Principal Commissioner of Income Tax (Central) & Anr. v. Obulapuram Mining Company Pvt. Ltd.

I.T.A. No. 100012/2017

I.T.A. No. 100012/2017 (Karnataka High Court, 2023-03-17) | 2023-03-17

Revenue appeal rejected: associated-enterprise conditions and evidentiary basis for mining-expense disallowances not established.

Income-tax Act,1961: sections 260A, 92A, 92CA, 37(1), 143(3), 144C(13)

Karnataka High Court | Division Bench at Dharwad | K. Somashekar | Umesh M. Adiga

Assessment years: 2009-10

01 FACTS OF THE CASE

Revenue challenged the Tribunal's 20 October 2016 order in IT(TP)A 182/Bang/2014. The disputed AY 2009-10 additions comprised transfer-pricing adjustments of Rs.112,20,92,081, transportation disallowance of Rs.86,43,47,335 and section 37(1) disallowance of Rs.387,76,69,992. The source also discusses AY 2008-09 proceedings; paragraphs 3 and 51 identify the present assessment as AY 2009-10, dated 31 December 2013, despite inconsistent dates/year references elsewhere.

Source: PDF pp.2–3, paragraph 3; p.57, paragraph 51

02 DISCUSSION BY THE HON'BLE COURT

For the relevant previous year, GLATIPL's sole share was held by ILSGL, with no established ownership or directorial link to the assessee. A common director alone did not satisfy section 92A(2). On transportation, the Tribunal had rejected statements unavailable for requested cross-examination. It treated the 40% mining-expense disallowance as an unsupported attribution of ordinary expenditure to an unlawful purpose.

Source: PDF pp.47–57, paragraphs 44–50

03 JUDICIAL DECISION

The Court held the section 92A requirements unmet and Chapter X inapplicable on these facts. It found no basis to interfere with the Tribunal's treatment of transportation and section 37(1) expenses, and rejected Revenue's appeal while confirming the Tribunal's order.

Source: PDF pp.51–57, paragraphs 47–50; pp.64–65, paragraphs 58–59

04 OUTCOME / IN WHOSE FAVOUR

The assessee succeeded against Revenue's appeal. The confirmed Tribunal order deleted the challenged disallowances and retained its separate remand of the land-sale issue for a fresh computation allowing acquisition cost, if incurred. The judgment does not determine criminal liability for alleged illegal mining.

Source: PDF pp.56–57, paragraph 50; p.65, operative order

05 EXPERT COMMENTS

AKHB Expert Comments — editorial analysis, distinct from the Court's findings.

Section 92A requires year-specific proof: The December 2007 ownership history did not establish the required relationship during April 2008–March 2009. Map control and ownership to the relevant previous year and a specific section 92A(2) condition; a shared director did not replace that proof here. (PDF pp.47–52, paragraphs 44–47)

Cross-examination affected the evidence relied upon: The confirmed reasoning excludes transporters' statements where requested cross-examination was denied and finds the disallowance unsustainable without them. This turns on the evidentiary record; it is not a rule that every transportation claim succeeds or every procedural defect prevents remand. (PDF pp.53–57, paragraphs 49–50)

Section 37(1) concerns the expenditure's purpose: The reasoning distinguishes ordinary mining expenditure from expenditure facilitating an offence or a penalty. A 40% attribution, while allowing 60% of the same expense pool, did not establish the prohibited purpose. The decision neither legalises mining nor allows all expenses connected with unlawful conduct. (PDF pp.54–55, paragraph 49)

Preserve the limits of the confirmed relief: The land-sale issue remained remanded for cost-based computation; confirmation did not erase it. References to AY 2008-09 concern other proceedings and include inconsistent narrative wording. The present appeal's identified AY 2009-10 and final Tribunal-order reference should control its description. (PDF pp.56–60, paragraphs 50–54; p.65, order)

Source: PDF pp.47–52, paragraphs 44–47

SOURCE & VERIFICATION

Original High Court judgment PDF — AKHB source repository

Complete 65-page original reviewed; source bytes verified.

Full original and all five panels re-reviewed on 21 October 2026.

Open cited source rendition

Complete original source and all five note panels checked; original docket identities preserved.

STATUTORY SCOPE

Current law and subsequent treatment not independently verified.

LATER TREATMENT

Source checked 2026-10-21. Subsequent proceedings and current judicial treatment have 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.

PROFESSIONAL DISCLAIMER

General research information only; not legal or tax advice, a certified judgment or a substitute for the full order. Applicability depends on facts, assessment year, statutory version and jurisdiction. Subsequent treatment is unverified unless identified sources are expressly stated. Downloading does not create a professional engagement. Obtain case-specific advice before reliance.