

**IN THE INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCH 'C', NEW DELHI**

**BEFORE SH. M. BALAGANESH, ACCOUNTANT MEMBER  
AND  
SH. SUDHIR KUMAR, JUDICIAL MEMBER**

ITA No.4807/Del/2025  
Assessment Year: 2014-15

M/s ZF STERLING GEAR (INDIA) LIMITED, GAT 1242 1244 VADHU BUDRUK TAKUKA SHIRUR KOREGAON BHIMA, PUNE, MAHARASHTARA (PAN: AAAGZ0549G)	<b>Vs</b>	DCIT Central Circle-15, NEW DELHI ROOM NO. 245, DGIT (SYSTEMS) ARA CENTRE, GROUND FLOOR E-2 JHANDEWALAN EXTENSION, NEW DELHI
<b>(APPELLANT)</b>		<b>(RESPONDENT)</b>

Appellant by	Shri Shivam Garg, Adv. & Shri Mihir Kaushik, Adv.
Respondent by	Shri Om Prakash, Sr. DR.

Date of hearing:	12/03/2026
Date of Pronouncement:	27/03/2026

**ORDER**

**PER SUDHIR KUMAR, JM:**

This appeal by the assessee is directed against the order of Commissioner of Income Tax (Appeals)-11, Pune, hereinafter referred to as “(Ld.CIT(A))”, vide order dated 11.01.2019 pertaining to A.Y. 2014-15 and arises out of the penalty order dated 29-11-2023 passed by the Assessing Officer under

Section 271(1)(c) of the Income Tax Act, 1961 [hereinafter referred as 'the Act']. Assessee has raised as many as 13 grounds of appeal, however, he argued only legal ground no. 4, which reads as under:-

“That the Ld. CIT(A) erred in sustaining the penalty under section 271(1)(c) without demonstrating that the conditions for invoking the provision relating to concealment of income or furnishing of inaccurate particulars of income were satisfied.”

2. At the time of hearing, Ld. AR has submitted that the penalty order passed by AO is bad in law and on facts. He submitted that the Assessing Officer in his assessment order dated 28.12.2016 (Page No. 50 of Paper Book) has proposed the penalty proceedings under section 271(1) (c) of the Act on both the limbs viz. “*concealment of income and furnishing inaccurate particulars of income*” and the inapplicable portion has not been struck off. Similarly, the Assessing Officer while issuing the notice dated 28.12.2016 (page No. 1 of Paper Book) for penalty proceedings u/s. 271(1) (c) of the Act mentioned both the limbs viz. ‘concealed the particulars of income and furnished inaccurate particulars of such income’ and again the inapplicable portion has not been struck off, as a result thereof the penalty order passed u/s. 271(1)(c) is invalid. To support his contention, he placed reliance on the following case laws:-

- (i) CIT v. SSA's Emerald Meadows (2016) 73 taxmann.com 241 (SC)
- (ii) PCIT v. Gragerious Projects (P.) Ltd. [2025] 475 ITR 546 (DELHI)
- (iii) PCIT v. Blackrock Securities (P.) Ltd. [2023] 157 taxmann.com 564 (Delhi)
- (iv) PCIT v. Smt. Baisetty Revathi [2017] 398 ITR 88( AP & Telanganna)
- (v) Nilima Agarwal v. ITO [2025] taxmann.com 59 (Raipur trib)
- (vi) In the case of Pr. Commissioner of Income –tax v. Sahara India Life Insurance Co. Ltd. [2019] 108 taxmann.com 597 (Delhi) the Hon'ble Delhi High Court held that:

*“21. The respondent had challenged the upholding of the penalty imposed under section 271(1) (c ) of the Act which was accepted by the ITAT. It followed the decision of the Karnataka High Court in CIT v. Manjunatha Cotton & Ginning Factory [2013] 35 taxmann.com 250/218 Taxman 423/218 Taxman 423/359 ITR 564 and observed that the notice issued by the AO would be bad in law if it did not specify which limb of section 271(1) (c ) the penalty proceedings had been initiated under i.e. whether for concealment of particulars of income or for furnishing of inaccurate particulars of income. The Karnataka High Court had followed the above judgment in the subsequent order in CIT v. SSA's Emerald Meadows [2016] 73 taxmann.com*

*241, the appeal against which was dismissed by the Supreme Court of India in SLP No. 11485 of 2016 by order dated 5<sup>th</sup> August, 2016.”*

3. The Ld. Sr. DR relied upon the orders of the authorities below.

4. We have heard the revival contentions of the rival sides and gone through the material available on record. We find that AO has failed to record clear satisfaction regarding the specific limb under which penalty was proposed. We note that in the assessment order as well as in the Show Cause Notice dated 28.12.2016, the AO stated that penalty proceedings are initiated under section 271(1)© for both the limbs i.e. concealment of income and furnishing of inaccurate particulars of income and did not specify the limb under which limb the penalty in dispute is proposed/initiated. We further note that even the Assessing Officer while passing the penalty order dated 29.11.2023 vide para 9 has stated that *“In the present circumstances, I have no other alternative except to impose penalty u/s. 271(1)© of the I.T. Act for furnishing of inaccurate particulars of its income”,* but however, *“imposed the penalty @100% of Rs. 6,20,317/- u/s. 271(1)© of the Act for concealment of particulars of its income”,* which shows that AO was not sure whether the penalty is leviable under which limb of the Act viz. furnishing of inaccurate particulars of income or for concealment of income. It is settled law that the AO must clearly specify the exact limb

under section 271(1)(c) at the stage of initiation of penalty proceedings. The Hon'ble High Court of Delhi in the case of CIT vs. Unitech Reliable Projects Pvt. Ltd. held that the such satisfaction recorded by the AO stating that penalty proceedings are being initiated for concealment of income and for furnishing inaccurate particulars of income is invalid. Therefore, respectfully following the aforesaid precedent, we quash the penalty order passed by the AO and allow the ground no. 4 raised by the assessee. Since the penalty order has been quashed, as aforesaid, the other grounds have become academic and need not be adjudicated.

5. In the result, the appeal of the assessee is allowed in very terms.

Order pronounced in the open court on 27.03.2026.

Sd/-

**(M. BALAGANESH)**  
**ACCOUNTANT MEMBER**

\*SR BHATNAGAR\*

Date:-27.03.2026

Copy forwarded to:

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

Sd/-

**(SUDHIR KUMAR)**  
**JUDICIAL MEMBER**

ASSISTANT REGISTRAR  
ITAT NEW DELHI