

Commissioner of Income Tax, Ahmedabad v. Reliance Petroproducts Pvt. Ltd.

Civil Appeal No. 2463 of 2010

[2010] 3 SCR 510 | 2010-03-17

Whether rejection of an interest-expenditure claim, without a finding that the factual particulars in the return were incorrect, attracted penalty under section 271(1)(c).

271(1)(c)

2-judge bench | V.S. Sirpurkar, J. | Dr. Mukundakam Sharma, J.

Assessment years: 2001-02

01 FACTS OF THE CASE

For assessment year 2001-02, the investment company returned a loss of Rs.26,54,554. The section 143(3) assessment completed on 25 November 2003 determined income of Rs.2,22,688 after disallowing interest expenditure of Rs.28,77,242 associated with borrowing to acquire IPL shares; no dividend had been earned from those shares. A penalty of Rs.11,37,949 under section 271(1)(c) followed. The Commissioner (Appeals) deleted the penalty, and the Tribunal and Gujarat High Court upheld that result (paragraphs 2-5).

The company maintained that its return disclosed the correct details and that rejection of the legal claim was insufficient for penalty. It also relied on favourable prior-year appellate treatment. Revenue argued that the deduction lacked a legal basis under the provisions invoked in its submissions, including sections 36(1)(iii) and 14A, and that the claim therefore constituted inaccurate particulars (paragraphs 5-7).

Source: [reported judgment / paragraphs 2-7 / PDF pages 4, 5, 6, 7 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The conditions of section 271(1)(c) had to be established before penalty could be imposed. Revenue's case was that the incorrect legal claim for interest expenditure amounted to furnishing inaccurate particulars; it was admitted that no information or detail supplied in the return had been found factually incorrect. The Court distinguished the particulars supporting a claim from whether that claim should be accepted in law (paragraph 7).

The Court explained that Dharamendra Textile Processors had displaced the requirement of mens rea for this civil penalty; it had not made every assessment disallowance automatically penal. The interpretation of concealment and inaccurate particulars still mattered, and the statutory conditions remained necessary. The Court did not restore the proposition that Revenue must prove wilful concealment before imposing the civil penalty (paragraphs 7-9).

On the actual findings, the details supplied were not found false, erroneous or inaccurate. Merely advancing a deduction claim that was not sustainable in law did not by itself amount to furnishing inaccurate particulars. Rejecting Revenue's broader argument avoided treating every rejected claim as an automatic penalty case. The Court also referred to Sree Krishna Electricals but stressed that the present record was stronger because no fault had been found with the particulars in the return itself (paragraphs 9-11).

Source: [reported judgment / paragraphs 7-11 / PDF pages 7, 8, 9, 10, 11, 12 / judicial text](#)

03 JUDICIAL DECISION

Revenue's appeal was dismissed. The deletion of the Rs.11,37,949 penalty ordered by the Commissioner (Appeals) and affirmed by the Tribunal and High Court remained intact. The Supreme Court decided the penalty issue; it did not allow the disallowed interest deduction or reverse the underlying assessment addition (paragraphs 2 and 12).

Source: [reported judgment / paragraphs 2 and 12 / PDF pages 4, 12 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee on the section 271(1)(c) penalty

Revenue appeal dismissed; deletion of penalty sustained

Final merits decision on penalty, not on deductibility of the interest expenditure

Depends on the absence of an adverse finding about the accuracy of the factual particulars. Does not immunise false facts, concealed receipts, fabricated expenditure or every legally untenable claim, and does not reinstate a mens rea requirement.

Source: [reported judgment / paragraphs 7-12 / PDF pages 8, 10, 11, 12 / judicial text](#)

05 AKHB REVIEW POINT

Separate the tax adjustment from the elements of the applicable penalty provision. A useful defence file identifies precisely what was disclosed, what the officer rejected in law, and whether any underlying fact was found false. Reliance supports the distinction between a rejected legal claim and inaccurate factual particulars; it does not make disclosure a universal answer to every penalty allegation.

Keep the penalty regime and assessment year explicit. The decision concerns section 271(1)(c) in the stated historical setting; no conclusion is offered about a different penalty provision, later statutory amendments or the Income-tax Act, 2025.

Source: [reported judgment / paragraphs 7-12; editorial implications limited to the stated penalty issue / PDF pages 8, 9, 10, 11, 12 / judicial text](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

14A; 36(1)(iii); 10(33); 143(3); 276C

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

V.S. Sirpurkar, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 12 PDF pages; SHA-256

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Judicial paragraphs 1-12 on physical pages 4-12; the preceding headnote and case-reference table are editorial.

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Assessment year 2001-02 is expressly identified in paragraph 4. The discussion of 2000-01 is prior-year procedural background, not an additional penalty appeal decided here.

Paragraph 4 prints the return date as 31 January 2001 while identifying assessment year 2001-02. The date appears that way in the PDF, is not silently corrected and is not relied on for the note's chronology.; Paragraph 4 uses the awkward phrase claimed disallowance, while the surrounding judicial discussion consistently addresses an expenditure deduction claim that was disallowed. The narrative follows the complete discussion rather than treating that isolated wording as a voluntary disallowance.; Sections 14A, 36(1)(iii) and 10(33) occur in the underlying claim or submissions. This penalty judgment is not a separate Supreme Court allowance or disallowance ruling under those sections.; The reasoning discusses the disjunctive statutory grounds of concealment or inaccurate particulars; the note does not read them as cumulative requirements.

STATUTORY SCOPE

Historical judgment review only. No automatic mapping to the Income-tax Act, 2025 or certification of present law or procedure.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent judicial treatment or current-law audit.

IDENTIFIED SOURCE LINKS

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

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