

Rajesh Kumar Gupta v. Income Tax Officer, Ward 2(2), Jammu

ITA 20/2014

ITA 20/2014 (J&K and Ladakh HC at Jammu, decided 02.04.2026) | 2026-04-02

Following CBDT Circular No. 37/2016 dated 02.11.2016 (accepting that disallowances under sections 32, 40(a)(ia), 40A(3), and 43B enhance eligible business profits qualify for Chapter VI-A deduction), orders of ITAT Amritsar and CIT(A) Jammu set aside and matter remitted to AO.

Income-tax Act, 1961: sections 32, 40(a)(ia), 40A(3), 43B, Chapter VI-A and 260A | CBDT Circular No. 37/2016 dated 02.11.2016

High Court of Jammu & Kashmir and Ladakh | 2-judge bench (Division Bench at Jammu) | Arun Palli, C.J. | Rajnesh Oswal, J.

Assessment years: Not specified in order text

Sets aside ITAT and CIT(A) orders specifically to the extent of the appellant-assessee's appeal

In paragraph 5 on page 3, the Court clarified that the ITAT order dated 30.01.2014 and CIT(A) order dated 15.01.2013 are set aside only to the extent of the appeal filed by the appellant-assessee.

01 FACTS OF THE CASE

Rajesh Kumar Gupta filed ITA 20/2014 under section 260A challenging the order dated 30.01.2014 passed by the ITAT Amritsar Bench and the order dated 15.01.2013 passed by the CIT(A), Jammu confirming a disallowance of expenditure under section 40(a)(ia). Although the appeal was initially admitted on 08.10.2014 on whether section 40(a)(ia) applies to both 'paid' and 'payable' expenditure, at the final hearing on 02.04.2026 counsel for the Revenue placed on record CBDT Circular No. 37/2016 dated 02.11.2016.

Source: [Pages 1-2 of 3 \(Paragraphs 1-3\) \(20260402_JKHC020054202014.pdf\)](#)

02 DISCUSSION BY THE HON'BLE COURT

The Division Bench recorded that by Circular No. 37/2016 dated 02.11.2016, the CBDT accepted the settled legal position that statutory disallowances under sections 32, 40(a)(ia), 40A(3), 43B, etc. relating to the business activity against which a Chapter VI-A deduction is claimed result in an enhancement of the profits of the eligible business, and that deduction under Chapter VI-A is admissible on the profit so enhanced by the disallowance. Counsel for the Revenue fairly submitted that the matter be remitted to the Assessing Officer to pass a fresh order in accordance with Circular No. 37/2016.

Source: [Page 2 of 3 \(Paragraphs 3-4\) \(20260402_JKHC020054202014.pdf\)](#)

03 JUDICIAL DECISION

The High Court set aside the ITAT Amritsar order dated 30.01.2014 and the CIT(A) Jammu order dated 15.01.2013 to the extent of the assessee's appeal and remitted the matter to the respondent-ITO to pass fresh orders in accordance with CBDT Circular No. 37/2016 dated 02.11.2016.

Source: [Page 3 of 3 \(Paragraph 5\) \(20260402_JKHC020054202014.pdf\)](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee (Rajesh Kumar Gupta) / Matter remanded; ITAT and CIT(A) orders set aside and remitted to ITO to grant Chapter VI-A deduction on profit enhanced by section 40(a)(ia) disallowance per Circular No. 37/2016.

Source: [Page 3 of 3 \(Paragraph 5\) \(20260402_JKHC020054202014.pdf\)](#)

05 AKHB REVIEW POINT

AKHB analysis: Where an assessee's business is eligible for profit-linked deduction under Chapter VI-A, any disallowance made under section 40(a)(ia) increases the eligible business profit and qualifies for a corresponding enhanced Chapter VI-A deduction under CBDT Circular No. 37/2016 dated 02.11.2016, rendering the net tax impact neutral.

Source: [Full judgment PDF \(3 pp.\)](#)

SOURCE & VERIFICATION

[Original judgment PDF \(20260402_JKHC020054202014.pdf\)](#)

Reviewed from the complete 3-page official High Court judgment PDF (20260402_JKHC020054202014.pdf, SHA-256: f534969a01dfo8aebde8063458e5cd06f3aaf261dfcb9ede26382588aa9a2f20).

Supplied source-reviewed note retained; original bytes and identity validation checked in this release. Substantive re-review is not claimed for this record.

Open cited source rendition

Primary source verified page-by-page (3 physical pages, 276,064 bytes, SHA-256: f534969a01dfo8aebde8063458e5cd06f3aaf261dfcb9ede26382588aa9a2f20). Cloud Google Drive File ID: 1gkwrUmoHc6kX34awkIuJCDHOUM8JR35e (<https://drive.google.com/file/d/1gkwrUmoHc6kX34awkIuJCDHOUM8JR35e/view>).

STATUTORY SCOPE

Refers to the Income-tax Act, 1961 and allied statutory rules/circulars as applicable to the relevant assessment years.

LATER TREATMENT

Source checked 2026-10-18. No subsequent Supreme Court reversal or stay is recorded in the source judgment text.

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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