

**IN THE INCOME TAX APPELLATE TRIBUNAL DELHI**  
**[ DELHI BENCH : "DEHRADUN" NEW DELHI]**  
**BEFORE SHRI YOGESH KUMAR U.S., JUDICIAL MEMBER**  
**AND**  
**SHRI MANISH AGARWAL, ACCOUNTANT MEMBER**

**I.T.A. No. 9/DDN/2025 (A.Y 2012-13)**

**I.T.A. No. 10/DDN/2025 (A.Y 2013-14)**

**I.T.A. No. 11/DDN/2025 (A.Y 2010-11)**

Hotel President 1, Sharda Market, Haldwani Uttarakhand <b>PAN: AAAFH7837C</b>	Vs.	CIT(A)/ National Faceless Appeal Centre Delhi
<b>Appellant</b>		<b>Respondent</b>
Assessee by	Sh. Rakesh Sehgal, Adv	
Revenue by	Sh. Amar Pal Singh, Sr. DR	
Date of Hearing	09/07/2025	
Date of Pronouncement	16/07/2025	

**ORDER**

**PER YOGESH KUMAR, U.S. JM:**

The above captioned Appeals are filed by the Assessee against the orders of Ld. Commissioner of Income Tax (Appeals)/National Faceless Appeal Centre ('Ld. CIT(A)/'NFAC' for short), New Delhi dated 25/11/2024 pertaining to the Assessment Years 2012-13, and 2013-14 & 2010-11 respectively, wherein the Ld. CIT(A) confirmed the orders of penalty dated 17/03/2022 imposed by the A.O. u/s 271 (1)(c) of the Income Tax Act, 1961 ('Act' for short).


2. Brief facts of the case are that, pursuant to the assessment orders for Assessment Years 2012-13, and 2013-14 & 2010-11 passed u/s 143(3) r.w. Section 147 of the Act, penalty proceedings u/s 271(1)(c) of the Act were initiated against the Assessee and orders of penalty have been passed on 17/03/2022 for all the above three Assessment Years by imposing penalty u/s 271(1)(c) of the Act. Aggrieved by the orders of penalty, the Assessee preferred appeals before the Ld. CIT(A). The Ld. CIT(A) dismissed the Appeals of the Assessee vide orders impugned in the present Appeals.

3. The Ld. Counsel for the vehemently contended that the orders of penalty have been passed based on the defective notices issued u/s 274 read with Section 271(1)(c) of the Act, wherein the A.O. has not strike off the irrelevant limb and not specified the charge for which notice was issued. The Ld. Counsel for the Assessee relying on plethora of Judgments, submitted that the penalty orders passed based on the defective notices cannot be sustained. Thus, sought for allowing the Appeal.

4. Per contra, the Ld. DR submitted that the Ld. CIT(A) adjudicated all the grounds including issuance of alleged defective notices and came to just conclusion by dismissing the appeals. The Ld. DR relying on the orders of the Lower Authorities, submitted that no interference is required at the hands of the Tribunal.

5. We have heard the parties, perused the material on record and gave our thoughtful consideration. The assessee produced the notices issued u/s 274 read with Section 271(1)(c) of the Act, wherein the ITO has not mentioned the specific charge or limb for which the notice was issued and not strike off the irrelevant charge. For the sake of ready reference, three notices issued u/s 274 read with Section 271(1)(c) of the Act for Assessment Year 2012-13, 2013-14 and 2010-11 are reproduced as under:

*M/S Hotel President, Sharda Market, Haldwani  
PAN: AA AFH7837C, A.Y. 2012-13*



**NOTICE UNDER SEC. 274 READ WITH SECTION 271(1)(c) OF  
INCOME TAX ACT 1961**

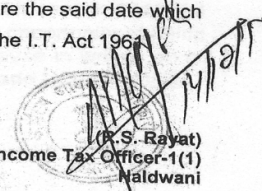
PAN: AA AFH7837C

**OFFICE OF THE  
INCOME TAX OFFICER-1(1)  
HALDWANI  
Dated: 14/12/2017**

To,  
**M/s Hotel President  
Sharda Market  
Haldwani**

Whereas in the course of proceedings before me for the A.Y. 2012-13, it appears to me that you **Have concealed the particulars of your income or furnished inaccurate particulars of such income.**

You are hereby required to appear before me at **11:30 AM on 08/01/2018** and show cause why an order imposing a penalty on you should not be made under section 271(1)(c) of the Income-tax act, 1961. If you do not wish to avail yourself of this opportunity of being heard in person or through authorised representative, you may show cause in writing on or before the said date which will be considered before any such order is made under section 271(1)(c) of the I.T. Act 1961.



**(R.S. Rayat)  
Income Tax Officer-1(1)  
Haldwani**



M/S Hotel President, Sharda Market, Haldwani  
PAN: AAAFH7837C, A.Y. 2013-14

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**NOTICE UNDER SEC. 274 READ WITH SECTION 271(1)(c) OF  
INCOME TAX ACT 1961**

PAN: AAAFH7837C

**OFFICE OF THE  
INCOME TAX OFFICER-1(1)  
HALDWANI  
Dated: 05/12/2017**

To,

**Hotel President  
Sharda Market  
Haldwani**

Whereas in the course of proceedings before me for the A.Y. 2013-14, it appears to me that you **Have concealed the particulars of your income or furnished inaccurate particulars of such income.**

You are hereby required to appear before me at **11:30 AM** on **08/01/2018** and show cause why an order imposing a penalty on you should not be made under section 271(1)(c) of the Income-tax act, 1961. If you do not wish to avail yourself of this opportunity of being heard in person or through authorised representative, you may show cause in writing on or before the said date which will be considered before any such order is made under section 271(1)(c) of the I.T. Act 1961

  
**(R.S. Rayat)  
Income Tax Officer-1(1)  
Haldwani**



M/S Hotel President, Sharda Market, Haldwani  
PAN: AAAPH7837C, A.Y. 2010-11

**NOTICE UNDER SEC. 274 READ WITH SECTION 271(1)(c) OF  
INCOME TAX ACT 1961**

PAN: AAAPH7837C

OFFICE OF THE  
INCOME TAX OFFICER-1(1)  
HALDWANI  
Dated: 30/11/2017

To,

Hotel President  
Sharda Market  
Haldwani

Whereas in the course of proceedings before me for the A.Y. 2010-11, it appears to me that you **Have concealed the particulars of your income or furnished inaccurate particulars of such income.**

You are hereby required to appear before me at **11:30 AM** on **29/12/2017** and show cause why an order imposing a penalty on you should not be made under section 271(1)(c) of the Income-tax act, 1961. If you do not wish to avail yourself of this opportunity of being heard in person or through authorised representative, you may show cause in writing on or before the said date which will be considered before any such order is made under section 271(1)(c) of the I.T. Act 1961

(R.S. Nayat)  
Income Tax Officer-1(1)  
Haldwani

6. On verifying the above notices issued u/s 274 read with Section 271 (1)(c) of the Act, it is found that the said notices are stereotype one and the AO has not specified any limb or charge for which the notices were issued i.e. either for concealment of particulars of income or furnishing of inaccurate particulars of

such income. It can be seen from the said notice, Assessing Officer did not strike off irrelevant limb in the notice specifying the charge for which notice was issued.

7. The identical issue as to whether 'the order of the penalty is sustainable which was initiated by issuing a defective notice without striking off irrelevant limb and without specifying the charge for which notice was issued?' has been decided by the Hon'ble Bombay High Court (full bench at Goa) in the case of Mr. Mohd. Farhan A. Shaikh vs. ACIT [434 ITR (1)] and the Hon'ble High Court held as under:-

*"Question No. 1: If the assessment order clearly records satisfaction for imposing penalty on one or the other, or both grounds mentioned in Section 271(l)(c), does a mere defect in the notice--not striking off the irrelevant matter--vitiating the penalty proceedings?"*

*181. It does. The primary burden lies on the Revenue. In the assessment proceedings, it forms an opinion, prima facie or otherwise, to launch penalty proceedings against the assessee. But that translates into action only through the statutory notice under section 271(l)(c), read with section 274 of IT Act. True, the assessment proceedings form the basis for the penalty proceedings, but they are not composite proceedings to draw strength from each other. Nor can each cure the other's defect. A penalty proceeding is a corollary; nevertheless, it must stand on its own. These proceedings culminate under a different statutory scheme that remains distinct from the assessment proceedings.*

*Therefore, the assessee must be informed of the grounds of the penalty proceedings only through statutory notice. An omnibus notice suffers from the vice of vagueness.*

*182. More particularly, a penal provision, even with civil consequences, must be construed strictly. And ambiguity, if any, must be resolved in the affected assessee's favour.*

*183. Therefore, we answer the first question to the effect that Goa Dourado Promotions and other cases have adopted an approach more in consonance with the statutory scheme. That means we must hold that Kaushaiya does not lay down the correct proposition of law.*

*Question No.2: Has Kaushaiya failed to discuss the aspect of 'prejudice'?*

*184. Indeed, Kaushaiya did discuss the aspect of prejudice. As we I.T.A.No.1409/Del/2016 have already noted, Kaushaiya noted that the assessment orders already contained the reasons why penalty should be initiated. So, the assessee, stresses Kaushaiya, "fully knew in detail the exact charge of the Revenue against him". For Kaushaiya, the statutory notice suffered from neither non-application of mind nor any prejudice. According to it, "the so-called ambiguous wording in the notice [has not] impaired or prejudiced the right of the assessee to a reasonable opportunity of being heard". It went onto observe that for sustaining the plea of natural justice on the ground of absence of opportunity, "it has to be established that prejudice is caused to the concerned person by the procedure followed". Kaushaiya does the discussion by observing that the notice issuing "is an administrative device for informing the assessee about the proposal to levy penalty in order to enable him to explain as to why it should not be done ",*

185. No doubt, there can exist a case where vagueness and ambiguity in the notice can demonstrate non-application of mind by the authority and/or ultimate prejudice to the right of opportunity of hearing contemplated under section 274. So asserts Kaushalya. In fact, for one assessment year, it set aside the penalty proceedings on the grounds of non-application of mind and prejudice.

186. That said, regarding the other assessment year, it reasons that the assessment order, containing the reasons or justification, avoids prejudice to the assessee. That is where, we reckon, the reasoning suffers. Kaushalya's insistence that the previous proceedings supply justification and cure the defect in penalty proceedings has not met our acceptance.

Question No. 3: What is the effect of the Supreme Court's decision in Dilip N. Shroff on the issue of non-application of mind when the irrelevant portions of the printed notices are not struck off ?

187. In Dilip N. Shroff, for the Supreme Court, it is of "some significance that in the standard Pro-forma used by the assessing officer in issuing a notice despite the fact that the same postulates that inappropriate words and paragraphs were to be deleted, but the same had not been done". Then, Dilip N. Shroff, on facts, has felt that the assessing officer himself was not sure whether he had proceeded on the basis that the assessee had concealed his income or he had furnished inaccurate particulars.

188. We may, in this context, respectfully observe that a contravention of a mandatory condition or requirement for a communication to be valid communication is fatal, with no further proof. That said, even if the notice contains no caveat that the inapplicable portion be deleted, it is in the interest of fairness and justice that the notice must be precise. It should give no room

*for I.T.A.No.1409/Del/2016 ambiguity. Therefore, Dilip N. Shroff disapproves of the routine, ritualistic practice of issuing omnibus show-cause notices. That practice certainly betrays non application of mind. And, therefore, the infraction of a mandatory procedure leading to penal consequences assumes or implies prejudice.*

189. *In Sudhir Kumar Singh, the Supreme Court has encapsulated the principles of prejudice. One of the principles is that "where procedural and/or substantive provisions of law embody the principles of natural justice, their infraction per se does not lead to invalidity of the orders passed. Here again, prejudice must be caused to the litigant, "except in the case of a mandatory provision of law which is conceived not only in individual interest but also in the public interest".*

190. *Here, section 271(l)(c) is one such provision. With calamitous, albeit commercial, consequences, the provision is mandatory and brooks no trifling with or dilution. For a further precedential prop, we may refer to Rajesh Kumar v. CIT[74], in which the Apex Court has quoted with approval its earlier judgment in State of Orissa v. Dr. Binapani Dei[ 75]. According to it, when by reason of action on the part of a statutory authority, civil or evil consequences ensue, principles of natural justice must be followed. In such an event, although no express provision is laid down on this behalf, compliance with principles of natural justice would be implicit. If a statute contravenes the principles of natural justice, it may also be held ultra vires Article 14 of the Constitution.*

191. *As a result, we hold that Dilip N. Shroff treats omnibus show cause notices as betraying non-application of mind and disapproves of the practice, to be particular, of issuing notices in printed form without deleting or striking off the inapplicable parts*

*of that generic notice. Conclusion: We have, thus, answered the reference as required by us; so we direct the Registry to place these two Tax Appeals before the Division Bench concerned for further adjudication."*

8. As could be seen from the above the Hon'ble Bombay High Court (Full Bench at Goa) in the case of Mr. Mohd. Farhan A. Shaikh v. ACIT [(2021) 434 ITR 1 (Bom)], while dealing with the issue of non-strike off of the irrelevant part in the notice issued u/s.271(l)(c) of the Act, held that assessee must be informed of the grounds of the penalty proceedings only through statutory notice and an omnibus notice suffers from the vice of vagueness.

9. Above ratio of the full bench Judgment of the Hon'ble Bombay High Court (Goa) squarely applies to the facts of the Assessee's case as the notices u/s. 274 r.w.s. 271(l)(c) of the Act were issued without striking off the irrelevant portion of the limb and failed to intimate the assessee regarding the relevant limb and charge for which the notices were issued.

10. Thus, by following the above ratio, we are of the opinion that, the penalty orders passed u/s 271(1)(c) of the Act by the Assessing Officer and the orders of the CIT(A) in confirming the penalty orders are erroneous. Accordingly, the penalty orders dated 17/03/2022 passed by the A.O for Assessment Years 2012-13, 2013-14 and 2010-11 are hereby quashed by allowing the Grounds of Appeal of the Assessee.

11. In the result, Appeals filed by the Assessees are allowed.

**Order pronounced in the open court on 16<sup>th</sup> July, 2025**

**Sd/-**

**Sd/-**

**(MANISH AGARWAL)  
ACCOUNTANT MEMBER**

**(YOGESH KUMAR U.S.)  
JUDICIAL MEMBER**

Date:- 16.07.2025  
R.N, Sr.P.S\*

**Copy forwarded to:**

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

**ASSISTANT REGISTRAR  
ITAT, NEW DELHI**

