

**IN THE INCOME TAX APPELLATE TRIBUNAL DELHI  
(DELHI BENCH 'C' NEW DELHI)  
BEFORE SHRI S. RIFAUR RAHMAN, ACCOUNTANT MEMBER  
AND  
SHRI YOGESH KUMAR U.S., JUDICIAL MEMBER**

**ITA No. 718/Del/2025 (A.Y. 2023-24)**

Indiabulls Securities Limited (earlier known as Dhani Stocks Limited) 1/1E, First Floor, East Patel Nagar, Delhi <b>PAN: AABC12081F</b>	Vs	Deputy Commissioner of Income Tax, Circle 7 (1), Delhi
<b>Appellant</b>		<b>Respondent</b>
Assessee by	Sh. Tapas Mishra, Adv	
Revenue by	Sh. Om Prakash, Sr. DR	
Date of Hearing	16/09/2025	
Date of Pronouncement	24/10/2025	

**ORDER**

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

The present appeal is filed by the Assessee against the order of the Commissioner of Income Tax, Appeal, ADDL/JCIT-1, Nashik (Ld. CIT(A) for short) order dated 17/12/2024 for Assessment Year 2023-24.

2. Brief facts of the case are that, an order u/s 143(1) of the Income Tax Act, 1961 ('Act' for short) came to be passed on 22/12/2023 by CPC, Bengaluru for Assessment Year 2023-24, wherein disallowed the penalty of Rs. 1,22,72,051/- levied by the stock exchange on account of short fall in margin money. Aggrieved by the order dated 22/12/2023 passed by the CPC, Bengaluru, Assessee preferred an Appeal before the Ld. CIT(A).

The Ld. CIT(A) vide order dated 17/12/2024, dismissed the Appeal filed by the Assessee. As against the order of the Ld. CIT(A) dated 17/12/2024, the Assessee preferred the present Appeal.

3. The Ld. counsel for the Assessee submitted that the Ld. CIT(A) committed error in confirming the disallowance of Rs. 1,22,72,051/- made by the CPC, u/s 143(1) of the Act, ignoring the settled position of law that amount paid to stock exchange for short fall in margin money cannot be disallowed u/s 37 of the Act. The Ld. Counsel for the Assessee relied on plethora of judicial precedents in support of his submission and sought for allowing the Appeal.

4. Per contra, the Ld. Department's Representative submitted that the CPC, Bengaluru has rightly disallowed the penalty imposed by the stock exchange which being a 'penalty' which is breach of provisions of Section 37(1) of the Act, therefore, the Ld. CIT(A) rightly dismissed the Appeal of the Assessee, which requires no interference at the hands of the Tribunal. Thus, sought for dismissal of the Appeal of the Assessee.

5. We have heard both the parties and perused the material available on record. The solitary issue to be considered in the present Appeal is to whether penalty levied by stock exchange on account of short fall in margin money is an allowable expenditure or not. The said issue has

been considered by the Hon'ble High Court of Delhi in the case of the Commissioner of Income Tax-4 Vs. M/s. The Stock and Bond Trading Company in Income Tax Appeal Nos. 4117/2010, vide order dated 14/10/2021, wherein while dismissing the Appeal of the Revenue, the Hon'ble High Court held as under:-

*“B Whether on the facts and in the circumstances of the case and in law the Tribunal was justified in deleting the additions made by the Assessing Officer under proviso to section 37(1) of the Income Tax Act, 1961 being penalty imposed by the National Stock Exchange on the Assessee?”*

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*3. As regards the second question is concerned, the finding of fact recorded by the CIT (A) and upheld by the ITAT is that the payments made by the Assessee to the Stock Exchange for violation of their regulation are not an account of an offence or which is prohibited by law. Hence, the invocation of explanation to section 37 of the Income Tax Act, 1961 is not justified. In our opinion, in the facts and circumstances of the present case, no fault can be found with the decision of the ITAT. Accordingly, the second question cannot be entertained.”*

6. By respectfully following the Judgment of the Bombay High Court in the case of M/s. The Stock and Bond Trading Company (supra), we are of the opinion that the sum paid by the Assessee to the Stock Exchange on account of margin money cannot be disallowed u/s 37 of the Act, thus we hold that the Ld. CIT(A) has committed error in sustaining the disallowance made by the CPC, Bengaluru, accordingly, we set aside the order impugned by allowing the Ground No. 1 to 3 of the Assessee.

7. In the result, Appeal of the Assessee is allowed.

**Order pronounced in the open court on 24<sup>th</sup> October, 2025**

**Sd/-**

**(S. RIFAUR RAHMAN)  
ACCOUNTANT MEMBER**

Date:- 24 .10.2025  
R.N, Sr.P.S\*

Copy forwarded to:

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

**Sd/-**

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

ASSISTANT REGISTRAR  
ITAT, NEW DELHI