

**SUPREME COURT OF INDIA**

Amin Chand Payarelal

Vs

Inspecting Assistant Commissioner, Income Tax and Others

Appeal (Civil) 4114 of 2001

(Ashok Bhan and Markandeya Katju, JJ)

05.09.2006

**JUDGMENT**

**ASHOK BHAN, J.**

This appeal is directed against the order dated 28th September, 2000 passed by a Division Bench of the High Court of Calcutta in FMA No. 1160 of 1990 whereby the Division Bench has set aside the order passed by the Single Judge of the same High Court and dismissed the writ petition filed by the writ petitioner-appellant.

Brief facts giving rise to file the present appeal by special leave are as follows:

The appellant filed a writ petition in the High Court, inter alia, seeking an appropriate writ, order or directions and/or to withdraw the order dated 26th September, 1974 passed by the Commission of Income Tax, Central and the orders of assessment and penalty proceeding under Section 271 (1)(a) of the Income Tax Act, 1961 (for short "the Act") and the demand notice issued under Section 156 of the Act and also the order dated 7th of October, 1974 imposing penalty.

The learned Single Judge before whom the writ petition came up for hearing allowed the writ

petition and held that the penalty imposed by the Authorities was not in accordance with law and consequently the order imposing penalty and demand notice for realization of penalty for the assessment years 1959-60 to 1965-66 was quashed.

The learned Single Judge allowed the writ petition on the grounds (a) that the imposition of penalty was without jurisdiction in view of the fact that interest had been paid for late filing of the returns for the aforesaid years; and (b) that the penalty under Section 271 (1)(a) of the act could not be imposed by the Inspecting Assistant Commissioner of Income Tax as he had no jurisdiction to do so and, only the Income tax Officer was competent to impose penalty as per provisions of Section 271 (1)(a) of the Act.

During the course of arguments, counsel appearing for the respondent-assessee before the Division Bench of the High Court, the appellant herein, did not dispute the jurisdiction of the Inspecting Assistant Commissioner of the Income Tax to impose the penalty for not filing the returns within the extended period. The Division Bench recorded the following findings:

*"However, before us the learned advocate for the writ petitioner/respondent did not question of jurisdiction of the Inspecting Assistant Commissioner of the Income Tax to impose penalty on the writ petitioner for not filing the return within the extended time, that was granted by the concerned authority."*

On the afore-mentioned first point, the Division Bench came to the conclusion that mere deposit of interest would not absolve the assessee from its liability to pay the penalty under Section 271 (1)(a) of the Act. To appreciate the contention it is necessary to understand the scheme enacted in Section 139 of the Act, as it stood at the relevant time. Broadly, the scheme envisages a voluntary return by the assessee under sub-section (1) of Section 139, a return consequent upon a notice by the ITO under sub-section (2) of Section 139 and a return in the circumstances mentioned in under sub-section (4) of Section 139. We are not concerned with the return filed under sub-section (1) or (3) of Section 139. We are concerned with the situation where the return has been filed under Section 139 (4) of the Act which at the relevant time read as under:

*"(4) (a) Any person who has not furnished a return within the time allowed to him under sub-section (1) or sub-section (2) may, before the assessment is made, furnish the return for any previous year at any time before the end of the period specified in clause (b), and the provisions of sub-section (8) shall apply in every such case.*

*(b) The period referred to in clause (a) shall be-*

*(i) where the return relates to a previous year relevant to any assessment year commencing on or before the 1st day of April, 1967, four years from the end of such assessment year;*

(ii) Where the return relates to a previous year relevant to the assessment year commencing on the 1st day of April, 1968, three years from the end of the assessment year;

(iii) Where the return relates to a previous year relevant to any other assessment year, two years from the end of such assessment year; "

Section 271 provides for levy of penalty under sub- clause (a)(b) and (c) of sub-section (1) of Section 271. In the present case, the penalty has been levied under Section 271 (1)(a), as it stood at the relevant time and the same reads as under:

*"271. (1) If the Income-tax Officer or the Appellate Assistant Commissioner in the course of any proceedings under this Act, is satisfied that any person*

*(a) has without reasonable cause failed to furnish the return of total income which he was required to furnish under sub-section (1) of Section 139 or by notice given under sub- section (2) of Section 139 or Section 148 or has without reasonable cause failed to furnish it within the time allowed and in the manner required by sub-section (1) of Section 139 or by such notice, as the case may be, or"*

Under this provision, in essence, three situations are contemplated in which penalty can be imposed, i.e., (i) where the assessee has without reasonable cause failed to furnish the return of total income which he was required to furnish under sub-section (1) of Section 139; (ii) or where the assessee has without reasonable cause failed to furnish the return of total income which he was required to furnish by notice given under sub-section (2) of Section 139 or Section 148; and (iii) or where the assessee has without reasonable cause failed to furnish it within the time allowed and in the manner required by sub-section (1) of Section 139.

The following chart would indicate the dates on which the returns were required to be filed, the extended time/date within which they were to be filed and the dates on which they were actually filed.

Year	Date on which the return ought to have been filed	The time was extended to file the return
	Date on which return actually filed	

1959	-60	18.06.1959
14.11.1959		04.02.1961

1960-61		20.06.1960
01.10.1962		30.08.1962

1961-62		30.06.1961	
	31.08.1962	05.10.1962	
1962-63		04.08.1963	
31.08.1962		05.10.1962	
1963-64 appln.		Nil 07.12.1964	No.
1964-65		07.06.1964	
	30.09.1964	18.01.1965	
1965-66 appln.		21.07.1965 21.01.1966	No.

Admittedly, the appellant did not file the return either within the time specified in the statute for doing so or within the extended period of time. The returns were filed beyond the extended period for filing the return. Interest on the amount due and penalty are two different and distinct concepts. Interest is the accretion on the capital whereas the penalty is a punishment imposed on a wrong-doer.

Counsel appearing for the assessee in support of the contention placed reliance on a judgment of this Court in Commissioner of Income Tax, A.P. Vs. M. Chandra Sekhar . In the said case, their Lordships were dealing with return filed under Section 139(1) of the Act whereas in the present case the returns had been filed under Section 139(4). The assessee was absolved of his liability to pay the penalty under provisos to Section 139(1). It was observed:

*"In the instant case, the extension was a matter falling within Sub-section (1) of Section 139, and the returns furnished by the assessee must be attributed to that provision. They were not returns furnished within the contemplation of Sub-section (4) of Section 139. Therefore, the decision, of the Gujarat High Court in Addl. CIT v. Santosh Industries, 1972 Indlaw GUJ 9. of the Karnataka High Court in Nagappa v. ITO, 1974 Indlaw KAR 32 of the Andhra Pradesh High Court in Poorna Biscuit Factory v. CIT, 1971 Indlaw AP 31, of the Orissa High Court in CIT v. Gangaram Chapolia 1975 Indlaw ORI 27 [FB] and of the Allahabad High Court in Metal India Products v. CIT, 1978 Indlaw ALL 297 [FB] cannot be invoked in the instant case. They are cases dealing with a return filed in the circumstances mentioned in Sub-section (4) of Section 139."*

Meaning thereby that cases falling under Section 139(1) and 139(4) have to be dealt with differently. Sub-section (4) of Section 139 of the Act provides for a situation where the returns are not filed by an assessee within the time allowed or within the extended period for filing such returns. In the present case, the returns in question had not been filed either within the time allowed under the Act or within the extended period. The reliance placed on the aforesaid judgment lends no assistance to the appellant as the principle on which the aforesaid decision has been rendered is distinguishable and cannot be applied to the admitted facts in the present case.

In the present case, as mentioned above, the return was filed under sub-section (4) of Section 139 of the Act. The question is whether penalty under Section 271(1)(a) could be levied on a return filed under Section 139(4) fell for consideration before this Court in Pradip Lamps Works Vs. Commissioner of Income Tax, 4 (followed). The question posed in that case was as under:

Question No. 2:

*"Whether, on the facts and the circumstances of the case, the Tribunal was right in holding that notwithstanding that the return of Income had been filed on February 6, 1961, i.e., within the period permissible under Section 139(4) of the Income Tax Act, 1961, the imposition of a penalty was justified as there was a delay for the purpose of section 271(1)(a) of the Income Tax Act, 1961?"*

It was answered in the following terms:

*"So far as the second question is concerned, the only submission is that since the assessee was entitled to and did file his return before making the assessment, no penalty should be levied under Section 271(1)(a), even though the return was filed beyond the prescribed date. We do not think that this contention is sustainable in law. Merely because, sub-section (4) of Section 139 enables the assessee to file his return at any time before the assessment is made, it does not mean that his liability to pay penalty under Section 271(1)(a) is erased. We affirm the opinion of the High Court on this question as well."*

We respectfully follow the law laid down in Pradip Lamps Works's case (supra). There are number of High Courts who have taken the same view.

We hold that the penalty could be levied in the present case under Section 271(1)(a) of the Act.

For the reasons stated hereinabove, we do not find any merit in this appeal and dismiss the same. The impugned judgment of the Division Bench is affirmed. Parties to bear their own costs.