

## The Pr. Commissioner of Income-Tax, Central & Anr. v. M/s Dream Logistics Company Ltd.

Income Tax Appeal No. 28 of 2025

2026:KHC:39985-DB | 2026-07-30

**Section 41(1) addition of Rs. 2.60 crore as cessation of trading liability towards M/s Megha Minerals rightly deleted where liability was discharged by cheque on 21.04.2010, no cash-back was proved, and third-party statement was untested by cross-examination.**

Income-tax Act, 1961: sections 41(1), 143(3), 147 and 260A

High Court of Karnataka at Bengaluru | 2-judge bench (Division Bench) | S.G. Pandit, J. | Dr. K. Manmadha Rao, J.

Assessment years: 2011-12

### Concession by Revenue counsel recorded in paragraph 13

In paragraph 13 (PDF p. 7), learned counsel for the appellant-Revenue fairly submitted that no substantial question of law arose for consideration in the appeal.

### 01 FACTS OF THE CASE

For AY 2011-12, the assessment of M/s Dream Logistics Company Ltd. (engaged in iron ore mining and logistics) was reopened under section 147 based on an ADIT (Investigation), Ballari enquiry report in the case of M/s Megha Minerals and the sworn statement of Sri Iranna Shankarappa Baddur. The AO added Rs. 2,60,00,000 under section 41(1) as cessation of liability, which the CIT(A) affirmed on 09.03.2024. The ITAT Bengaluru (in ITA No. 526/Bang/2024, order dated 13.09.2024) deleted the addition.

Source: [Paragraphs 1-6; PDF pp. 2-4 \(20260730\\_KAHC010073742025.pdf\)](#)

## **02 DISCUSSION BY THE HON'BLE COURT**

The Division Bench noted that the Tribunal had recorded categorical findings of fact that the liability towards M/s Megha Minerals stood discharged through banking channels by cheque on 21.04.2010, there was no evidence of remission or cessation of liability under section 41(1) or that any cash was received back by the assessee after encashment, and the assessee was never afforded an opportunity to cross-examine the third-party deponent. Revenue's counsel fairly submitted that no substantial question of law arose.

Source: [Paragraphs 9-14; PDF pp. 5-7 \(20260730\\_KAHC010073742025.pdf\)](#)

## **03 JUDICIAL DECISION**

Holding that the Tribunal's findings were based on appreciation of evidence without perversity and raised no substantial question of law under section 260A, the High Court dismissed ITA No. 28 of 2025 at the admission stage with no order as to costs.

Source: [Paragraphs 14-16; PDF pp. 7-8 \(20260730\\_KAHC010073742025.pdf\)](#)

## **04 OUTCOME / IN WHOSE FAVOUR**

In favour of the assessee (M/s Dream Logistics Company Ltd.); Revenue appeal dismissed.

Source: [Paragraphs 15-16; PDF pp. 7-8 \(20260730\\_KAHC010073742025.pdf\)](#)

## 05 AKHB REVIEW POINT

AKHB analysis: Section 41(1) cannot be invoked to tax alleged bogus purchases where the trade liability has actually been paid by cheque through banking channels and the AO relies solely on an un-cross-examined third-party statement without proving cash plough-back or remission of liability.

Source: [Full judgment PDF \(8 pp.\)](#)

## SOURCE & VERIFICATION

[Original judgment PDF \(20260730\\_KAHC010073742025.pdf\)](#)

Reviewed from the complete 8-page official High Court judgment PDF (20260730\_KAHC010073742025.pdf, SHA-256: 1ca37b8e51d094468715d7fb7edc09e9f947c83a9d12830e1bfab0c9289200b1).

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 (8 physical pages, 89,780 bytes, SHA-256: 1ca37b8e51d094468715d7fb7edc09e9f947c83a9d12830e1bfab0c9289200b1). Cloud Google Drive File ID: 10Tr6SQ76jB19fyE7ToB5cJo17wzJj0Dj (<https://drive.google.com/file/d/10Tr6SQ76jB19fyE7ToB5cJo17wzJj0Dj/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.

## 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.