

आयकर अपीलिय अधिकरण, 'बी' न्यायपीठ, चेन्नई
IN THE INCOME-TAX APPELLATE TRIBUNAL 'B' BENCH, CHENNAI
श्री एस.एस. विश्वनेत्र रवि, न्यायिक सदस्य एवं श्री एस.आर. रगुनाथा, लेखा सदस्य के समक्ष
Before Shri S.S. Viswanethra Ravi, Judicial Member &
Shri S.R. Raghunatha, Accountant Member

आयकर अपील सं./I.T.A. No.3841/Chny/2025
निर्धारण वर्ष/Assessment Year: 2012-13

Karur Sree Rama Trading Pvt. Ltd.,
S.F. No. 2262, Pari Nagar, Chinna
Andan Koil Road, Karur 639 001.

Vs. The Income Tax Officer,
Circle 1(1),
Trichy.

[PAN:AABFS8790C]

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से / Appellant by : Shri Y. Sridhar, F.C.A.
प्रत्यर्थी की ओर से/Respondent by : Ms. Gouthami Manivasagam, Addl. CIT
सुनवाई की तारीख/ Date of hearing : 18.02.2026
घोषणा की तारीख /Date of Pronouncement : 26.02.2026

आदेश /O R D E R

PER S.S. VISWANETHRA RAVI, JUDICIAL MEMBER:

This appeal filed by the assessee is directed against the order dated 30.10.2025 passed by the Id. Commissioner of Income Tax (Appeals), National Faceless Appeal Centre [NFAC], Delhi for the assessment year 2012-13 passed under section 147/271(1)(c) of the Income Tax Act, 1961 ["Act" in short].

2. At the outset, the Id. AR Shri Y. Sridhar, F.C.A. submits that the Id. CIT(A) erred in upholding the penalty levied under section 271(1)(c) of the Act on the erstwhile partnership firm even though the firm had ceased to

exist after conversion into a company w.e.f. 02.02.2012 and the penalty proceedings initiated against a non-existent entity are *void ab initio*. He further submits that the penalty arises from a reassessment order made in the name of the dissolved firm and such reassessment is void and therefore, the penalty based on it is also invalid. Further, the Id. AR submits that as per section 271(1)(c) of the Act, the Assessing Officer requires to record proper satisfaction during the assessment and argued that a vague or mechanical initiation without proper satisfaction render the penalty invalid. He drew our attention to the notice issued under section 274 r.w.s. 271(1)(c) of the Act dated 26.12.2019 and submits that the notice is issued for “concealment of particulars of income”, whereas, the penalty order was passed for furnishing of “inaccurate particulars” and by relying upon the decision of the Hon’ble High Court of Karnataka at Bengaluru vide order dated 23.11.2015 in ITA No. 380 of 2015, it was prayed to quash the penalty order passed under section 271(1)(c) of the Act.

3. The Id. DR Ms. Gouthami Manivasagam, Addl. CIT strongly supported the order passed by the Id. CIT(A).

4. Having heard both the parties, on perusal of the penalty order passed under section 271(1)(c) of the Act at page 2 of the said order, we

note that by observing the assessee furnished inaccurate particulars of its income, the Assessing Officer issued notice dated 26.12.2019 under section 271(1)(c) r.w.s. 274 of the Act. We have also perused the said penalty notice dated 26.12.2019 *placed on record and noted that in the first para it is mentioned that "Whereas in the course of proceedings before me for the Assessment Year 2012-13, it appears to me that you have concealed the particulars of income"* whereas, as per para 5 of the penalty order, the Assessing Officer concluded by holding that the assessee has furnished inaccurate particulars of its income. Thus, it is amply clear that the Assessing Officer has erred in not concluding the penalty order for which the notice has been issued under section 274 r.w.s. 271(1)(c) of the Act dated 26.12.2019. Further, as argued by the Id. AR, we note that nowhere in the assessment order dated 18.12.2019 passed under section 144 r.w.s. 147 of the Act, the Assessing Officer recorded satisfaction for initiating penalty proceedings under section 271(1)(c) of the Act or as per first para of the penalty order dated 31.12.2021, no penalty proceedings initiated in the original assessment order dated 31.03.2015. Under the above facts and circumstances, we quash the order of levying penalty under section 271(1)(c) of the Act. Thus, the ground Nos. 2 to 5 raised by the assessee are allowed. Since the assessee is required to file separate appeal against confirmation of

quantum addition, ground Nos. 6 to 8 raised by the assessee become mere academic and requires no adjudication.

5. In the result, the appeal filed by the assessee is partly allowed.

Order pronounced on 26th February, 2026 at Chennai.

Sd/-
(S.R. RAGHUNATHA)
ACCOUNTANT MEMBER

Sd/-
(S.S. VISWANETHRA RAVI)
JUDICIAL MEMBER

Chennai, Dated, 26.02.2026

Vm/-

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant,
2. प्रत्यर्थी/ Respondent,
3. आयकर आयुक्त/CIT, Chennai/Madurai/Coimbatore/Salem
4. विभागीय प्रतिनिधि/DR &
5. गार्ड फाईल/GF.