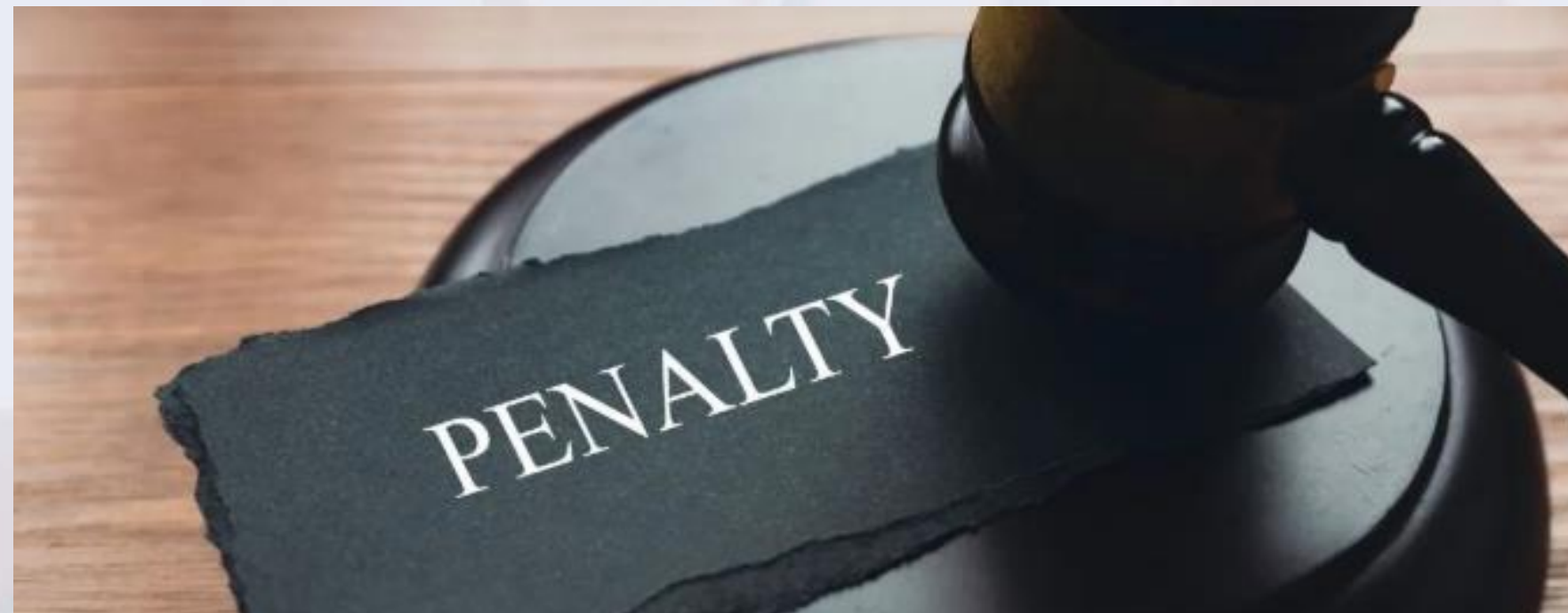


Penalties under the Income Tax Act - An Overview



Presented By:

K Parvathy Ammal

R KRISHNA IYER & CO. | CHARTERED ACCOUNTANTS

6. The income of the assessee is assessed as under:

Returned Income	NIL
<i>Additions (as per para 5.1)</i>	<i>Rs. 3,22,93,096/-</i>
Assessed Income	Rs. 3,22,93,096/-

Demand notice, computation sheet is attached.

Interest u/s.234A,234B,234C of the I.T Act is charged as per the computation sheet attached.

Issued Show cause notices u/s.271(1)(c) ,271(1)(b),271F,271A,271B of the I.T Act.

The order is passed as above u/s. **144 r.w.s.147 r.w.s 144B** of the I.T Act.

In any notice/order or accompanying document issued after 01.04.2021, NeAC (National e- Assessment Centre) is to be read as NaFAC (National Faceless

Principles of penalty

✓

- 1. Relates to Assessment Year**

- 2. Strict interpretation**

A.Initiation of penalty must be by the correct authority

B.Signature should be correct

C.Notice should convey the reason for which the notice is initiated and specify the violation

D.Reasonable opportunity to be heard must be given.

- 3. Satisfaction of penalty should be initiated in the assessment order itself**

- 4. Reasonable cause**

- 5. Penalty not retrospective, unless provided in Act**



Section 439 of Income Tax Act, 2025

(Section 270A - Penalty for underreporting and misreporting)

**PENALTY BY
ASSESSING OFFICER
OR COMMISSIONER
APPEALS OR
COMMISSIONER**

**Penalty for
underreporting
of income**

**What is
underreporting
of income**



What is underreporting of income

When Income computed applying general provisions

Assessed Income	> Income determined under sec.143(1)(a)
Assessed Income	> Maximum amount not chargeable to tax, No return has been filed or return filed for the 1st time in response to the notice u/s.148
Income reassessed	> Income assessed or reassessed immediately before such assessment

What is underreporting of income

When Income computed applying MAT

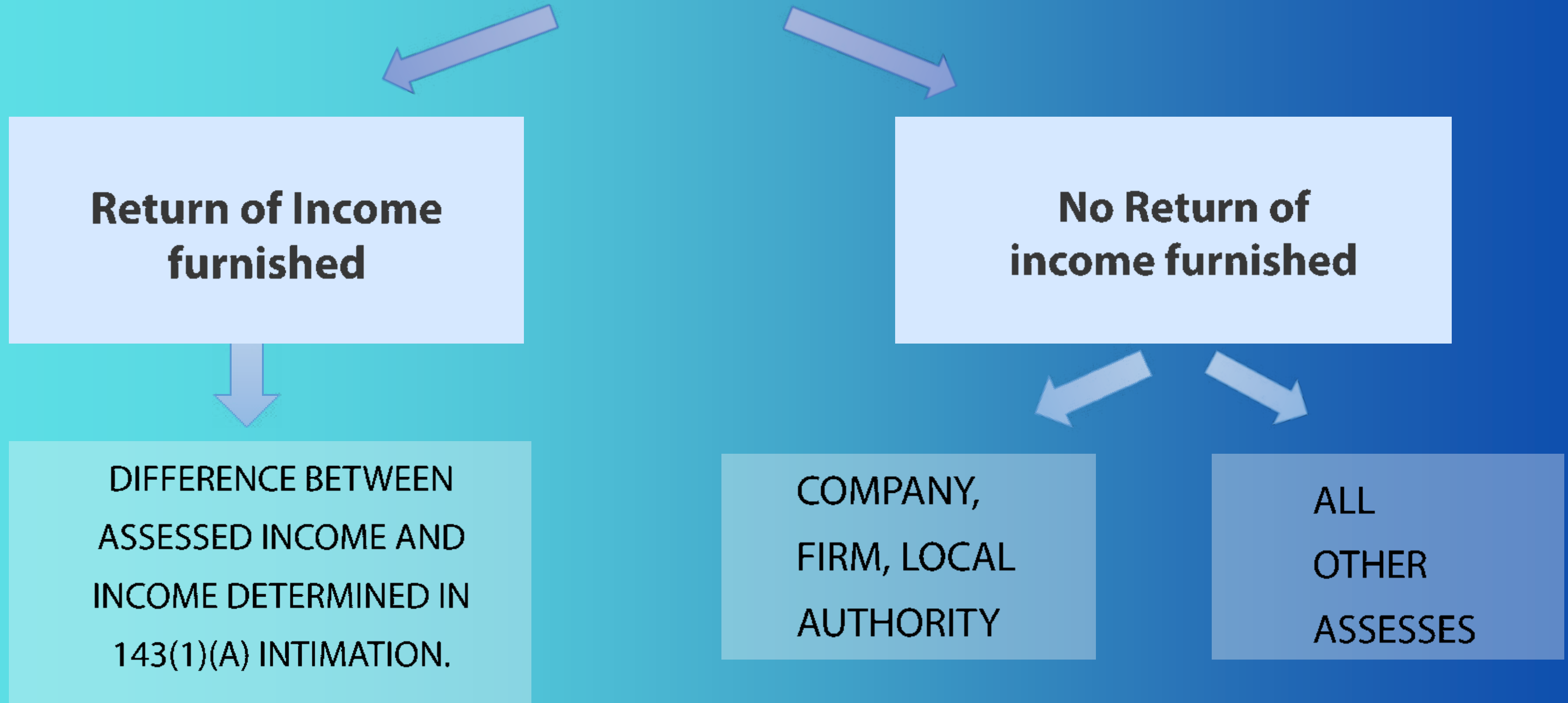
Assessed Income computed applying sec.115JB or 115JC	> Deemed Total Income determined under sec.143(1)(a)
Assessed Income computed applying sec.115JB or 115JC	> Maximum amount not chargeable to tax, No return has been filed or return filed for the 1st time in response to the notice u/s.148
Income reassessed computed applying sec.115JB or 115JC	>Deemed Total Income assessed or reassessed immediately before such assessment

Income assessed or reassessed has the effect of reducing the loss or converting such loss into income.

Quantum of Underreported Income

Computation of income under normal provisions of Act Original Assessment

Original Assessment



Original Assessment

**Return of Income
furnished**

**No Return of
income furnished**

DIFFERENCE
BETWEEN ASSESSED
INCOME AND INCOME
DETERMINED IN
143(1)(A) INTIMATION.

COMPANY, FIRM,
LOCAL AUTHORITY

ALL OTHER ASSESSES

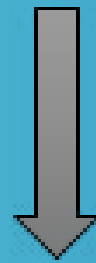
A). ASSESSED INCOME -
30LAKHS
B). INCOME DETERMINED U/S.143(1)(A) -
24LAKHS
INCOME AS PER RETURN -
23LAKHS

(A-B) = 6LAKHS
INCOME AS PER RETURN NOT
CONSIDERED

INCOME ASSESSED

INCOME ASSESSED -
MAXIMUM AMOUNT
NOT CHARGEABLE TO
TAX

Reassessment



AMOUNT REASSESSED OR
RECOMPUTED
(MINUS)
AMOUNT ASSESSED OR REASSESSED OR
RECOMPUTED IN A PRECEDING ORDER

Quantum of Under reported Income- when Income computed applying MAT

Formula to be applied

$$(A-B)+(C-D)$$

WHERE

A= INCOME ASSESSED UNDER NORMAL PROVISIONS

B= TOTAL INCOME THAT WOULD HAVE BEEN CHARGEABLE HAD A ABOVE BEEN REDUCED BY UNDERREPORTED INCOME

C= INCOME ASSESSED APPLYING THE PROVISIONS OF MAT.

D= TOTAL INCOME ASSESSED APPLYING PROVISIONS OF MAT LESS UNDERREPORTED INCOME

PROVIDED WHERE UNDERREPORTED INCOME IS CONSIDERED BOTH UNDER THE GENERAL PROVISIONS AND UNDER MAT, THE AMOUNT OF UNDERREPORTED INCOME SHALL NOT BE REDUCED FROM THE TOTAL INCOME ASSESSED WHILE DETERMINING THE AMOUNT UNDER D

For example-

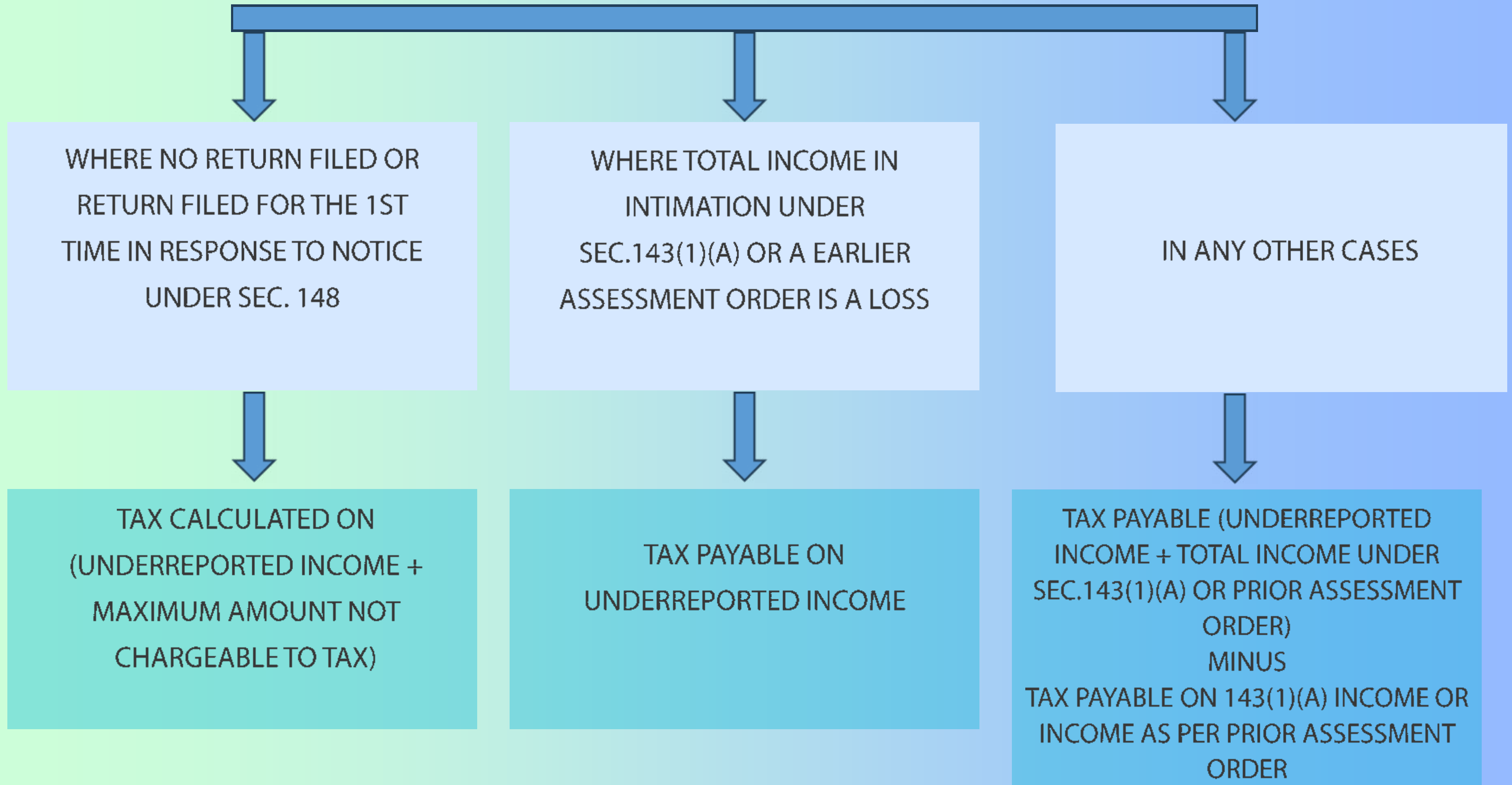
Income determined under 143(1)(a)	Rs. 50,00,000
Income as per MAT	Rs. 60,00,000
Suppression in sales detected during assessment	Rs. 25,00,000
(A) Income assessed under general provisions	Rs. 75,00,000
(B) Total Amount assessed reduced by the Amount of underreported income	Rs. 50,00,000
(C) Income assessed as per MAT	Rs. 85,00,000
(D) Total Income assessed as MAT	Rs. 85,00,000
Underreported Income = (A-B)+(C-D) = (75,00,000-50,00,000)+ (85,00,000-85,00,000) = <u>25,00,000</u>	

UNDERREPORTED INCOME WHERE LOSS IS REDUCED OR LOSS
CONVERTED INTO INCOME

1. LOSS ASSESSED – (LOSS AS PER 143(1)(A) OR PREVIOUS ASSESSMENT ORDER)
2. INCOME ASSESSED – (LOSS AS PER 143(1)(A) OR PREVIOUS ASSESSMENT ORDER)

IT MAYBE NOTED THAT ONCE THERE IS DIFFERENCE BETWEEN
ASSESSED INCOME AND INCOME DETERMINED UNDER SECTION
143(1)(A) THERE IS AUTOMATICALLY AN UNDERREPORTED INCOME

What is tax payable on underreported income



Section 439 (8) &(15)(a) of Income Tax Act, 2025 (Section 270A(6)- The underreported income shall not include)

BONA FIDE EXPLANATION

Estimate basis (correct accounts)

SELF-ESTIMATE DISCLOSED

Arm's Length Price (ALP)

SEARCH CASES

AMOUNT OF PENALTY ON UNDERREPORTED INCOME
50% OF THE TAX PAYABLE ON THE UNDERREPORTED INCOME

AMOUNT OF PENALTY WHERE UNDERREPORTED INCOME IS IN CONSEQUENCE OF MISREPORTING
200% OF THE TAX PAYABLE ON THE UNDERREPORTED INCOME.

What is misreporting of Income

(a)	misrepresentation or suppression of facts;
(b)	failure to record investments in the books of account;
(c)	claim of expenditure not substantiated by any evidence;
(d)	recording of any false entry in the books of account;
(e)	failure to record any receipt in books of account having a bearing on total income; and
(f)	failure to report any international transaction or any transaction deemed to be an international transaction or any specified domestic transaction, to which the provisions of Chapter X apply.

AUTHORITY TO IMPOSE PENALTY

1. ASSESSING AUTHORITY
2. Joint Commissioner Appeals or Commissioner Appeals
3. Principal commissioner or commissioner

Section 440 of Income Tax Act, 2025 (270AA-Immunity from imposition of penalty)

- **Application to A.O**
- Tax and interest payable as per order under sec.143(3) or 147 paid within the time period specified in the notice of demand.
- **No Appeal filed against the above orders.**
- Application is made within 1 month from the end of the month in which the order has been received.
- **The assessing officer shall subject to fulfillment of conditions grant immunity from imposition of penalty under sec. 270A and initiation of proceedings under Sec. 276C or 276CC**
- The assessing authority shall within 3 months from the end of the month in which the application is received pass an order accepting or rejecting the application.
- **No order rejecting shall be passed unless the assessee has been given an opportunity of being heard.**
- The order of the A.O is final.
- **No appeal or revision is admissible against the impugned order once the application has been accepted.**
- Immunity is not available when penalty initiated for misreporting.



**Section 443 of Income Tax Act, 2025
(Sec 271AAC)- Penalty where income
determined includes any Income referred to
in sec.68, 69,69 A, 69B, 69C or 69D for any
previous year**



- 10% of tax payable u/s. 115BBE(1)(i)
- No penalty shall be levied to the extent the income has been included by the assessee in the return of income furnished u/s.139 and tax paid in accordance with Sec.115BBE(1)(i) before the end of the relevant previous year.
- No penalty under sec.270A can be imposed

Section 444 of Income Tax Act, 2025

(Sec 271AAD) – **Penalty for false entry in the books**



If during any proceeding it is found that in the books of accounts maintained by any person there is a

- There is a false entry
- Or an omission of an entry which is relevant for computation of income
- To evade tax liability
- The AO or appellate authority may direct that such person pay by way of penalty a sum equal to the aggregate amount of such false or omitted entry.
- The assessing authority or appellate authority may direct that any other person who causes the person to make a false entry or omission shall pay by way of penalty, a sum equal to the aggregate amount of such false or omitted entry

Section 445 of Income Tax Act, 2025 (Sec 271AAE)- Benefits to related persons



If during any proceedings under this act, it is found that a person being a fund institution, trust, university, educational institution, hospital or other medical institution referred to in 10(23C) or a trust referred to in sec.11 has applied directly or indirectly any property or income for the benefit of any person referred to in sec.13(3), The AO may direct that such person shall pay by way of penalty

- A sum equal to the aggregate amount of income applied directly or indirectly by such person for the benefit of the person referred to in sec.13(3) where the violation is noticed for the 1st time during any previous year and
- A sum equal to 200% of the aggregate amount of income so applied where violation is noticed again in any subsequent year.

Applicability-

- Persons required to maintain books under Section 44AA and relevant Rules.
- Includes notified professions: legal, medical, engineering, accountancy, technical consultancy, interior decoration, company secretary (1992), information technology (2001), authorized representatives, film artists

Penalty Quantum:

- Fixed penalty of ₹25,000.
- Levied by AO / Joint Commissioner (Appeals) / Commissioner (Appeals).

Retention:

- Books specified in Rule 6F.
- Retention period: 6 years (post-2002 amendment).



Section 441 of Income Tax Act-2025

(Penalty u/s 271A - Failure to Maintain Books of Accounts)



Section 62 of Income Tax Act, 2025- (Section 44AA - Who Must Maintain Books)



Professionals (44AA(1)): Mandatory for notified professions (law, medicine, engineering, accountancy, consultancy, film artists, etc.)



Business/Other Professions (44AA(2)):

- Income > ₹1,20,000 OR turnover > ₹10 lakh in preceding 3 years.
- Presumptive schemes (44AE, 44BB, 44BBB, 44AD(4)): books required if income claimed lower than deemed profits.
- Individual/HUF: Net income > ₹2,50,000 OR turnover > ₹25 lakh.



Board is empowered to...



Section Requirements



Category	Thresholds / Conditions	Examples / Notes
Professionals (44AA(1))	Mandatory for notified professions (no income/turnover threshold).	Law, medicine, engineering, accountancy, consultancy, interior decoration, company secretary (1992), IT (2001), authorized representatives, film artists.
Business / Other Professions (44AA(2))	Income > ₹1,20,000 OR turnover > ₹10 lakh in any of last 3 years. Individual/HUF: Net income > ₹2,50,000 OR turnover > ₹25 lakh.	Presumptive schemes (44AE, 44BB, 44BBB, 44AD(4)): books required if income claimed lower than deemed profits.



Implication in Form 3CD- Clause 11

- 11.** (a) Whether books of account are prescribed under section 44AA, if yes, list of books so prescribed.
- (b) List of books of account maintained and the address at which the books of account are kept.
(In case books of account are maintained in a computer system, mention the books of account generated by such computer system. If the books of account are not kept at one location, please furnish the addresses of locations along with the details of books of account maintained at each location.)
- (c) List of books of account and nature of relevant documents examined.



Section 442 of Income Tax Act, 2025- (Penalty u/s 271AA)

Applicability:

- International transactions or specified domestic transactions.

Defaults Covered:

- a. Failure to keep & maintain documents u/s 92D(1)/(2).
 - b. Failure to report transactions.
 - c. Furnishing incorrect information/documents.
- Additional Penalty:
Failure to furnish info u/s 92D(4): ₹50,000.
 - **Penalty Quantum:**
 - 2% of value of each international/specified domestic transaction.
 - **Authority:**
Assessing Officer / Commissioner (Appeals).



Section 448 of Income Tax Act, 2025 (271C- Penalty for failure to deduct tax)

Applies when a person fails to:

- Deduct whole/part of tax under Chapter XVII-B.
 - Pay/ensure payment of tax under Section 115-O.
 - Pay/ensure payment of tax as required under provisos to Sections 194B, 194R(1), 194S(1), 194BA(2).
- Quantum:** Equal to the amount of tax not deducted/paid.
 - Authority:** Penalty imposed by Joint Commissioner.

PROVIDED THAT ANY PENALTY UNDER SUB SECTION (1) 1ST DAY OF AFTER 1.4.2025 SHALL BE IMPOSED BY THE ASSESSING OFFICER.



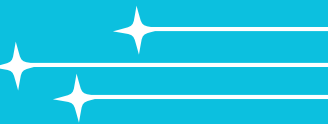


Penalty for failure to deduct tax- Case laws

- **2023 (4) TMI 418 - Supreme Court- M/s US Technologies International Pvt. Ltd. Versus the Commissioner of Income Tax**
- **2025 TMI 1673 - ITAT AHMEDABAD- Grindly Gases & Petrochemicals P. Ltd. Versus The JCIT, TDS Range Vadodara**
- **2025 (7) TMI 1591 - ITAT DELHI- Infotech Digital BPS Limited, (formerly known as 3i Infotech BPO Ltd.) Versus Addl. CIT 25 (1), Delhi**

Section 449 of Income Tax Act, 2025 (271CA- Penalty for failure to collect tax at source)

If any person fails to collect the whole or any part of the tax as required by or under the provisions of Chapter XVIIBB then such person should be liable by way of penalty a sum equal to amount of tax such person fail to collect aforesaid, any penalty shall be imposed by the Joint Commissioner and in respect of after 01.04.2025 penalty should be imposed by the Assessing Officer.



Penalty for failure to collect tax at source- Case laws

- **2018 (5) TMI 1252 - ITAT NAGPUR- Income Tax Officer (TDS) Ward-2 (1), Nagpur Versus M/s. Ramani Timbers Mart Prop: Shri Panchan Premji Patel Lakadganj**
- **2016 (6) TMI 888 - ITAT CHANDIGARH- The Income Tax Officer (TDS) Versus Sh. Ashotosh Tandon Prop M/s Tandon Enterprises And Vice-Versa**



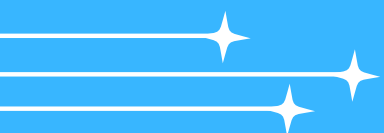
Implication in Form 3CD- Clause 34 (a)

34. (a) Whether the assessee is required to deduct or collect tax as per the provisions of Chapter XVII-E Chapter XVII-BB, if yes please furnish:

Tax deduction and collection Account Number (TAN)	Section	Nature of payment	Total amount of payment or receipt of the nature specified in column (3)	Total amount on which tax was required to be deducted or collected out of (4)	Total amount on which tax was deducted or collected at specified rate out of (5)	Amount of tax deducted or collected out of (6)	Total amount on which tax was deducted or collected at less than specified rate out of (7)	Amount of tax deducted or collected on (8)	Amount of tax deducted or collected not deposited to the credit of the Central Government out of (6) and (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

Section 450 Vs 451 of Income Tax Act, 2025 (Section 269SS vs 269ST of 1961 Act)

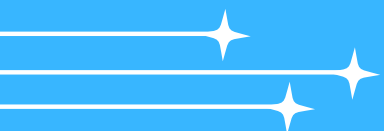
Provision	Default	Penalty Quantum	Authority	Special Note
Section 269SS/ 271D	Taking/accepting loan, deposit, or specified sum in contravention of 269SS	Equal to the amount of loan/deposit/specified sum	Joint Commissioner (before 01.04.2025) Assessing Officer (on/after 01.04.2025)	
Section 269ST / 271DA	Receiving any sum in contravention of 269ST	Equal to the amount of such receipt	Joint Commissioner (before 01.04.2025) Assessing Officer (on/after 01.04.2025)	No penalty if assessee proves good & sufficient reasons for contravention



Section 269SS vs 269ST- case laws

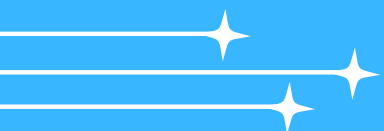


Joint Commissioner of Income Tax & Anr. Versus Grandhi Sri Venkata Amarendra	2026 (2) TMI 379 - SC Order
The Principal Commissioner of Income Tax 1 Versus Parivar Television Pvt. Ltd	2025 (10) TMI 480 - SC Order
Ramkumar Reddy Satty, Hyderabad Versus Asst. Commissioner of Income Tax, Central Circle-1 (2), Hyderabad	2024 (3) TMI 948 - ITAT HYDERABAD



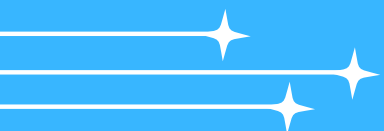
Section 269SS - Implication in Form 3CD- clause 31 (a) and (b)

- ¹¹[31. (a) Particulars of each loan or deposit in an amount exceeding the limit specified in section 269SS taken or accepted during the previous year :—
- (i) name, address and ¹²[Permanent Account Number or Aadhaar Number] (if available with the assessee) of the lender or depositor;
 - ^{11a}[(ii) *Amount of each loan or deposit taken or accepted and code of the nature of such amount, as given in Note 1; [Dropdown to be provided];*]
 - (iii) whether the loan or deposit was squared up during the previous year;
 - (iv) maximum amount outstanding in the account at any time during the previous year;
 - (v) whether the loan or deposit was taken or accepted by cheque or bank draft or use of electronic clearing system through a bank account;
 - (vi) in case the loan or deposit was taken or accepted by cheque or bank draft, whether the same was taken or accepted by an account payee cheque or an account payee bank draft.
- (b) Particulars of each specified sum in an amount exceeding the limit specified in section 269SS taken or accepted during the previous year:—



Section 269ST - Implication in Form 3CD- clause 31 (ba), (bb), (bc) and (bd)

- ¹⁴(ba) Particulars of each receipt in an amount exceeding the limit specified in section 269ST, in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion from a person, during the previous year, where such receipt is otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account:—
- (i) Name, address and ¹³[Permanent Account Number or Aadhaar Number] (if available with the assessee) of the payer;
 - (ii) Nature of transaction;
 - (iii) Amount of receipt (in Rs.);
 - (iv) Date of receipt;
- (bb) Particulars of each receipt in an amount exceeding the limit specified in section 269ST, in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion from a person, received by a cheque or bank draft, not being an account payee cheque or an account payee bank draft, during the previous year:—
- (i) Name, address and ¹³[Permanent Account Number or Aadhaar Number] (if available with the assessee) of the payer;
 - (ii) Amount of receipt (in Rs.);
- (bc) Particulars of each payment made in an amount exceeding the limit specified in section 269ST, in aggregate to a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion to a person, otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account during the previous year:—



Section 452 of Income Tax Act, 2025 (271DB- Provisions failure to comply with the provisions of section 269SU)



If a person is required to provide facility for accepting payment through prescribed electronic mode of payment referred to in section 269SU fails to provide such facility he shall be liable to pay by way of penalty a sum of Rs,5000/- for every day during the penalty continues. Any penalty shall be imposed by the Joint Commissioner and after 1.4.2025 by the A.O.

Section 453 of Income Tax Act, 2025

(271E- If a person fails to repay any loan or deposit was specified advance referred to in section 269T)

Otherwise than in accordance with the provision of that section he shall be liable by way of penalty a sum equal to the amount of loan or deposit as specified the sum so repaid any penalty should be imposed by the Joint Commissioner or after 1.4.2025 by the A.O.

- **2016 (8) TMI 1044 - SC Order- Commr. of Income Tax, Bikaner Versus Hissaria Brothers, Hanumangarh JN**
- **2015 (11) TMI 1453 - Supreme Court- Commissioner of Income Tax, Panchkula Versus M/s Jai Laxmi Rice Mills**



Section 454 of Income Tax Act, 2025 (Section 271FA):

Penalty for Failure to Furnish Statement of Financial Transactions / Reportable Account

If a person required u/s 285BA(1) fails to furnish the statement within time u/s 285BA(2) → Penalty of ₹500 per day of default

(Post-Notice u/s 285BA(5))- If failure continues after notice → Penalty of ₹1,000 per day from expiry of date in notice till filing

Compliance Details (Rule 114E):

- Statement to be filed in Form 61A.
- Due date: 31st May of relevant year.
- Filed with Director of Income Tax (INCI) or Joint Commissioner.
- Rule 114E(5)(a): requires reporting of interest, dividend, securities, etc

Specified Activity (Sec. 285BA)

- Producers of cinematographic films or persons engaged in specified activities must furnish statements.
- Clarification: "Cinematographic film" includes TV documentaries and specified activities.



Section 455 of Income Tax Act, 2025 (Section 271FAA):

Penalty for furnishing inaccurate statement of financial transaction or reportable account

If a person provides inaccurate information in form 61A or fails to furnish correct information within the time specified under section 285BA (6) or fails to comply with duly diligence requirement under section 285BA (7)- A Penalty of Rs. 50,000 may be directed to be paid

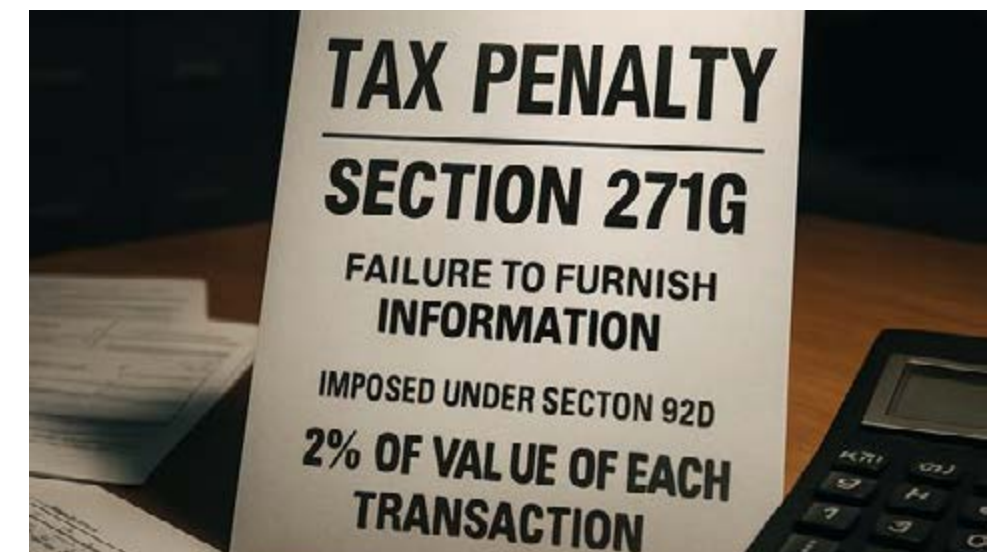


Section 457 of Income Tax Act, 2025 (Section 271G - Penalty for Failure to Furnish Information (Sec. 92D))

Applies to persons entering into international transactions or specified domestic transactions.

If such person fails to furnish information/documents required u/s 92D(3):

- AO, CIT(A), or GPO may impose penalty.
- Penalty = 2% of the value of each international or SDT transaction for each failure.



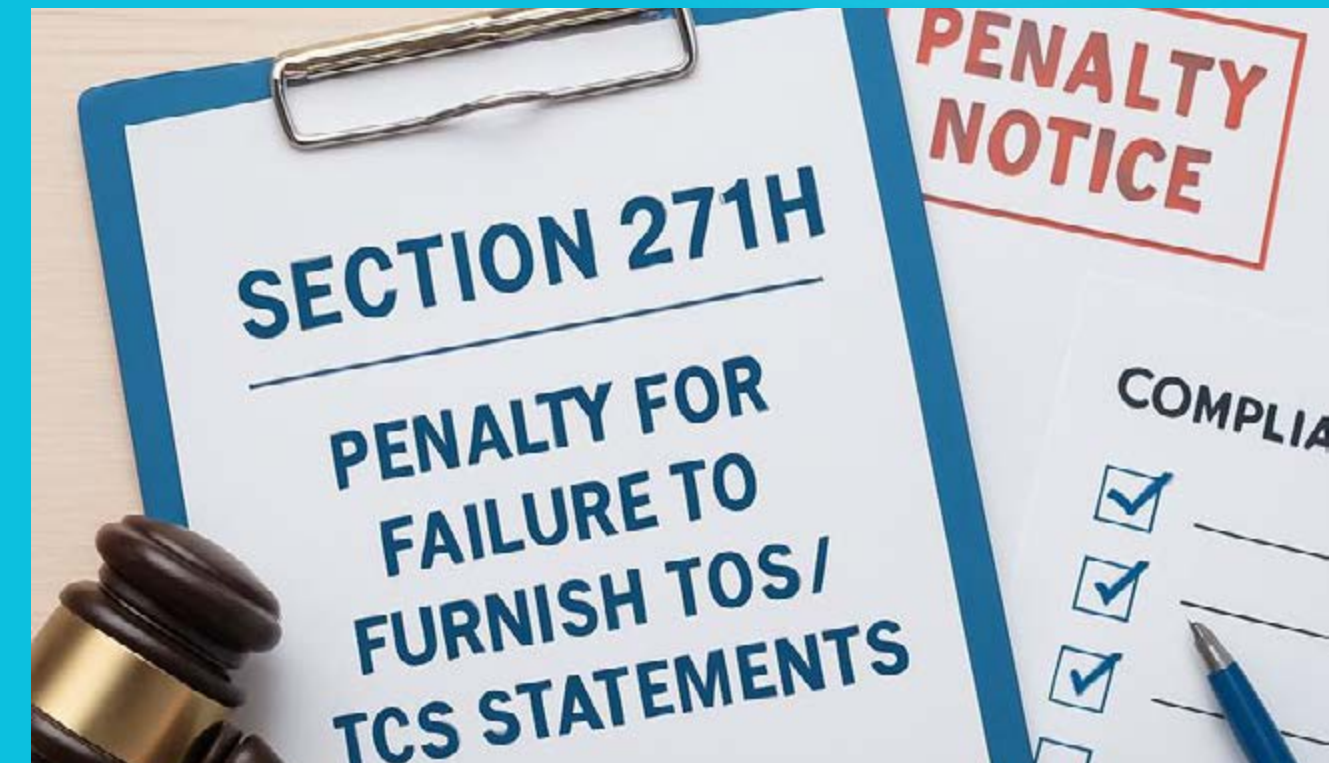
Section 461 of Income Tax Act, 2025 (Section 271H - Penalty for Failure to Furnish TDS/TCS Statements)

- **AO may impose penalty if a person:**
 - (a) **Fails to deliver statements within time prescribed u/s 200(3) or proviso to 206C(3).**
 - (b) **Furnishes inaccurate particulars in such statements.**

Penalty range: Minimum ₹10,000 → Maximum ₹1,00,000.

Relief provision: No penalty if TDS/TCS is paid with interest and fee within 1 month from due date.

Applicable for defaults after 1 July 2012.



Section 462 of Income Tax Act, 2025 (Section 271-I - Penalty for failure to furnish information or furnishing inaccurate information under section 195)

If a person who is required to furnish information under section 195 (6) fails to furnish such information or furnishes inaccurate information, the assessing officer may direct that such person shall pay by way of penalty a sum of Rs. 1,00,000/-



1

Section 463 of Income Tax Act, 2025 (Section 271J - Incorrect Information in Reports/Certificates)

2

Section 462 of Income Tax Act, 2025 (Section 271K - Failure by Research/Charitable Institutions)

Section 465 of Income Tax Act, 2025 (Section 272A – Penalty for Failure to Comply with Notices, Statements, Returns, Inspections)

272A(1): General Failures (₹10,000 per default)

- (a) Refusal to state truth when legally bound.
- (b) Refusal to sign statements.
- (c) Failure to attend summons u/s 139(1).
- (d) Non-compliance with notices u/s 142(1), 143(2), or direction u/s 142(2A)



Section 465 of Income Tax Act, 2025

(Section 272A – Penalty for Failure to Comply with Notices, Statements, Returns, Inspections)

272A(2): Specific Failures (₹10,000 per default unless otherwise stated)

- (a) Non-compliance with notice u/s 94(6) (securities ownership/interest).
- (b) Failure to notify discontinuance of business/profession u/s 176(3).
- (c) Failure to furnish statements/returns u/s 133, 206C, 285B.
- (d) Refusal to allow inspection/copies of registers u/s 134.
- (e) Failure to furnish trust/institution returns u/s 139(4A)/(4C).
- (f) Failure to deliver declaration u/s 197A (lower deduction certificate).
- (g) Failure to furnish certificate u/s 206(3)/206C.
- (h) Failure to deduct/pay tax u/s 226(2) (employer directed to recover arrears).
- (i) Failure to furnish statement u/s 192(2C).
- (j) Failure to deliver declaration u/s 206C(1A).
- (m) Delivering statement u/s 200(2A)/206C(3A) without payment of TDS/TCS
→ Penalty ₹500 (limited to tax deductible/collectible).

Authority to Impose Penalty:

- Proceedings must be initiated by authority not below Joint Commissioner/Joint Director.
- For 272A(1)(d): penalty by concerned IT authority.
- For 272A(2)(f): penalty by Principal Chief Commissioner / Principal Commissioner / Commissioner; otherwise by Joint Director / Commissioner.

2025 (4) TMI 1697 - ITAT COCHIN- Jomon John
Versus NFAC Delhi

Section 467 and 471 of Income Tax Act, 2025

Section 272B (general failure)

- If a person fails to comply with Sec. 139A → AO may impose penalty of ₹10,000.
- Rule 114C prescribes persons entering into transactions where PAN/Aadhaar must be quoted.

2014 (2) TMI 866 - DELHI HIGH COURT- COMMISSIONER OF INCOME TAX- TDS Versus DHTC LOGISTICS LTD.

Section 272B (2A) (failure to quote/authenticate)

- If a person required to quote or authenticate PAN/Aadhaar in documents under Sec. 139(6A) fails → penalty of ₹10,000 per default.
- Sec. 139(6A): covers prescribed transactions under Rule 114C.

Section 272B(2B) (failure to ensure correct quoting/ authentication)

- If a person fails to ensure PAN/Aadhaar is correctly quoted/authenticated in transactions under Sec. 139(5C) or 139(6A) → penalty of ₹10,000 per default.
- Assessee must be given opportunity of being heard before penalty.

Section 468 of Income Tax Act, 2025 Section (272BB – Penalty for Non-Compliance with Sec. 203A)



If a person fails to comply with Sec. 203A → Penalty of ₹10,000 by order of AO.

01

Every person deducting/collecting tax must apply for TDS/TCS number within prescribed time (Rule 114A(3)).

02

Once allotted, the number must be quoted:

- (a) In all challans for tax payment (Sec. 200 / 206C(3)).**
- (b) In all certificates issued (Sec. 203 / 206C(5)).**
- (ba) In all statements filed (Sec. 200(3) / 206C(3)).**
- (c) In all returns (Sec. 200 / 206C(5A)/(5B)).**
- (d) In other prescribed documents**

Sec. 272BB(1)(a):

- If a person quotes a false TAN/TCS number (knowing or believing it to be false), penalty of ₹10,000 may be imposed.**



Footer Note:

Sec. 272BB(1)(a) & 272BBB are now redundant due to merger of TDS/TCS numbers

Section 469 of Income Tax Act, 2025 (Section 273A: Power to Waive/Reduce Penalty)

Commissioner may reduce/waive penalty under Sec. 270A
or 271(1)(3) if:

- Disclosure made voluntarily & in good faith.
- Disclosure made before detection by AO.
- Assessee made full & complete disclosure.
- Assessee co-operated in enquiry.



Section 273B:

Penalty shall not be imposed if assessee proves that the failure was due to reasonable cause.

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Section 471 of Income Tax Act, 2025 (Section 274: Procedure)

No penalty order unless assessee has been heard or given reasonable opportunity.

Authority limits:

- ITO → cannot impose penalty > ₹10,000.
- AC/DC → cannot impose penalty > ₹20,000 without JC approval.

Sec. 274(2A, 2B, 2C):

- Provides for Faceless Penalty.
- Copy of penalty order must be given to AO if imposed by another authority.



Section 472 of Income Tax Act, 2025 (Section 275 - Bar of limitation for imposing penalty)



No penalty order under Chapter XXI can be passed after 6 months from the end of the quarter in which the relevant proceeding, appeal, or revision concludes.

- Completion of assessment proceedings (if no appeal filed).
- Order of revision u/s 263 or 264.
- Receipt of appellate order u/s 246/246A or u/s 253.
- Notice for penalty issued in other cases.

Revision of Penalty Orders (Sec. 275(2) and 275 (3)):

- Penalty orders (imposing, enhancing, reducing, cancelling, dropping) may be revised if assessment is revised by appeal/revision (u/s 246, 246A, 253, 260A, 261, 263, 264).
- Assessee must be given reasonable opportunity of being heard.
- Same 6-month limitation applies from receipt of appellate/revision order.



Approval Hierarchy (Sec. 275(4)):

- ITO → cannot impose if penalty > ₹10,000.
- AC/DC → cannot impose if penalty > ₹20,000.
- JC approval required beyond these limits

Exclusions in Limitation (Sec. 275(5)):

- Time taken for rehearing under Sec.129 (change of incumbent).
- Period of stay granted by Court (till order vacated).
- Limitation clock pauses during these periods.
- If further appeal lies before High Court/Supreme Court, limitation does not apply until stay is obtained.

CASE LAWS

1. Kerala Oil Mills Versus Commissioner of Income-Tax, Kerala- 121 ITR 254 (Kerala High court)
1. Saraf Trading Corporation Versus Commissioner Of Income-Tax, Kerala 123 ITR 159 (Kerala High court)
1. M/s R.B. Shreeram Durgaprasad Versus The Commissioner of Income Tax- 2015 (12) TMI 569
1. Commissioner Of Income-Tax, Patiala II Versus Sadhu R- 127 ITR 517
1. Commissioner of Income Tax, Panchkula Versus M/s Jai Laxmi Rice Mills- 379 ITR 521 (SC)



**Any
Questions?**






Thank you for your time and attention. I hope this session has helped clarify the complexities of penalties under the Income Tax Act. Your engagement makes these discussions meaningful, and I look forward to continuing our journey of learning together.

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Thank You