Commissioner of Income Tax-II, Jodhpur v. Lokhpat Film Exchange (Cinema)

D.B. Income Tax Appeals 61/2002 and 32/2002

D.B. Income Tax Appeal 61/2002 and 32/2002 | 2007-01-23

Bona fide partnership belief constituted reasonable cause for penalties

269SS | 269T | 271D | 271E | 273B

High Court of Judicature for Rajasthan | Jodhpur | Rajesh Balia | Chatra Ram Jat

Assessment years: 1990-91

01 FACTS OF THE CASE

The two Revenue appeals concerned cash receipts and repayments between Lokhpat Film Exchange and its partners for AY 1990-91. Penalties were imposed for alleged contraventions of sections 269SS and 269T. The first appellate authority and Tribunal cancelled them; the Tribunal relied on the relationship between a partnership and its partners.

Source: PDF pp.1–3

02 DISCUSSION BY THE HON'BLE COURT

The High Court left the separate-entity issue aside and applied section 273B. In light of the partnership relationship and the cited R.M. Chidambaram Pillai decision, it found the assessee's belief that these inter se transactions were outside the banking requirements bona fide. Reasonable cause existed on the recorded facts.

Source: PDF pp.3–5

03 JUDICIAL DECISION

Both Revenue appeals were dismissed, with no order as to costs. Cancellation of the penalties under sections 271D and 271E remained intact.

Source: PDF p.5

04 OUTCOME / IN WHOSE FAVOUR

Assessee-favourable penalty result based on reasonable cause. The Court did not finally hold that every firm-partner cash transaction is outside sections 269SS and 269T. Both preserved source files contain this same complete order covering appeals 61/2002 and 32/2002.

Source: PDF pp.1,4–5

05 EXPERT COMMENTS

Distinguish the Tribunal's entity theory from the High Court's ground — The Tribunal treated firm and partners as not separate for the cash-transaction provisions. The High Court expressly put the entity issue aside and upheld relief through section 273B. Citing the result as an unconditional exemption for all partner deposits would broaden the actual holding and obscure the reasonable-cause enquiry.

Reasonable cause depended on a bona fide legal belief in context — The Court considered general partnership law, the cited Supreme Court decision and the facts found below. Those circumstances supported the taxpayer's belief about inter se dealings. The judgment does not make a bare assertion of ignorance sufficient for every penalty; a comparable defence must connect the claimed belief with the transaction and contemporaneous circumstances.

Preserve both penalties without reproducing inconsistent section labels — The narrative contains references to 271B and 266SS/267T, but the operative paragraph expressly concerns 271D and 271E for 269SS/269T contraventions. The note follows that operative context and discloses the inconsistencies. Both appeal numbers remain in the canonical record; the identical second rendition is retained as an additional original source, not counted as another common judgment.

Source: Editorial analysis; source references in the structured comments

SOURCE & VERIFICATION

Rajasthan High Court judgment; verified source copy

Complete source PDF reviewed: 5 physical pages.

All 5 original pages read and visually inspected; source hash verified. AI-assisted substantive correction.

Open cited source rendition

Source bytes and identity checked; see panel-specific references and disclosed source anomalies.

STATUTORY SCOPE

Sections and disposition are recorded only to the extent stated in this source order.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment not 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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