Commissioner of Income Tax v. Kamy Software Solutions (P) Ltd.

TC(A) No. 1464 of 2007

TCA1464/2007 (2007-12-04) | 2007-12-04

Penalty deletion upheld on the factual finding of bona fide belief and full disclosure, although the deduction disallowance had become final.

271(1)(c) | 80HHE | 260A

High Court of Judicature at Madras | Division Bench | Justice K. Raviraja Pandian | Justice Chitra Venkataraman

Assessment years: 1997-98

Scope of this order

Penalty relief survived; the final disallowance of the deduction was not reversed.

01 FACTS OF THE CASE

Kamy Software Solutions claimed section 80 HHE relief for overseas services. The assessing officer treated its activity as human-resource services and disallowed the deduction. That quantum result became final. The Tribunal subsequently deleted the section 271(1)(c) penalty.

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02 DISCUSSION BY THE HON'BLE COURT

The Court relied on the Tribunal's findings that the belief in eligibility was bona fide and that no inaccurate particulars or concealed income were involved. CBDT Circular 3 of 2004 supported the belief. The judgment also reproduced the then authorities on penalty.

Source: PDF p. 3

03 JUDICIAL DECISION

Revenue's appeal against deletion of the penalty was dismissed.

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04 OUTCOME / IN WHOSE FAVOUR

Penalty relief survived; the final disallowance of the deduction was not reversed.

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05 EXPERT COMMENTS

Separate quantum and penalty outcomes — The Court expressly records finality of the deduction disallowance. It would be incorrect to publish this as an order granting section 80 HHE deduction to the company.

Bona fides were an evidentiary finding — The circular and the Tribunal's findings support the result on this record. Mere rejection of a claim and an established false explanation are not interchangeable situations.

Treat quoted historical propositions with care — The extended quotation discusses mens rea and loss-return penalties; this note does not certify their subsequent treatment. The closing reference to "271-C" is inconsistent with the repeated section 271(1)(c) issue and is preserved as a source anomaly, not a separate holding.

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SOURCE & VERIFICATION

Primary High Court order - verified local repository copy

Complete 9-page court PDF read for this correction.

Complete source text and every original page visually reviewed; identity and SHA-256 checked. AI-assisted source analysis.

Open cited source rendition

All 9 physical source pages read and visually inspected. SHA-256: 7bbb430e6503f378a3716981ca9a369e4b696a3f987f19e15422bceea195711f.

STATUTORY SCOPE

This note describes the historical provisions and authorities addressed by the supplied judgment. Subsequent statutory changes and judicial treatment have not been independently verified.

LATER TREATMENT

Source checked 2026-10-21. Subsequent judicial 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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