax effect entailed is less than the monetary limits specified in para 3 above or there is no tax effect: -**

....

**(e) Where addition is based on information received from external sources in the nature of law enforcement agencies such as CBI / ED / DRI / SFIO / Directorate General of GST Intelligence (DGGI).**

The Ld. DR also submitted that since quantum additions were confirmed, the penalty was to be confirmed and Ld. CIT(A) erred in deleting the impugned penalty.

4. We have carefully heard rival submissions and perused relevant material on record. From the perusal of case records, it emerges that the assessee was assessed u/s 143(3) r.w.s. 147 wherein it was saddled with addition of Rs.2.95 Lacs, being non-genuine purchases stated to be made by the assessee from an entity namely M/s Neo Commercial



Corporation. The primary reason to make the addition was the fact that the assessee failed to substantiate the purchase transactions. Consequently, penalty proceedings were initiated in quantum assessment order and the assessee was saddled with impugned penalty u/s 271(1)(c) for Rs.1.01 Lacs vide penalty order dated 20/03/2017. Upon further appeal, Ld. CIT(A) deleted the penalty by relying upon the decision of this Tribunal rendered in **Earthmoving Equipment Services Corporation V/s ITO**. Aggrieved, the revenue is under further appeal before us.

5. Since the preliminary objection raised by the assessee question the very maintainability of revenue's appeal, we take up the same at the threshold. Undoubtedly, the quantum of penalty under dispute is Rs.1.01 Lacs and the same is certainly below the threshold limit of Rs.50 Lacs as provided in latest low tax effect Circular No.17/2019 dated 08/08/2019 issued by Central Board of Direct Taxes [CBDT].

6. The Ld. DR has pleaded that penalty should be construed to be covered by exception clause 10(e) since the same was levied on account of quantum additions which was based upon receipt of information from an external agency i.e. Sales Tax Department. We have considered the said submissions. It is settled legal position that quantum proceedings and penalty proceedings are independent and distinct proceedings and confirmation of additions may not be the sole ground for confirming the penalty. Extending the same logic, unless specific exception is provided in the circular with respect to penalty also, it could not be construed that the penalty was to be treated at par with quantum additions. The clause 10(e) specifically apply only to additions which are



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based on information received from external sources. The levy of penalty, by no stretch of imagination, could be construed as *addition* as envisaged by clause 10(e). Therefore, the submissions made by Ld. DR could not be honoured and we decline to accept the same.

7. Having reached such a conclusion, the appeal is liable to be dismissed in terms of latest low tax effect circular issued by CBDT. The same would obviate the need to delve into the merits of the case and accordingly, we refrain from doing so.

8. Having said so, a liberty is given to revenue to seek recall of the appeal, if at a later stage, it is found that the matter is covered by any exceptions provided in any of the circular or in case the tax effect as agitated by revenue exceeds the prescribed monetary limit.

9. Resultantly, the appeal stands dismissed.

*Order pronounced in the open court on 11<sup>th</sup> February, 2020.*

**Sd/-**

**(Amarjit Singh)**

न्यायिक सदस्य / **Judicial Member**

**Sd/-**

**(Manoj Kumar Aggarwal)**

लेखा सदस्य / **Accountant Member**

मुंबई Mumbai; दिनांक Dated : 11/02/2020  
Sr.PS, Jaisy Varghese

**आदेशकीप्रतिलिपिअग्रेषित/Copy of the Order forwarded to :**

1. अपीलार्थी/ The Appellant
2. प्रत्यर्थी/ The Respondent
3. आयकरआयुक्त(अपील) / The CIT(A)
4. आयकरआयुक्त/ CIT– concerned
5. विभागीयप्रतिनिधि, आयकरअपीलीयअधिकरण, मुंबई/ DR, ITAT, Mumbai
6. गार्डफाईल / Guard File

**आदेशानुसार/ BY ORDER,**



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**उप/सहायक पंजीकार (Dy./Asstt.Registrar)**  
**आयकरअपीलीयअधिकरण, मुंबई / ITAT, Mumbai.**