

**IN THE INCOME TAX APPELLATE TRIBUNAL BENCH-RANCHI**  
**VIRTUAL HEARING AT KOLKATA**

**Before Shri Sonjoy Sarma, Judicial Member  
and Shri Ratnesh Nandan Sahay, Accountant Member**

**I.T.A. No.467/Ran/2024**

Assessment Year: 2014-15

**Misrilall Jain & Sons.....Appellant**

M. D. House, Chaibasa

Singhbhum West,

Jharkhand – 833201.

[PAN: AABFM2851Q]

vs.

**ACIT, CC-1, Ranchi.....Respondent**

**Appearances by:**

Shri Devesh Poddar, Adv., appeared on behalf of the appellant.

Shri Kanhaiya Lal Kanak, DR, appeared on behalf of the Respondent.

Date of concluding the hearing : December 18, 2025

Date of pronouncing the order : January 20, 2026

**ORDER**

**Per Sonjoy Sarma, Judicial Member:**

This appeal filed by the assessee is directed against the order of the CIT(A)-3, Patna (hereinafter referred to as “CIT(A)”) dated 09.10.2024 passed under Section 250 of the Income-tax Act, 1961 (hereinafter referred to as the “Act”).

2. Brief facts of the case are that the assessee is engaged in the business of mining, transportation and trading of iron ore. For the assessment year under consideration, the assessee did not file its return of income under section 139 of the Act. On the basis of information available with the Department, it was noticed that the assessee had earned interest income of ₹5,32,92,790 from fixed deposits, which was taxable. Accordingly, proceedings under section 147 were initiated and notice under section 148 was issued. It was further noticed that during the relevant previous year, the assessee was also engaged in purchase

and sale of iron ore and had recorded sales turnover of ₹5,74,90,403. During the reassessment proceedings, the assessee remained largely non-compliant, and therefore, the Assessing Officer was left with no alternative but to complete the assessment ex parte under section 144 read with section 147 of the Act. The Assessing Officer determined the total income of the assessee at ₹7,34,14,430, making the following addition of ₹5,32,92,790 on account of interest income, treated as income from other sources and ₹2,01,21,641 on account of estimated profit from iron ore trading by applying a net profit rate of 35% on the turnover of ₹5,74,90,403.

3. Aggrieved, the assessee preferred an appeal before the Ld. CIT(A), who confirmed the additions made by the Assessing Officer. Hence, the assessee is in appeal before the Tribunal. The Ld. Counsel for the assessee submitted that although no return of income under section 139 was filed due to internal managerial disputes arising from the death of a key managerial person, the assessee had responded to the notice under section 148 of the Act by filing draft profit & loss account and computation of income. It was submitted that the interest income of ₹5,32,92,790 was earned on fixed deposits kept as security with Government authorities, including Forest Department, Pollution Control Board and other mining-related agencies, for obtaining and renewing mining contracts and permissions. No fresh fixed deposits were created during the year under consideration; the deposits were old and integrally connected with the business activities of the assessee. In earlier assessment years, identical interest income had consistently been treated as business income and accepted by the Department in assessments completed under section 143(3) of the Act, particularly for AYs 2008-09, 2010-11 and 2012-13. Copies of fixed deposit receipts,

bank guarantees, audited financial statements and assessment orders were placed on record to substantiate the claim. He further stated that the Assessing Officer, while rejecting the assessee's explanation, has selectively relied upon figures taken from the draft profit & loss account to compute taxable income, which is arbitrary and contradictory in nature. It was further submitted that the addition of ₹2,01,21,641 by estimating net profit at 35% was without any basis. The assessee had disclosed a net profit of 45% on total receipts of ₹11,07,75,743, comprising interest income and trading turnover. Alternatively, it was submitted that even if interest income were to be treated as income from other sources, the business results showed a loss of ₹32,36,006, which was eligible for set-off against such interest income, resulting in no loss to the Revenue. The Id. AR further made the following written submissions:

*“That it is not in dispute that no return U/s 139 was filed by the assessee firm due to internal managerial dispute, however when we intended to file the ITR in response to notice U/s 148, the same was not accepted by the Ld AO. The draft P&L A/c account and computation of income as submitted before Ld AO during assessment proceedings is attached herewith at Page 05 – 07. Though the Ld AO did not accept our ITR or disclosed income, however has conveniently taken the figures of interest income and turnover from the draft profit & loss account to compute the taxable income.*

*That the assessee firm was engaged in the business of mining Iron Ore and its transportation & trading. Due to the death of the key managerial person and dispute thereafter, ITR for the year could not be filed. Subsequently proceedings U/s 148 was initiated and the order of assessment was passed making the disputed addition which stands confirmed by Ld CIT(A) ignoring the facts & documents on record.*

*That with respect to the addition of Rs. 5,32,92,790/- being FD interest income, we would like to submit that the same in regular course is computed as business income of the assessee, however the Ld AO during the year has considered the same as income from other sources to be taxed at the normal slab rate without any deductions.*

*That the interest earned is towards the FD's of the assessee which are in mortgaged/ lien with the government over the mining lease deeds allotted to the assessee firm over the years. NO fresh FD was created during the year on which interest income was earned. These FD's are used by assessee for its business purpose completely and over the years we have been showing the interest income as business income in P&L A/c which has always been accepted. The FD are used as form of security given to various government mining body (forest department, pollution board, etc) against the contract work or permissions accorded by them and are renewed accordingly as and when needed. We are attaching herewith certain copies of FD/ bank guarantee at Page 08 – 20 to justify our claim that the same is used as a lien for our business purpose.*

*That as stated earlier, over the years the interest earned from these fixed deposits have been shown as business income and that the same has always been accepted by the revenue department in regular assessment proceedings. We are attaching herewith our audited P&L A/c for AY 2012-13 at Page 21 – 22 along with assessment order dated 28/02/2015 passed U/s 143(3) at Page 23 – 29 to show that in past, the FD interest income shown as business income has been accepted.*

*Similarly the audited accounts for AY 2008-09 & 2010-11 is attached at Page 30 – 33 and their respective assessment order U/s 143(3) at Page 34 – 44 to exhibit that the revenue department over the years has been accepting the FD interest income as business income of the assessee and that the same has never been in dispute. As such, Ld AO was not justified in considering the entire interest amount as income of the assessee.*

*That we place reliance on the decision of ITAT Ahmadabad Bench in the case **DCIT Vs Niyati Construction Co dated 25/10/2021** wherein it was held:-*

*The assessee has claimed that interest on Fixed Deposit, interest on SSNL Fixed Deposit and interest on SSNL Bonds was made out of surplus funds available with the assessee and the interest income was part of the business income. Therefore, the same was correctly included for calculating remuneration of the partners. The assessee has also placed a copy of decision of the Jurisdictional High Court in the case of CIT vs. J.J. Industries (Supra) wherein it is held that interest from Fixed Deposit on spare funds cannot be excluded from book profit for the purpose of determining allowable deduction of remuneration paid to partners. After taking in to consideration the decision of Hon'ble Jurisdictional High Court we do not find any error in the decision of the Ld. CIT(A), therefore, this ground of appeal of the Revenue is also dismissed.*

*That furthermore reliance is also placed upon the decision of coordinated Bench of this Tribunal in case of **M/s DCIT Vs Abhoy Enterprises dated 25/06/2018 and 16/09/2016** wherein on similar fact, it has been upheld that such interest income which is accrued/ earned from FD's which are in lien with the government for*

*business purposes shall constitute as business income and not as income from other sources. A copy of the said order is attached herewith at Page 45 – 51.*

*That lastly, though principle of res-judicata does not apply to the Tax proceedings yet, one cannot leave aside the “Principle of Consistency”, which requires that when the facts & circumstances continue to remain the same, then there should not be any variation in the treatment from earlier year.*

*The Hon’ble Supreme Court has held in several cases including **M.M. Ipoh & Ors. vs. CIT (1968) 67 ITR 106 (SC)** that : The doctrine of res judicata does not apply so as to make a decision on a question of fact or law in a proceeding for assessment in one year binding in another year. At the same time, it is equally true that the principle of consistency has also been advocated by several Hon’ble courts including the Hon’ble Supreme Court in **Radhasoami Satsang vs. CIT (1992) 193 ITR 321 (SC)** and the Hon’ble Bombay High Court in **CIT vs. Arthur Andersen & Co. (2009) 318 ITR 229 (Bom)** by holding that the decision made in earlier years is binding in subsequent years and should be followed. From the above decisions, it follows that a delicate balance needs to be maintained between the principle of consistency depending upon the facts and the governing legal position prevailing in each case.*

*That as such, relying upon the above facts, documents and judicial findings, we submit that the AO was not justified in making the addition of Rs. 5,32,85,340/- being fixed deposit interest income as income from other sources. The interest income being regularly disclosed and assessed as business income should be accepted and no different view is called for. As such, the addition made is fit to be deleted.*

*That with respect to the addition of Rs. 2,01,21,641/-, we would like to submit that the ld. AO made this addition by estimating a profit of 35% on a total turnover of Rs. 5,74,90,403/- which was disclosed by the assessee in its draft P&L A/c and computation submitted in response to notice U/s 148 copy of which is attached herewith at Page 05 – 07.*

*We would like to submit that as per the draft profit & loss account on basis of which we were inclined and are still ready (if permitted) to declare income, our total income was Rs. 5,00,49,334/- being roughly 45% of the total turnover of Rs. 11,07,75,743/- comprising of Rs.5,32,85,340/- as interest income and Rs. 5,74,90,403/- as income from sale of Iron Ore.*

*That in an alternate plea, we would also like to submit that if income from fixed deposit is considered separately as income from other sources, then against our total income from sale of iron ore for Rs. 5,74,90,403/- and closing stock of Rs. 1,62,97,196, we have claimed expenses of Rs. 7,70,23,605/- including an opening stock of Rs. 4,62,18,959/- ( value of which cannot be disputed) meaning thereby a business loss of Rs. 32,36,006/- has been incurred and that this loss incurred would be set off from interest income i.e. income from other sources and thus ultimately there would be no loss to the revenue. A draft computation for the same is attached at Page 52 – 54. Lastly, we would like to submit that there was no basis*

*for the Ld AO to have estimated the profit @35% since the value of opening stock cannot be altered and that income cannot surpass the same. As such, in any view of the case, addition made for Rs. 2,01,21,641/- by estimating profit is arbitrary and fit to be deleted.”*

4. The Ld. DR relied upon the orders of the authorities below and submitted that since the assessee failed to file its return of income and remained non-compliant during the assessment proceedings, the Assessing Officer was justified in completing the assessment under section 144 of the Act and in making the impugned additions.

5. We have heard the rival submissions and perused the material available on record. It is an undisputed fact that the interest income in question arose from fixed deposits maintained as security with Government departments in connection with the assessee's mining business. The records placed before us show that in earlier assessment years particularly for AYs 2008-09, 2010-11 and 2012-13, on identical facts, the Department has consistently accepted such interest income as business income in assessments completed under section 143(3) of the Act. Though the principle of res judicata does not strictly apply to income-tax proceedings, the principle of consistency, as laid down by the Hon'ble Supreme Court in Radhasoami Satsang v. CIT (supra), requires that where facts and circumstances remain unchanged, a different view should not ordinarily be taken. In view of the above, we hold that the interest income of ₹5,32,92,790 cannot be treated as income from other sources and must be assessed as business income. Once the interest income is treated as business income, it becomes evident that the assessee has disclosed a net profit of 45%, which is higher than the 35% estimated by the Assessing Officer. Therefore, the addition of ₹2,01,21,641 made by estimating profit at 35% on trading turnover alone is arbitrary and unsustainable in law. Therefore, the addition of

₹5,32,92,790 made by treating interest income as income from other sources is deleted and directed to be assessed as business income.

6. Further the addition of ₹2,01,21,641 made on account of estimated profit is deleted and the assessee's disclosed total income of ₹5,00,49,334, being 45% of the aggregate turnover of ₹11,07,75,743, which included interest income of ₹5,32,85,340 and trading receipts from sale of iron ore amounting to ₹5,74,90,403 is accepted.

7. In the result the appeal filed by the assessee is allowed.

***Kolkata, the 20<sup>th</sup> January, 2026.***

Sd/-  
**[Ratnesh Nandan Sahay]**  
**Accountant Member**

Sd/-  
**[Sonjoy Sarma]**  
**Judicial Member**

Dated: 20.01.2026.

RS

*Copy of the order forwarded to:*

1. Appellant
2. Respondent
3. CIT(A)-
4. CIT- ,
5. CIT(DR),

//True copy//

By order

Assistant Registrar, Kolkata Benches