Commissioner of Income Tax v. Dalip Chand and Sons; Dalip Chand and Sons v. Commissioner of Income Tax

ITR 7/1996 and ITR 8/1996

No neutral citation stated in source | 2008-01-02

Deliberate splitting of cash payments and unsupported exceptional-circumstance claims did not avoid disallowance.

40A(3)

High Court of Himachal Pradesh | Division Bench | Deepak Gupta | V. K. Ahuja

Assessment years: Not specified in source

01 FACTS OF THE CASE

The Shamshi firm paid outside suppliers in cash and claimed that separate entries were each below Rs.10,000 although daily payments to a party exceeded that amount. It relied on supplier insistence and absence of local bank accounts. The Tribunal found deliberate splitting. The common references concern the stated surviving disallowance of Rs.3,08,503.

Source: PDF p.1

02 DISCUSSION BY THE HON'BLE COURT

The Court disagreed with the per-payment approach in Aloo Supply and required proof of special circumstances for separate same-day payments. Applying Attar Singh Gurmukh Singh, it read section 40A(3) with Rule 6DD. Here, prior credit purchases made the total payable known; repeated split entries, no stock register and evidence that other buyers paid the same suppliers by crossed drafts undermined the explanation. Factual findings also cast doubt on the transactions themselves.

Source: PDF p.5

03 JUDICIAL DECISION

The common reference question was answered for Revenue and against the assessee. Normally payments could not be split within one day; the assessee had to show that, at the first payment, it was unaware of the second. The adverse factual conclusions on exception eligibility were not reopened in reference jurisdiction.

Source: PDF p.10

04 OUTCOME / IN WHOSE FAVOUR

The stated Rs.3,08,503 disallowance survived. Both ITR 7/1996 and ITR 8/1996 are covered by this common judgment; it did not grant fresh relief or remand.

Source: PDF p.1

05 EXPERT COMMENTS

AKHB EXPERT COMMENTS — editorial analysis, distinct from the Court's findings.

Separate cash-book entries were not separate commercial necessities — The taxpayer already knew the debt from earlier credit purchases when the supplier came to collect it. That fact defeated the explanation for multiple payments. The Court left room for proven special circumstances, but routine fragmentation of a known liability did not meet that standard.

An exception requires evidence addressing the actual obstacle — Supplier insistence and missing local accounts were tested against other buyers paying those suppliers by drafts. The absence of stock records and doubtful transactions further weakened the claim. A general assertion of commercial convenience therefore could not substitute for proof explaining why the prescribed payment mode was impracticable in these transactions.

Read the historical rule and the adverse facts together — The decision addresses the then-quoted Rs.10,000 rule and expressly disagrees with Aloo Supply. Its factual exception analysis is not a current-law clearance for splitting payments. The source itself contains inconsistent circular numbering and arithmetic, so the referred amount and the actual reasoning must be distinguished from a fresh computation or unverified statutory quotation.

Source: PDF p.2

SOURCE & VERIFICATION

20080102_HPHC010027301996.pdf

Complete source PDF reviewed: 11 physical pages.

All 11 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All 11 pages read and visually inspected. Source variants: circular numbered 200, 20 and 220; stated original disallowance Rs.3,57,239 less relief Rs.48,786 does not equal stated balance Rs.3,08,503. The referred balance is preserved; no silent arithmetic repair.

STATUTORY SCOPE

Historical section 40A(3), Rule 6DD and the circular dated 31 May 1977 discussed; no assessment year specified.

LATER TREATMENT

Source checked 2026-10-21. Subsequent 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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