आयकर अपीलीय अधिकरण, हैदराबाद पीठ

IN THE INCOME TAX APPELLATE TRIBUNAL

Hyderabad 'A' Bench, Hyderabad

श्री विजय पाल राव, उपाध्यक्ष एवं श्री मधुसूदन सावडिया, लेखा सदस्य के समक्ष ।

BEFORE SHRI VIJAY PAL RAO, VICE PRESIDENT

AND

SHRI MADHUSUDAN SAWDIA, ACCOUNTANT MEMBER

आ.अपी.सं /**ITA No.1164/Hyd/2025**

(निर्धारण वर्ष/Assessment Year: 2016-17)

Srimad Virat Pottuluri Veera Brahmendra Swamula Vari Mattam, Kadapa. **PAN: AAGTS2599Q**	Vs.	Income Tax Officer Exemption Ward, Tirupati.
(Appellant)		(Respondent)

आ.अपी.सं /**ITA No.2287/Hyd/2025**

(निर्धारण वर्ष/Assessment Year: 2016-17)

Srimad Virat Pottuluri Veera Brahmendra Swamula Vari Mattam, Kadapa. **PAN: AAGTS2599Q**	Vs.	Income Tax Officer, Exemption Ward, Chittoor, Tirupati.
(Appellant)		(Respondent)

निर्धारिती द्वारा/Assessee by:	Shri Ravindra Chenji, Advocate (Through Hybrid mode)
राजस्व द्वारा/Revenue by::	Ms. Payal Gupta, Sr.AR
सुनवाई की तारीख/Date of hearing:	09/02/2026
घोषणा की तारीख/Pronouncement:	13/02/2026

<u>आदेश/ORDER</u>

Per Madhusudan Sawdia, A.M.:

The captioned appeals are filed by Srimad Virat Pottuluri Veera Brahmendra Swamula Vari Mattam ("the assessee"), feeling aggrieved by the

separate orders passed by the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi ("Ld. CIT(A)") dated 21/08/2023 and 21/10/2025 respectively for the A.Y.2016-17.

ITA No.1164/Hyd/2024:

2. At the outset, it is noticed that there is a delay of 632 days in filing the present appeal before this Tribunal. In this regard, the assessee has filed a petition seeking condonation of delay along with an affidavit explaining the reasons for such delay. The explanation put forth by the assessee is that the founder ("Mattam") of the Trust expired on 08.05.2021, and after his demise, disputes arose among the members of the Trust regarding taking over the charge of management. It is further stated that in the meanwhile the manager of the Trust was also admitted to hospital in the year 2023. It is claimed that, thereafter, the management of the Trust was taken over by the Endowment Authority of the Government of Andhra Pradesh, and considerable time was taken by the Endowment officials to take charge of the affairs of the Trust. It is stated that while filing the income tax return of the assessee, the Endowment Authority came to know that the appeal was required to be filed for the year under consideration before the Tribunal, immediate steps were taken to file the said appeal. Therefore, according to the assessee, the delay occurred due to reasonable cause and without any intention to delay the filing of the appeal. The Learned Authorised Representative ("Ld. AR") also placed reliance on a paper notification dated 25.09.2025, whereby a meeting of the Trust was called by the

Endowment Authority for appointment of a new Mattam of the Trust. Accordingly, the Ld. AR submitted that there was reasonable cause for the delay in filing of the appeal before the Tribunal and therefore, prayed for the condonation of the delay and admission of the appeal for adjudication on merits.

3. Per contra, the Learned Departmental Representative ("Ld. DR") strongly objected to the condonation of delay. She submitted that the founder of the Trust admittedly expired on 08.05.2021, whereas the order of the Ld. CIT(A) was passed on 21.08.2023, i.e., almost two years after the demise of the founder. According to her, it is wholly unacceptable to contend that the Trust remained completely non-functional during this entire period. She further pointed out that the appeal before this Tribunal was filed only on 16.07.2025, which is almost two years after the order of the Ld. CIT(A). It was contended that even after the Endowment Authority had taken over the charge of the Trust, no satisfactory explanation has been furnished as to why the appeal could not be filed within the prescribed time. The Ld. DR submitted that the conduct of the assessee reflects gross negligence and a casual approach, and no sufficient or reasonable cause has been shown for such inordinate delay of 632 days. Accordingly, she prayed that the condonation petition be rejected and the appeal be dismissed as barred by limitation. The Ld. DR in support of their submission relied on the decisions of the Hon'ble Supreme Court in the case of University of Delhi Vs. UOI, Civil Appeal Nos. 9488-9489 of 2019 dated 17/12/2019, in the case of Ramlal, Motilal And Chhotelal Vs. Rewa Coalfields

Ltd, AIR 1962 (SC) 361 and the judgment of the Hon'ble Punjab & Haryana High Court in the case of CIT Vs. Ram Mohan Kabra, 178 CTR 274.

4. We have carefully considered the rival submissions and perused the material placed on record including the case laws relied upon. It is a settled legal position that while the expression "sufficient cause" appearing in section 253(5) of the Income Tax Act, 1961 ("the Act") is to be construed liberally, such liberal approach cannot be extended to cases where the delay is the result of inaction, negligence, or lack of bona fides on the part of the litigant. In the present case, the explanation furnished by the assessee does not inspire confidence. The demise of the founder of the Trust on 08.05.2021 cannot, by itself, justify the delay in filing the appeal against the order of the Ld. CIT(A) dated 21.08.2023. The assessee has only relied on the copy of the affidavit and has failed to place any cogent material on record to demonstrate that the Trust was completely incapacitated from pursuing its legal remedies during the relevant period. Even assuming that there were internal disputes and that the Endowment Authority had taken over the management, no satisfactory explanation has been offered as to why the appeal could not be filed for nearly two years after the appellate order. The affidavit filed is vague and does not explain the delay on a day-to-day basis, which is a well-recognized requirement in cases of inordinate delay. In this regard we have gone through para no. 15 of the order of Hon'ble Supremer Court in the case of Basawaraj & Anr. v. Special Land Acquisition Officer (2013) 14 SCC 81, which is to the following effect:

> *"15. The law on the issue can be summarised to the effect that where a case has been presented in the court beyond limitation, the applicant has to explain the court as to what was the "sufficient cause" which means an adequate and enough reason which prevented him to approach the court within limitation. In case a party is found to be negligent, or for want of bonafide on his part in the facts and circumstances of the case, or found to have not acted diligently or remained inactive, there cannot be a justified ground to condone the delay. No court could be justified in condoning such an inordinate delay by imposing any condition whatsoever. The application is to be decided only within the parameters laid down by this court in regard to the condonation of delay. In case there was no sufficient cause to prevent a litigant to approach the court on time condoning the delay without any justification, putting any condition whatsoever, amounts to passing an order in violation of the statutory provisions and it tantamount to showing utter disregard to the legislature."*

5. On perusal of above, it is evident that the Hon'ble Supreme Court has categorically held that "sufficient cause" means a cause beyond the control of the party, and where delay is attributable to negligence or inaction, condonation cannot be granted as a matter of right. Further, the Hon'ble Supreme Court in the case of P.K. Ramachandran v. State of Kerala (1997) 7 SCC 556 has held that law of limitation has to be applied with all its rigour, and courts have no power to extend the period of limitation on equitable grounds.

6. In view of the above judicial principles and considering the facts of the present case, we are of the considered opinion that the assessee has failed to demonstrate any reasonable or sufficient cause for the inordinate delay of 632 days in filing the appeal. The explanation furnished reflects negligence and lack of due diligence rather than circumstances beyond the control of the assessee. Accordingly, the petition seeking condonation of delay is rejected, and

consequently, the appeal filed by the assessee is dismissed as barred by limitation.

7. In the result, the appeal of the assessee in ITA No. 1164/Hyd/2025 is dismissed on account of limitation.

ITA No.2287/Hyd/2025:

8. The brief facts of the case in the present appeal are that the assessee is a religious trust, which filed its return of income for the Assessment Year ("A.Y.") 2016–17 on 16.10.2016, declaring Nil income. The case of the assessee was selected for scrutiny, and accordingly, notice under section 143(2) of the Act was issued by the Learned Assessing Officer ("Ld.AO") to the assessee on 06.07.2017. After considering the submissions made by the assessee, the Ld. AO completed the assessment under section 143(3) of the Act on 18.12.2018, determining the total income of the assessee at Rs.77,45,857/-. Against the said assessment, the Ld. AO initiated penalty proceedings under section 271(1)(c) of the Act. During the course of penalty proceedings, the assessee did not comply with the notices issued by the Ld. AO. Accordingly, the Ld. AO completed the penalty proceedings under section 271(1)(c) of the Act and passed a penalty order dated 22.03.2025, levying penalty of Rs.23,93,470/- on the assessee.

9. Aggrieved with the penalty order of the Ld. AO, the assessee preferred an appeal before the Ld. CIT(A). However, the assessee did not respond even

before the first appellate authority, and consequently, the Ld. CIT(A) dismissed the appeal and confirmed the penalty levied by the Ld. AO.

10. Aggrieved with the order of the Ld. CIT(A), the assessee is now in appeal before this Tribunal. We have heard the submissions of both the parties and perused the material available on record. On careful examination of the assessment order dated 18.12.2018, we find that no satisfaction whatsoever has been recorded by the Ld. AO regarding concealment of income or furnishing of inaccurate particulars of income, as required under section 271(1)(c) of the Act. We further observe that the Ld. AO has also not recorded any direction or deemed satisfaction in terms of section 271(1B) of the Act for initiation of penalty proceedings. The assessment order is completely silent on the issue of penalty initiation, except for a mechanical initiation of penalty proceedings without specifying the charge or recording satisfaction. It is a settled position of law that recording of satisfaction in the course of assessment proceedings is a sine qua non for valid initiation of penalty proceedings under section 271(1)(c) of the Act. In the absence of such satisfaction, the initiation itself becomes without jurisdiction and invalid in the eyes of law. In this regard, we have gone through para nos. 7 to 13 of the order of the Hon'ble Delhi High Court in the case of CIT Vs. Ram Commercial Enterprises Ltd., 246 ITR 568 which is to the following effect:

> *"7. The learned senior counsel for the assessee has submitted that the satisfaction as to the assessee having concealed the particulars of his income or furnished inaccurate particulars of such income is to be arrived at by the Assessing Officer during the*

course of any proceedings under the Act, which would mean the assessment proceedings, without which, the very jurisdiction to initiate the penalty proceedings is not conferred on the assessing authority by reference to clause (c) of sub-section (1) of section 271 of the Act. Reliance has been placed on the Supreme Court decision in D.M. Manasvi v. CIT /1972] 86 ITR 557, wherein their Lordships have reiterated the view of the law taken in CIT v. S.V.Angidi Chettiar (1962) 44 ITR 739, 745, stated in the following terms :

" The power to impose penalty under section 28 depends upon the satisfaction of the Income-tax Officer in the course of proceedings under the Act; it cannot be exercised if he is not satisfied about the existence of conditions specified in clause (a), (b) or (c) before the proceedings are concluded. The proceeding to levy penalty has, however, not to be commenced by the Income-tax Officer before the completion of the assessment proceedings by the Income-tax Officer. Satisfaction before conclusion of the proceeding under the Act, and not the issue of a notice or initiation of any step for imposing penalty, is a condition for the exercise of the jurisdiction. " (p. 562).

8. The learned counsel further pointed out by reading the appellate order of the Tribunal that the findings of fact arrived at by any of the authorities below were not a subject-matter of challenge before the Tribunal; what was contended before and what actually prevailed with the Tribunal is the absence of any finding recorded by the assessing authority in the order of assessment conferring jurisdiction for initiation of penalty proceedings. The Supreme Court judgment in D.M. Manasvi's case (supra) was relied on by the Tribunal while setting aside the penalty.

9. The learned counsel also carried the court through the order of assessment dated 17-2-1988 to demonstrate that the requisite satisfaction is not to be found arrived at in the order of the assessment.

10. The learned senior standing counsel for the revenue, on the other hand, submitted that all the facts available on record and as pointed out by him coupled with the fact that by the assessment order itself the assessing authority has chosen to initiate proceedings under section 271(1)(c) leads to an inference that the requisite satisfaction was arrived at by the assessing authority. Therefore, the initiation of penalty proceedings cannot be found fault with and, hence, a question of law does arise.

11. Having heard the learned counsels for the parties and having given our anxious consideration to the material available on the

record, in the light of the law laid down by their Lordships of the Supreme Court, we are of the opinion that no fault can be found with the judgment of the Tribunal and, therefore, the question suggested by the revenue does not arise as a question of law from the order of the Tribunal. The law is clear and explicit. Merely because this Court while hearing this application may be inclined to form an opinion that the material available on record could have enabled the initiation of penalty proceedings that cannot be a substitute for the requisite finding which should have been recorded by the assessing authority in the order of assessment but has not been so recorded.

12. A bare reading of the provisions of section 271 and the law laid down by the Supreme Court makes it clear that it is the assessing authority which has to form its own opinion and record its satisfaction before initiating the penalty proceedings. Merely because the penalty proceedings have been initiated, it cannot be assumed that such a satisfaction was arrived at in the absence of the same being spelt out by the order of the assessing authority. Even at the risk of repetition we would like to state that the assessment order does not record the satisfaction as warranted by section 271 for initiating the penalty proceedings.

13. As we have already held that the question suggested by the revenue does not arise as a question of law from the order of the Tribunal, no fault can be found with the Tribunal rejecting the department's application under section 256(1)."

11. On perusal of the above, we find that the Hon'ble Delhi High Court has held that the assessing authority should form its own opinion and record its satisfaction before initiating the penalty proceedings. Merely because the penalty proceedings have been initiated, it cannot be assumed that such a satisfaction was arrived at in the absence of the same being spelt out by the order of the assessing authority. We have also gone through the para nos. 20 to 24 of the order of the Hon'ble Andhra Pradesh High Court in the case of V. R. Projects & Investments (P.) Ltd. Vs. DCIT (300 ITR 40), which is to the following effect:

"20. From the legal position noticed above, it is clear that the Assessing Officer has to form his own opinion and record his satisfaction of concealment of income or furnishing inaccurate particulars of income before initiating penalty proceedings under section 271(1)(c) of the Act. It is also clear that such satisfaction of the Assessing Officer must be spelt out in the order of assessment itself but cannot be assumed from the issue of a notice under section 271(1)(c) of the Act. Failure to record such satisfaction amounts to a jurisdictional deject which cannot be cured.

21. However, while placing strong reliance upon the expression in the course of any proceedings under the Act' in section 271(1) of the Act, the learned Counsel for the respondent sought to contend that the penalty proceedings being independent it is sufficient if the satisfaction is recorded in the order levying penalty. The learned Counsel in support of his submission cited a Full Bench decision of Allahabad High Court in CIT v. Gopal Krishna Singhania (1973) 89 ITR 27.

22. In the above decision, the Full Bench of Allahabad High Court was dealing with proceedings under section 34 of the Income-tax Act, 1922 which corresponds to sections 147 and 148 of the new Act of 1961 which provides for reassessment of income chargeable to tax which has escaped assessment. Having considered the scope and object of the said provisions, the Full Bench held that penalty under section 28(1)(c) of the old Act /corresponding to section 271(1)(c) of the new Act can be levied during the course of proceedings under section 34 in respect of a default committed during the original assessment proceedings.

23. The said decision is clearly distinguishable on facts and the ratio laid down therein is not applicable to the instant case.

24. It is also relevant to note that whether the assessee has concealed his income or has deliberately furnished inaccurate particulars thereof is essentially a finding of fact which has to be spelt out by way of recording the satisfaction of the Assessing Officer as required under section 271(1) of the Act. Therefore, in the absence of such a finding in the assessment order no penalty proceedings can be initiated."

12. On perusal of the above, we find that the Hon'ble Andhra Pradesh High Court has held that whether the assessee has concealed the income or had deliberately furnished inaccurate particulars thereof is essentially a findings of

fact which has to be spelt out by way of recording the satisfaction of the Ld. AO under section 271(1)(c) of the Act. In the present case, the Ld. AO has not recorded any satisfaction as to whether the alleged default on the part of the assessee was on account of concealment of particulars of income or furnishing of inaccurate particulars of income. Therefore, in our considered view, the absence of such mandatory satisfaction goes to the very root of the matter and renders the initiation of penalty proceedings invalid. Respectfully following the ratio laid down by the Hon'ble Andhra Pradesh High Court in V. R. Projects & Investments (P.) Ltd. v. DCIT (supra), as well as the decision of the Hon'ble Delhi High Court in CIT v. Ram Commercial Enterprises Ltd. (supra), we hold that the penalty proceedings initiated under section 271(1)(c) of the Act are unsustainable in law. Accordingly, the penalty levied by the Ld. AO and confirmed by the Ld. CIT(A) is hereby deleted.

13. In the result, the appeal of the assessee in ITA No.2287/Hyd/2025 is allowed.

14. To sum up, the appeals of the assessee in ITA No.1164/Hyd/2025 is dismissed and in ITA No.2287/Hyd/2025 is allowed.

Order pronounced in the Open Court on 13th February, 2026.

Sd/- **(VIJAY PAL RAO)** **VICE PRESIDENT**	**Sd/-** **(MADHUSUDAN SAWDIA)** **ACCOUNTANT MEMBER**

Hyderabad, dated 13th February, 2026
Okk, Sr. PS

Copy to:

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2	(i) Income Tax Officer, Exemption Ward, Tirupati.(ii) Income Tax Officer, Exemption Ward, IT Department, Chittoor, Tirupati.
3	Pr. CIT – Tirupati.
4	DR, ITAT Hyderabad Benches
5	Guard File

By Order

KAMALA KUMAR ORUGANTI

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