

**IN THE INCOME TAX APPELLATE TRIBUNAL  
'A' BENCH: BANGALORE**

**BEFORE SHRI PRASHANT MAHARISHI, VICE – PRESIDENT  
&  
SHRI SOUNDARARAJAN K., JUDICIAL MEMBER**

<b>ITA No. 2321/Bang/2025</b>
<b>Assessment Year :2017-18</b>

Ankitha Shetty, 1-214 B Belaku, Kodabailu, Thombathu, Hengavalli village, Udupi, Karnataka 576212 <b>PAN: DINPS8808E</b>	<b>Vs.</b>	Income Tax Officer, Udupi
<b>APPELLANT</b>		<b>RESPONDENT</b>

Assessee by	:	Smt Preeti Goel AR
Revenue by	:	Shri. N. Balusamy - JCIT

Date of Hearing	:	11-02-2026
Date of Pronouncement	:	07-04-2026

**ORDER**

**PER PRASHANT MAHARISHI, VICE – PRESIDENT**

1. ITA No. 2321/Bang/2025 pertains to an appeal against the order issued by the National Faceless Appeal Centre, Delhi, dated 20 August 2025, for the assessment year 2017-18. In this matter, the penalty order imposed by the assessment unit under Section 270A of the Income Tax Act, levying a penalty of Rs. 8,62,404 on 19 March 2025, was dismissed.
2. Assessee is aggrieved with the same and has raised **several grounds of appeal** contesting the levy of the penalty:
  - a. *The Hon'ble CT(Appeals), NFAC, Delhi has in the facts and circumstances of the case and in law erred in issuing the*

*impugned Order dated 20 August 2025 under Section 250 of the Act confirming the penalty of INR 8,62,404 at the rate of 200% of the disputed demand imposed by the Learned AO under Section 270A of the Act for alleged under-reporting/mis-reporting of income.*

- b. The Hon'ble CIT(Appeals), NFAC, Delhi has in the facts and circumstances of the case and in law erred in confirming the order of the Learned AO imposing penalty under Section 270A of the Act without mentioning the specific charge for initiation of the penalty proceedings in the assessment order and show cause notices issued to the Appellant.*
- c. The Hon'ble CIT(Appeals), NFAC, Delhi has in the facts and circumstances of the case and in law erred in disregarding the facts, documentary evidence, statutory provisions and judicial precedents filed in support of the exemption claimed under Article 16(1) of the India-US DTAA read with Section 90 of the Act vide submissions dated 07 October 2019, 16 December 2019 and 28 April 2020 during assessment proceedings under Section 143(3) of the Act and penalty proceedings and incorrectly holding that the claim for non-taxability in India has no legal basis.*
- d. The Hon'ble CIT(Appeals), NFAC, Delhi has in the facts and circumstances of the case and in law erred in ignoring the provisions of Section 270A(6)(a) of the Act as the Appellant had disclosed all the material facts and provided bonafide explanation for non-levy of the alleged penalty.*
- e. The Hon'ble CIT(Appeals), NFAC, Delhi has in the facts and circumstances of the case and in law erred in confirming the maximum penalty at the rate of 200% without any valid justification for the same.*
- f. The Hon'ble CIT(Appeals), NFAC, Delhi has in the facts and circumstances of the case and in law erred in ignoring that quantum appeal preferred before the Hon'ble Income-tax Appellate back to the Hon'ble CIT(A) for fresh consideration as per order dated 13 August 2025 issued by the Hon'ble ITAT.*
- g. The Hon'ble CIT(Appeals), NFAC, Delhi has in the facts and circumstances of the case and in law erred in not granting an*

*opportunity of hearing to the Appellant and issued the impugned order in violation of the principles of natural justice.*

3. The brief facts of the case shows that assessee is an individual employed with Ernst &Young LLP Indiafiled a return of income at a total income of Rs. 1,49,888. She has earned income outside India of Rs. 19,78,810. During assessment proceedings a question was raised about her claim of non-resident status and exemption of salary income earned in India as per Article 16(1) of the Double Taxation Avoidance Agreement. Same was not replied to by the assessee and assessment was completed at a total income of Rs. 19,78,810.
4. The penalty proceedings were initiated under Section 270 A of the Act.
5. Against this assessment order the assessee preferred an appeal before the learned CIT-A which came to be dismissed on 9<sup>th</sup> June 2023 holding that the claim for non-taxability of salary earned in United Kingdom in India has no legal basis.
6. Therefore penalty proceedings were further initiated. The assessee did not produce anything and therefore the learned Assessing Officer held that under reported income is Rs. 19,78,810 tax on such under reporting is Rs. 4,18,643. Based on this penalty @200% was levied holding that under reporting of income is in consequence of this reporting. Thus penalty of Rs. 8,62,404 was levied.
7. The penalty order dated 19<sup>th</sup> March, 2025 was challenged before the learned CIT-A wherein as per paragraph No. 6.5 the learned CIT-A did not find any merit and confirmed the penalty. Assessee is aggrieved before us.
8. learned Authorized Representative Smt. Preeti Goel, Advocate submitted that the quantum appeal of the assessee in ITA No. 1152/Bang/2025 for the impugned assessment year has been heard on 13<sup>th</sup> August 2025. According to that order the order of the learned CIT-A was set aside, and the issues were restored back to the file of the AO for fresh adjudication. Thus this appeal also needs to be restored to the AO.
9. On careful consideration of the fact we find that the quantum addition made in the case of the assessee for the impugned assessment year of Rs. 19,78,810 is restored by the coordinate bench in ITA No.

1152/Bang/2025 vide order dated 09-10-2025 to the file of the learned Assessing Officer for fresh adjudication. The AO was directed to decide the issue in accordance with the double taxation avoidance agreement. Thus at present this appeal becomes pre-mature.

10. Thus we also restore this appeal back to the file of the learned Assessing Officer with direction to decide on the initiation of penalty proceedings on the outcome of matter in quantum appeal.

11. In the result appeal filed by the assessee is allowed for statistical purposes.

Order pronounced in the open court on 07<sup>th</sup> April, 2026.

Sd/-  
(SOUNDARARAJAN K.)  
JUDICIAL MEMBER

Sd/-  
(PRASHANT MAHARISHI)  
VICE-PRESIDENT

Bangalore,  
Dated, the 07<sup>th</sup> April, 2026.

\*VM\*

Copy to:

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

By order

Assistant Registrar  
ITAT, Bangalore