# Pr. Commissioner of Income-tax, Mangaluru & Anr. v. Shri K. Umesh Shetty

ITA No. 165 of 2020

2025:KHC:1846-DB | ITA No. 165 of 2020 (Karnataka High Court, decided 17 January 2025) | 2025-01-17

## Section 271D limitation: ITO reference initiated proceedings; delayed show-cause notice could not postpone the statutory clock.

Income-tax Act, 1961: sections 260A, 269SS, 271D, 275(1)(c)

High Court of Karnataka | 2-judge bench (Division Bench) | Hon'ble Mr. Justice Krishna S. Dixit | Hon'ble Mr. Justice G. Basavaraja

Assessment years: 2012-13

### 01 FACTS OF THE CASE

For AY 2012-13, assessment under section 143(3) was completed on 26 February 2015. The ITO referred an alleged section 269SS breach to the Additional Commissioner on 16 November 2016. Notice followed only on 10 November 2017; the factual account dates the section 271D penalty order 22 February 2018. CIT(A) confirmed the penalty on 10 July 2018; ITAT granted relief on 20 September 2019 in ITA 2544/Bang/2018. Revenue appealed.

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## 02 DISCUSSION BY THE HON'BLE COURT

The Court reframed the questions around initiation and delay. The absence of an express initiation deadline did not permit unlimited delay that defeated section 275(1)(c). Following the approach in Turner General Entertainment and Clix Capital, it treated the ITO reference as initiation. The penalty was consequently late; independently, Revenue offered no explanation for the delayed notice. The Court disagreed with Grihalakshmi Vision's exclusive-JCIT-initiation view and found Circular 9/DV/2016 unhelpful given its territorial High Court qualification.

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## 03 JUDICIAL DECISION

The reframed questions were answered for the assessee and Revenue's appeal was dismissed. The Tribunal's relief remained undisturbed.

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## 04 OUTCOME / IN WHOSE FAVOUR

The penalty failed on limitation and unexplained delay. The judgment does not establish that the underlying transaction complied with section 269SS or determine a separate reasonable-cause defence.

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## 05 EXPERT COMMENTS

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

Reference and notice are different procedural events — The decisive starting point was the ITO's dated reference, not the Additional Commissioner's later show-cause notice. Preserve the referral record when computing limitation: treating notice as the first action would allow administrative inaction to postpone the statutory safeguard. The judgment also gives an independent delay-and-laches reason, without prescribing one universal initiation period.

The conflicting authority and circular remain material — The Bench expressly disagreed with the Kerala view in Grihalakshmi Vision and also distinguished its lack of an ITO reference. D.M. Manasvi supported the distinction between initiating proceedings and the authority empowered to impose penalty. The circular itself yielded to contrary territorial High Court authority. This is a reasoned Karnataka holding, not a declaration that the cited Kerala decision disappeared or that the circular supported the taxpayer on its own terms.

Use the factual chronology with its disclosed discrepancy — The reproduced admitted question says 22 August 2018, whereas paragraphs 4.2 and 6.7 give 22 February 2018 for the penalty. The note follows the repeated factual account; a precise limitation calculation for litigation requires the underlying order. Neither that discrepancy nor the source's incidental section 271-C wording changes the identified section 271D dispute into a TDS-penalty case.

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## SOURCE & VERIFICATION

High Court of Karnataka official judgment PDF — AKHB Repository (20250117_KAHC010142962020.pdf)

19-page official High Court of Karnataka order/judgment PDF (20250117_KAHC010142962020.pdf, 158,832 bytes).

All 19 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All 19 physical pages of 20250117_KAHC010142962020.pdf (158,832 bytes, SHA-256: 31445e9e7b14596efab3ee631919f9db676f0305a5380685e79875e98cb8e781) extracted and verified page-by-page. Google Drive File ID in 1_Substantive_Precedents: 1HCDE6O8DzOgqsLMkC9DX3AIngJbe47AZ.

## STATUTORY SCOPE

The dispute concerns sections 269SS, 271D and 275(1)(c). The facts use 22 February 2018 for the penalty order, while the reproduced admitted question uses 22 August 2018; that internal conflict is disclosed below.

## 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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