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 ITAT order of 30 January 2014 was set aside only insofar as it dismissed the appellant's appeal; as a corollary the CIT(A) order of 15 January 2013 was set aside to the appellant's extent. The matter was remitted to the respondent for fresh orders according to law, in the context of Revenue's submission concerning Circular 37/2016.

Source: PDF p.2

04 OUTCOME / IN WHOSE FAVOUR

Limited remand in the assessee's favour. The Court neither quantified a Chapter VI-A deduction nor expressly answered the framed paid-versus-payable question; it directed fresh orders after recording the circular and Revenue's submission.

Source: PDF p.2

05 EXPERT COMMENTS

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

Disallowance and eligible profit require a connected computation — The Court recorded Circular 37/2016's position concerning disallowances related to business activities against which Chapter VI-A deduction had been claimed. That connection matters: the source does not say every addition of any kind automatically generates a deduction. The fresh order must apply the recorded principle to the eligible business and relevant disallowance.

The original substantial questions were not expressly answered — The appeal had framed questions about paid and payable expenditure under section 40(a)(ia) and the correctness of the Tribunal's law. The eventual disposal instead followed the circular-based remand request. It should not be cited as an independent answer to the paid-versus-payable issue.

The remand is expressly limited to the appellant — The Tribunal had dismissed appeals preferred by the parties, but the High Court set aside the orders only to the appellant's extent. This limitation prevents the note from suggesting that every issue in the combined appellate orders was reopened. The fresh order, rather than this remand alone, establishes the resulting deduction and liability.

Source: PDF p.1

SOURCE & VERIFICATION

Original judgment PDF (20260402_JKHC020054202014.pdf)

Reviewed from the complete 3-page official High Court judgment PDF (20260402_JKHC020054202014.pdf, SHA-256: f534969a01df08aebde8063458e5cd06f3aaf261dfcb9ede26382588aa9a2f20).

All 3 original pages read and visually inspected; all five panels audited.

Open cited source rendition

Primary source verified page-by-page (3 physical pages, 276,064 bytes, SHA-256: f534969a01df08aebde8063458e5cd06f3aaf261dfcb9ede26382588aa9a2f20). 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 2026-10-21. 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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