



CNR: KAHC010073742025

NC: 2026:KHC:39985-DB
ITA No. 28 of 2025

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 30TH DAY OF JULY, 2026

PRESENT

THE HON'BLE MR. JUSTICE S.G.PANDIT

AND

THE HON'BLE DR. JUSTICE K.MANMADHA RAO

INCOME TAX APPEAL NO.28 OF 2025

BETWEEN:

1. THE PR. COMMISSIONER OF INCOME-TAX,
CENTRAL,
3RD FLOOR, C.R. BUILDING,
QUEEN'S ROAD,
BENGALURU-560 001.
2. THE DEPUTY COMMISSIONER OF INCOME-TAX,
CENTRAL CIRCLE-1(1),
3RD FLOOR, C.R BUILDING,
QUEEN'S ROAD,
BENGALURU-560 001.

...APPELLANTS

(BY SRI.RAVI RAJ Y.V., AND
SRI.M.DILIP.,ADVOCATE)

AND:

M/S DREAM LOGISTICS COMPANY LTD
G FLOOR, BADDI COMPLEX,
NEAR BUS STAND,
YELLAPUR 581 359.
KARNATAKA,
PAN AACCD 3416C
REP. BY ITS MANAGING DIRECTOR.

...RESPONDENT

Digitally signed
by G
SHREERAKSHA
Location: HIGH
COURT OF
KARNATAKA



NC: 2026:KHC:39985-DB
ITA No. 28 of 2025

CNR: KAHC010073742025

THIS INCOME TAX APPEAL IS FILED UNDER SEC.260-A OF INCOME TAX ACT 1961, PRAYING TO FORMULATE THE SUBSTANTIAL QUESTIONS OF LAW STATED ABOVE AND ALLOW THE APPEAL AND SET ASIDE THE ORDERS PASSED BY THE INCOME-TAX APPELLATE TRIBUNAL, BENGALURU IN ITA NO.526/BANG/2024 DATED 13.09.2024 FOR ASSESSMENT YEAR 2011-2012 ANNEXURE-A AND CONFIRM THE ORDER OF THE APPELLATE COMMISSIONER CONFIRMING THE ORDER PASSED BY DEPUTY COMMISSIONER OF INCOME TAX, CENTRAL CIRCLE-1(1), BENGALURU.

THIS APPEAL, COMING ON FOR ADMISSION, THIS DAY, JUDGMENT WAS DELIVERED THEREIN AS UNDER:

CORAM: HON'BLE MR. JUSTICE S.G.PANDIT
and
HON'BLE DR. JUSTICE K.MANMADHA RAO

ORAL JUDGMENT

(PER: HON'BLE DR. JUSTICE K.MANMADHA RAO)

The appeal is preferred by the Revenue under Section 260A of the Income-tax Act, 1961 ("the Act" for short), assailing the order dated 13.09.2024 in ITA No.526/Bang/2024 for assessment year 2011-2012, passed by the Income Tax Appellate Tribunal, Bengaluru (herein after referred to as 'the Tribunal' for short).

2. The appellants herein are the revenue and the respondent herein is the assessee before the Tribunal.



CNR: KAHC010073742025

3. The brief facts of the case are that:-

The respondent-assessee is a company engaged in iron ore mining and logistics business in the mining sector. The assessment for the assessment year 2011-12 was originally completed under Section 143(3) of the Act. Thereafter, on the basis of an enquiry report submitted by the ADIT (Investigation), Ballari, in the case of M/s. Megha Minerals and the sworn statement of Sri Iranna Shankarappa Baddur, the assessment was reopened under Section 147 of the Act. Pursuant thereto, an order under Section 143(3) r/w. Section 147 of the Act was passed making an addition of Rs.2,60,00,000/- under Section 41(1) of the Act on the premise that there was cessation of liability.

4. Aggrieved by the assessment order, the assessee preferred an appeal before the Commissioner of Income Tax (Appeals). By order dated 09.03.2024, the Commissioner of Income Tax (Appeals) dismissed the appeal and affirmed the addition. Challenging the same, the assessee preferred a further appeal before the Income Tax Appellate Tribunal.



CNR: KAHC010073742025

5. The Tribunal, by its order dated 13.09.2024, allowed the appeal. The Tribunal noticed that the liability shown in favour of M/s. Megha Minerals had been discharged by the assessee through cheque on 21.04.2010. The Tribunal further held that there was no material on record to establish that the assessee had obtained any benefit by way of remission or cessation of liability so as to attract the provisions of Section 41(1) of the Act.

6. The Tribunal also held that there was no evidence to show that any amount had been received back by the assessee. The Tribunal further observed that the Revenue had relied upon the statement of a third party and that no opportunity of cross-examination had been afforded to the assessee. On the aforesaid findings, the appeal of the assessee came to be allowed.

7. In the present appeal, the Revenue has proposed the following substantial questions of law:

(i) Whether on the facts and in the circumstances of the case, the Tribunal was correct in law in not appreciating the contents of the sworn statement of Sri Iranna Shankarappa Baddur of M/s. Megha Minerals, who had stated that M/s. Megha



CNR: KAHC010073742025

Minerals had not sold any iron ore to the assessee and that the transaction was only on paper?

(ii) Whether on the facts and in the circumstances of the case, the Tribunal was correct in law in not examining the circumstantial evidence relied upon by the Assessing Officer in relation to the withdrawal of amounts after encashment of cheques issued by the assessee in favour of M/s. Megha Minerals on 21.04.2010?

(iii) Whether on the facts and in the circumstances of the case, the Tribunal was correct in law in holding that there was no evidence to show that money had come back to the assessee after it had booked expenditure towards purchase of iron ore from M/s. Megha Minerals?

(iv) Whether on the facts and in the circumstances of the case, the Tribunal was correct in law in not considering that proceedings under the Income-tax Act are governed by the principle of preponderance of probabilities?

8. Heard learned counsel appearing for the parties and perused the material placed on record.

9. Having perused the order passed by the Tribunal and examined the questions proposed in the memorandum of appeal, it is observed that the Tribunal on appreciation of the



CNR: KAHC010073742025

material available on record, by this Court that the Tribunal has categorically held that the liability in question stood discharged through banking channels on 21.04.2010 and that there was no material to establish either remission or cessation of liability or accrual of any benefit to the assessee. The Tribunal has further observed that there was no evidence to demonstrate that any amount had been received back by the assessee.

10. The Tribunal has also examined the applicability of Section 41(1) of the Act and has held that the essential ingredients necessary for invoking the said provision were absent in the facts of the case.

11. The proposed substantial questions of law essentially seek reconsideration of the evidentiary material relied upon by the Assessing Officer, including the surrounding circumstances relating to the encashment and subsequent withdrawal of the amount paid by the assessee to M/s. Megha Minerals, and the factual inferences drawn therefrom. The Tribunal, being the final fact-finding authority under the Act, has considered the material and recorded findings thereon. The questions raised by the Revenue, therefore, essentially concern



CNR: KAHC010073742025

appreciation of evidence and the factual inferences to be drawn therefrom.

12. It is further observed that no perversity, misapplication of any statutory provision or legal infirmity in the reasoning of the Tribunal is demonstrated. On a careful examination of the order under challenge, we are satisfied that the conclusions reached by the Tribunal are based on appreciation of the material on record and do not give rise to any substantial question of law warranting consideration under Section 260A of the Act.

13. Learned counsel appearing for the appellant-Revenue fairly submits that no substantial question of law arises for consideration in the appeal.

14. In view of the aforesaid discussion and the fair submission made by learned counsel for the appellant-Revenue, we are of the considered opinion that no substantial question of law arises for consideration in this appeal.

15. In view of the reasons mentioned above, the appeal is liable to be dismissed at the stage of admission, as no substantial question of law arises for consideration.



**NC: 2026:KHC:39985-DB
ITA No. 28 of 2025**

CNR: KAHC010073742025

16. Accordingly, the appeal is ***dismissed.***

No order as to costs.

Pending interlocutory applications, if any, stand disposed
of.

**Sd/-
(S.G.PANDIT)
JUDGE**

**Sd/-
(DR.K.MANMADHA RAO)
JUDGE**

BNV
List No.: 1 Sl No.: 31