Commissioner of Income-Tax-I v. Ganesan Builders Ltd.

T.C.(A) 637/2007 and 638/2007

No neutral citation stated in source | 2007-06-14

Penalty deletion upheld where investment write-down was disclosed; losing the revenue-loss claim did not itself establish inaccurate particulars.

271(1)(c) | 260A

High Court of Judicature at Madras | Division Bench | P.D. Dinakaran | P.P.S. Janarthana Raja

Assessment years: 1997-98, 1998-99

Historical source review

The judgment is summarized as delivered. Subsequent appeals and current judicial treatment have not been verified.

01 FACTS OF THE CASE

The company claimed diminution in acquired share values as revenue loss for assessment years 1997-98 and 1998-99. The Assessing Officer treated the shares as investments rather than trading stock and imposed section 271(1)(c) penalties. CIT(A) deleted them and the Tribunal agreed, finding that the investment write-down and material facts had been disclosed in the audit statements. The underlying business-loss claim had already failed in a separate appeal.

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02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished an unsuccessful claim from furnishing inaccurate particulars on this record. It relied on the concurrent findings of disclosure, considered P. Natarajan on appellate examination of penalty facts, and referred to P. Mohanakala when declining interference with the factual findings. It found no legal infirmity requiring reversal.

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03 JUDICIAL DECISION

Finding no substantial question of law, the Court dismissed both tax appeals and the connected M.P.1/2007.

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04 OUTCOME / IN WHOSE FAVOUR

Penalty deletion survived for both years. The separate rejection of the revenue-loss claim was not reversed; the taxpayer's success was confined to penalty.

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05 EXPERT COMMENTS

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

Disclosure, not deductibility, explains the penalty result — The loss claim failed on its revenue character, but the audit statements exposed the write-down to the Assessing Officer. The Court did not treat that legal failure alone as proof of inaccurate particulars. For a comparable penalty response, identify the actual disclosure and its completeness rather than relying merely on the fact that a deduction was claimed.

The appeal does not restore a trading-loss deduction — The shares' investment character and the unsuccessful quantum appeal are part of the background. Nothing in the dismissal converts those investments to stock-in-trade or allows their diminution as revenue loss. Separate tracking of quantum and penalty orders prevents the taxpayer's limited success from becoming an incorrect deduction precedent.

The proposed intent question was not a universal holding — Revenue raised a question about deliberate concealment and Explanation 1, but the Court disposed of the case on the concurrent findings that material particulars had been disclosed. The decision should not be recast as requiring proof of intention in every penalty case or as immunising every rejected claim. Its protection rests on the facts accepted by both appellate authorities.

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SOURCE & VERIFICATION

High Court of Judicature at Madras official judgment PDF (20070614_HCMA011176962007.pdf)

Complete 4-page court PDF read for this correction.

All 4 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All four original pages read and visually inspected, including service endorsements. Both appeals preserved. No penalty amount is stated.

STATUTORY SCOPE

Section 271(1)(c) penalty appeals for assessment years 1997-98 and 1998-99; quantum issue had separately gone against the assessee.

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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