

Dilip N. Shroff v. Joint Commissioner of Income Tax, Mumbai and Anr.

Civil Appeal No. 2746 of 2006

[2007] 7 SCR 499 | 2007-05-18

Whether the AY 1998-99 inaccurate-particulars penalty could stand on the difference between a disclosed registered-valuer opinion and the Departmental Valuation Officer's valuation, in the evidentiary and notice circumstances of this case.

271(1)(c) | 271(1) Explanation 1 | 271(1) Explanation 4 | 274 | 48 | 55(2)(b) | 55A

Two-judge bench | S.B. Sinha, J. | P.K. Balasubramanyan, J.

Assessment years: 1998-99

Historical penalty relief; essential mens rea premise displaced

Do not cite this 2007 judgment for a surviving requirement to prove mens rea or for a quasi-criminal characterisation of section 271(1)(c). Dharamendra Textile and Atul Mohan Bindal reject that premise; Reliance Petroproducts expressly limits the overruling on mens rea and preserves the need to establish the statutory default. A failed claim is not automatically penal, and an expert opinion, peace-buying acceptance or pro forma notice defect is not automatically exculpatory. The original assessee relief is recorded, not treated as retrospectively reversed. The SCR appeal year, DVO figures, lower-order date and paragraph numbering contain disclosed anomalies. Current law and comprehensive later treatment remain unverified.

01 FACTS OF THE CASE

For AY 1998-99 the HUF assessee reported income of Rs.30,80,030 and a long-term capital loss of Rs.34,12,000 on the sale of its one-fourth share in Jekison Niwas, Mumbai, for Rs.8 crore. It relied on a registered valuer's Rs.2,52,00,000 valuation as at 1 April 1981. The report described the property and its methodology, but an indicated sale-instance sheet was not attached. The Departmental Valuation Officer used a lower valuation, adopted in the assessment at Rs.1,44,92,907, producing long-term capital gains of Rs.3,09,78,478. The source's inconsistent preliminary DVO figure is separately flagged (paragraphs 2–10).

The assessee accepted the assessment for stated peace/cooperation reasons but disputed penalty, relying on disclosure and professional valuation advice. The Assessing Officer imposed Rs.68,78,095 under section 271(1)(c), which the assessee paid. The Commissioner (Appeals), Tribunal and High Court rejected its penalty challenge; the Supreme Court appeal concerned that penalty, not a fresh determination of the accepted capital-gains assessment (paragraphs 10–17).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

The Court examined the statutory history, Explanation 1 and the difference between concealment and inaccurate particulars. Its 2007 reasoning repeatedly treated deliberation or mens rea as material and described penalty proceedings as quasi-criminal. Those propositions are historical reasoning only: Dharamendra Textile, followed by Atul Mohan Bindal, rejects an essential mens rea requirement for this civil penalty. They must not be extracted as an unqualified surviving rule (paragraphs 18–55 and 61–71; later comparison below).

On the actual valuation record, the Court distinguished rejection of an expert opinion from identification of false particulars. It found no adequate explanation by the authorities of what particulars were inaccurate or why the chosen methodology necessarily amounted to that statutory default. Valuation can involve different methods and estimates; disagreement between experts, by itself, did not establish the required default on these facts. The Court considered the missing enclosure in that evidentiary context, rather than conferring general immunity on professional advice or all valuation differences (paragraphs 52–59, 68 and 72–82).

The undeleted alternatives in the pro forma notice and the authorities' shifting description of the charge reinforced the finding of non-application of mind. The Court nevertheless identified the actual imposed charge as furnishing inaccurate particulars, and concluded that the record did not attract section 271(1)(c). This is the source's case-specific notice and merits reasoning, not an independent present-law certificate about every notice defect (paragraphs 83–88).

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

The assessee's appeal was allowed and the impugned High Court judgment was set aside, with no order as to costs. The Court held the facts insufficient to attract section 271(1)(c), giving the assessee relief from the challenged penalty. It ordered no remand and did not reopen the accepted assessment, recompute the capital gain or specify refund interest (paragraphs 87–88).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee, in the original 2007 penalty appeal

Appeal allowed; impugned High Court judgment set aside; no costs

Final historical relief in the penalty dispute; the reasoning must be read with the bounded later-treatment qualification

Does not revive the mens rea/quasi-criminal premise rejected in later decisions, exempt every expert-supported claim, invalidate every undeleted-form notice, or alter the accepted quantum assessment. The later legal qualification is not represented as an order undoing this appellant's actual relief.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

Separate the return's factual particulars, the valuation methodology, the explanation supported by evidence, and the actual penalty charge. Do not equate a different estimate or a disallowed claim with the statutory default without examining the applicable provision. Equally, an expert's involvement or acceptance of an assessment is not an automatic defence.

The checked limits are precise. Dharamendra Textile paragraphs 24–27 rejected the essential mens rea premise; Atul Mohan Bindal paragraph 11 calls section 271(1)(c) liability civil rather than criminal or quasi-criminal, but paragraph 14 still requires the statutory conditions. Its disposal was a remand in its own appeal. Reliance Petroproducts paragraph 8 expressly explains that Dilip N. Shroff was overruled on mens rea, while its explanation of concealment and inaccurate particulars was not faulted; paragraphs 9–10 reject an automatic penalty merely because a fully particularised claim fails. None of that certifies every other passage of the older judgment.

MAK Data paragraphs 6–10 separately requires a substantive explanation under the statutory scheme: a surrender to avoid litigation does not itself confer immunity, and satisfaction need not be recorded in a prescribed form. This is a bounded scope comparison, not an assertion that MAK Data expressly overruled the valuation or notice result here. Check the relevant statutory version and subsequent treatment before relying on any proposition.

Source: See the proposition-specific paragraph and PDF-page references below.

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, reported appeal number, HUF and year

Source url: [Open cited source](#)

Pdf pages: 1; 9

Paragraphs: Cover; jurisdiction line; 1–2

Source role: reported metadata and judicial text

2.

Topic: Valuation facts, source discrepancies and adopted assessment

Source url: [Open cited source](#)

Pdf pages: 9; 10; 11; 12; 13; 14

Paragraphs: 2–10

Source role: judicial text

3.

Topic: Penalty, appeals and accepted assessment

Source url: [Open cited source](#)

Pdf pages: 14; 15; 16; 17; 18; 19

Paragraphs: 10–17

Source role: judicial text

4.

Topic: Statutory extracts, duplicate numbering and historical penalty reasoning

Source url: [Open cited source](#)

Pdf pages: 20; 21; 22; 23; 24; 25; 26; 27; 28; 29; 30; 31; 32; 33; 34

Paragraphs: 18–55; paragraph 28 printed twice

Source role: judicial text

5.

Topic: Valuation evidence, methods and required factual identification

Source url: [Open cited source](#)

Pdf pages: 34; 35; 36; 37; 38; 39; 40; 41

Paragraphs: 52–82

Source role: judicial text

6.

Topic: Notice, application of mind and operative relief

Source url: [Open cited source](#)

Pdf pages: 42; 43; 44

Paragraphs: 83–88

Source role: judicial text

7.

Topic: Dharamendra Textile: excise context and rejected mens rea premise

Source url: [Open cited source](#)

Pdf pages: 7; 8; 37; 38

Paragraphs: 2; 24–27

Source role: bounded later judicial comparison

8.

Topic: Atul Mohan Bindal: civil liability, statutory prerequisites and remand

Source url: [Open cited source](#)

Pdf pages: 8; 9; 10; 11; 12; 13; 14; 15

Paragraphs: 9–16 (the statutory-prerequisites paragraph is 14 in this rendition)

Source role: bounded later judicial comparison

9.

Topic: Reliance Petroproducts: scope of Dilip N. Shroff overruling and rejected claims

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9; 10; 11; 12

Paragraphs: 7–10

Source role: bounded later judicial comparison

10.

Topic: MAK Data: substantive explanation, surrender and satisfaction

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9

Paragraphs: 6–10

Source role: bounded later judicial comparison

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

271(1)(c) / explanations 1 and 4: Historical inaccurate-particulars penalty and explanation/quantum discussion; mens rea and quasi-criminal formulations require the checked later qualification

274: The actual pro forma notice and application of mind, not a certified universal notice-invalidity rule

48 / 55(2)(b) / 55a: Historical capital-gains valuation context; neither a present valuation formula nor a separately adjudicated jurisdictional challenge to the valuation reference

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.B. Sinha, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 44 PDF pages; SHA-256

f9c03c02728281255af954611ee8296e5b9d845f79289fc1b8bafc76a1788bdd. Original bytes preserved.

Judicial text starts on physical page 9 (SCR 507), paragraph 1, and ends on physical page 44 (SCR 542), paragraph 88. Entire bounded text, including historical statutory extracts, valuation tables, submissions, quoted precedents and final relief, read. Paragraph 28 is printed twice; numbering is not silently repaired. Pages 1–8 and opening of page 9 are editorial/report material. No adjacent judgment.

[Open cited source rendition](#)

The SCR jurisdiction line on physical page 9 prints Civil Appeal No. 2746 of 2006. That report number is retained as printed; no unverified correction to the year is made.

The report jurisdiction line gives Civil Appeal No.2746/2006 despite the 2007 judgment date and grant of leave; retain the printed number without silently changing it.; Paragraph 6 first prints the DVO valuation as Rs.1,14,92,907; its table, the assessment extract and paragraph 10 use Rs.1,44,92,907. The facts use the adopted assessment figure and disclose the conflict, without rewriting the source.; Paragraph 13 gives the Commissioner's order date as 13.11.2000; paragraph 47 says 30.11.2000. The Tribunal quotation also prints capital gains of Rs.3,09,78,428 rather than the assessment's Rs.3,09,78,478. Neither inconsistency is silently harmonised.; The rendition prints paragraph 28 twice and sets out successive statutory versions before describing the provision relevant to AY 1998-99. The note does not certify an exact amendment chronology, present penalty rate or current valuation-reference power from those historical extracts.; The 2007 mens rea, quasi-criminal and broad discretionary formulations must not be republished as unqualified law. The expressly checked later comparison preserves the original relief and does not imply wholesale survival or wholesale erasure of every other proposition.; Dharamendra Textile paragraph 25 prints section-number variants 272(1)(c) and 271(1)(e). Paragraph 24 and the independently read Atul Mohan Bindal/Reliance Petroproducts passages identify the relevant 271(1)(c) discussion; the source PDF is not corrected.; Reliance Petroproducts attributes the statutory-conditions sentence to Atul Mohan Bindal paragraph 13; in the independently inspected SCR Atul rendition it is paragraph 14. Pinpoints use each rendition's actual numbering.; The public acquisition URLs for both primary PDFs and Dharamendra Textile could not be opened by the web tool. Preserved bytes, hashes and page counts were verified; this is neither a live-link success claim nor proof that the public URLs are broken.

STATUTORY SCOPE

Current statutory equivalence and 2025 Act applicability have not been verified.

LATER TREATMENT

Source checked 2026-10-04. Bounded subsequent-judgment comparison completed with Dharamendra Textile paragraphs 2 and 24–27, Atul Mohan Bindal paragraphs 9–16, Reliance Petroproducts paragraphs 7–10 and MAK Data paragraphs 6–10. These are specifically identified primary-text checks, not a comprehensive later-treatment audit. No current-law or Income-tax Act, 2025 mapping certificate.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 44](#)

SHA-256: f9c03c02728281255af954611ee8296e5b9d845f79289fc1b8bafc76a1788bdd

[reported judgment bounded comparison - PDF pages: 38](#)

SHA-256: dd39c734cf109c6a5ff73b2d0c32f3a914cea6f7ee0e70fdd68a4c36968e38b2

[reported judgment bounded comparison - PDF pages: 15](#)

SHA-256: d93e3c6fd741fb993c82ea2463a40445b0d24c05aba5fa72b833ef7adb253ed3

[reported judgment bounded comparison - PDF pages: 12](#)

SHA-256: cd0c2bdda6d6d60461e2090ae216bdb1309ba30c5208774a13dab2b1b8901045

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