Commissioner of Income Tax (International Taxation)-2 v. Little Fairy Limited

ITA 356/2026

ITA 356/2026 (Delhi HC, decided 2026-04-30) | 2026-04-30

AY 2016–17: Revenue appeal against annulment of a rate-only assessment dismissed for consistency with S.A. Chitra Ventures, applying the historical section 144C wording.

Income-tax Act, 1961: section 144C (historical wording)

High Court of Delhi | 2-judge bench (Division Bench) | Justice Dinesh Mehta | Justice Vinod Kumar

Assessment years: 2016-17

Historical section 144C wording; precedent facts kept separate

The Court followed S.A. Chitra Ventures for consistency and left the annulment standing. The quoted precedent concerns the pre-April 2020 wording; its rate and assessment chronology are not Little Fairy's own facts.

01 FACTS OF THE CASE

For AY 2016–17, the ITAT annulled the assessment as time-barred because the AO used a draft assessment procedure despite proposing no variation in income or loss. Revenue described a rate dispute of 30% instead of 10% and the AO's treaty-shopping allegation concerning a Cyprus company. The High Court appeal challenged the ITAT's 25 September 2023 order in ITA 1512/DEL/2022.

Source: PDF p.1

02 DISCUSSION BY THE HON'BLE COURT

The Court considered Revenue's argument potentially arguable but followed the coordinate Bench decision of 16 February 2024 in ITA 606/2023, S.A. Chitra Ventures, for consistency. Its quotation distinguishes the pre-1 April 2020 income-or-loss wording of section 144C from the amended wording. The quoted 20% rate, return figures and assessment dates belong to that precedent, not Little Fairy. The Court noted the earlier judgment did not separately elaborate limitation, but its Tribunal order also annulled the assessment.

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03 JUDICIAL DECISION

The Revenue appeal and pending application were dismissed, leaving the Tribunal's annulment undisturbed. The Court followed the earlier decision for consistency; it did not independently approve treaty entitlement or calculate a limitation deadline.

Source: PDF p.5

04 OUTCOME / IN WHOSE FAVOUR

Assessee - Revenue appeal dismissed; annulment of assessment order framed via inapplicable Section 144C procedure affirmed.

Source: PDF p. 5, para 8

05 EXPERT COMMENTS

Historical wording controls the comparison — The adopted reasoning expressly distinguishes pre-April 2020 income-or-loss variation from the amended text. It cannot be applied to a later statutory version merely because only the tax rate changes.

Do not transplant the precedent's facts — The quoted 20% rate and assessment dates belong to S.A. Chitra Ventures. Little Fairy's own narrative records Revenue's 30%-versus-10% dispute. Keeping those records separate avoids a false limitation chronology.

The treaty-shopping allegation was not decided — Revenue described the AO's allegation, but dismissal rested on consistency with the procedure ruling. The order does not independently establish treaty residence, beneficial entitlement or a correct tax rate.

Annulment does not supply a deadline calculation — The Court left the Tribunal's annulment standing while acknowledging the earlier judgment's limited discussion of time bar. Obtain the actual assessment dates and governing limits before applying this result to another case.

Source: PDF p.4

SOURCE & VERIFICATION

High Court of Delhi official judgment PDF - AKHB Repository (DLHC011322342024_1_2026-04-30.pdf)

5-page official High Court of Delhi judgment PDF (DLHC011322342024_1_2026-04-30.pdf, 44,833 bytes).

Complete source text and every original page visually reviewed; identity and SHA-256 checked. AI-assisted source analysis.

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STATUTORY SCOPE

The adopted quotation discusses the pre-2020 section 144C wording and its amendment. Its Article 11 and section 115A references are from S.A. Chitra Ventures, not independent findings about this assessee.

LATER TREATMENT

Source checked 2026-10-21. Subsequent judicial treatment has not been independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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