

आयकर अपीलीय न्यायाधिकरण में, हैदराबाद 'बी' बेंच, हैदराबाद  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**Hyderabad "B" Bench, Hyderabad**

श्री मंजूनाथ जी, माननीय लेखा सदस्य एवं श्री रवीश सूद, माननीय न्यायिक सदस्य  
**SHRI G. MANJUNATHA, HON'BLE ACCOUNTANT MEMBER**  
**AND**  
**SHRI RAVISH SOOD, HON'BLE JUDICIAL MEMBER**

आयकर अपील सं./I.T.A.No.798/Hyd/2025  
(निर्धारण वर्ष/ Assessment Year: 2017-18)

Hari Krishna Leela Prasad Paladugu, R/o.Hyderabad.  PAN : AGXPP9115C <b>(अपीलार्थी/ Appellant)</b>	Vs.	The Income Tax Officer, Ward-6(1), Hyderabad.  <b>(प्रत्यर्थी/ Respondent)</b>
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करदाता का प्रतिनिधित्व/ Assessee Represented by	:	Shri C. Maheshwar Reddy, C.A.
राजस्व का प्रतिनिधित्व/ Department Represented by	:	Dr. Sachin Kumar, Sr.AR
सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing	:	12.11.2025
घोषणा की तारीख/ Date of Pronouncement	:	10.12.2025

**ORDER**

**PER MANJUNATHA G., A.M :**

This appeal filed by the assessee is directed against the order of the learned Commissioner of Income Tax (Appeals), National

Faceless Appeal Centre [in short “NFAC”], Delhi, dated 05.03.2025 relating to the assessment year 2017-18.

2. The brief facts of the case are that, the assessee is an individual and the proprietor of M/s. Leela Homes, engaged in contract works. The assessee has filed the return of income for the A.Y. 2017-18 on 02.11.2017 by declaring total income of Rs.10,79,200/-. The return of income filed by the assessee has been accepted under Section 143(1) of the Income Tax Act, 1961, and there was no scrutiny assessment under Section 143(3) of the Act. Subsequently, the A.O., the Joint Commissioner of Income Tax, Range-6, Hyderabad, initiated penalty proceedings under Section 271D of the Income Tax Act, 1961, and a Show Cause notice under Section 274 r.w.s. 271D of the Act, was issued on 26.08.2019 and called upon the assessee to explain as to why penalty shall not be levied for contraventions of provisions of section 269SS of the Income Tax Act, 1961 for accepting sale consideration of Rs.15,78,000/- in cash. In response, the assessee, vide letter dated 12.09.2019, submitted that, the assessee had received consideration of Rs.15,78,000/- in cash for sale of property, and the same has been received in the presence

of witnesses at the time of registration of the property and, said transaction cannot fall within the ambit of loan or deposit or “Specified sum” as defined under Section 269SS of the Income Tax Act, 1961, and consequently, penalty under Section 271D of the Act, cannot be levied. The assessee also relied upon certain judicial precedents, including the decision of the Hon’ble Apex Court in the case of Assistant Director of Income Tax Vs. Kumar A.B. Shanti (255 ITR 258) and the decision of the Hon’ble Gujarat High Court in the case of CIT Vs. Bombay Conductors and Electricals Ltd. (301 ITR 328).

3. The A.O., after considering the submissions of the assessee and also taking note of the fact that, the assessee has violated provisions of Section 269SS of the Act, and more particularly, the amended provisions of the Act with effect from 01.06.2015, observed that, the contention of the assessee that, the subsequent payments date back to the obligation or commitment on the part of the vendee, when the initial payment has been received way back to 15.05.2015, is untenable and devoid of any merit. The provisions of Section 269SS were amended by introducing ‘specified sum’ clause w.e.f. 01.06.2015. Hence any transaction

which falls within the ambit of “Specified Sum” and took place on or after 01.06.2015 should invariably meet the requirements of the provisions of Section 269SS of the Act. Further, as per the definition of “Specified sum” any sum of money receivable, whether as advance or otherwise, in relation to transfer of immovable property, whether or not the transfer takes place comes under violation of provisions of Section 269SS of the Act. In the present case, the balance amount of Rs.15,78,000/-, which was received after the initial payment of Rs.15,00,000/- is clearly within the scope of the amended provisions of Section 269SS of the Act, and consequently, the explanation of the assessee with regard to non-application of Section 271D of the Act, is devoid of merit. Therefore, the A.O. rejected the explanation of the assessee and levied penalty of Rs.15,78,000/- under Section 271D of the Income Tax Act, 1961.

4. Aggrieved by the penalty order, the assessee preferred an appeal before the Ld. CIT(A).

5. Before the Ld. CIT(A), the assessee reiterated his arguments made before the A.O. and claimed that, the assessee had entered into an agreement for sale of property and received an initial

amount of Rs.15,00,000/- on 15.05.2015. On the date of agreement, it was the commitment for payment of balance consideration in cash at the time of registration. Accordingly, received cash from the purchaser as agreed between the parties and the same has been received before the witness at the time of registration of property and therefore, the same cannot be considered as a “specified sum” as referred to under Section 269SS of the Act, so as to levy penalty under Section 271D of the Income Tax Act, 1961.

6. The Ld. CIT(A), after considering the relevant submissions of the assessee and also taking note of the reasons given by the A.O. for levy of penalty, observed that, as per the amended provisions of Section 269SS, by insertion of the term “specified sum” with effect from 01.06.2015, any sum means any sum of money receivable, whether as advance or otherwise, in relation to the transfer of immovable property, whether or not the transfer takes place, attracts the provisions of Section 269SS of the Act, which warrants penalty under Section 271D of the Act. In the present case, the assessee has received cash on 11.04.2016 for sale of immovable property for a sum of Rs.15,78,000/-, which falls

under the definition of “specified sum” and therefore, there is no error in the reasons given by the A.O. to levy penalty under Section 271D of the Act. Thus, the Ld. CIT(A) rejected the explanation of the assessee and sustained the penalty levied by the A.O.

7. Aggrieved by the order of Ld. CIT(A), the assessee is now in appeal before the Tribunal.

8. The learned counsel for the assessee Shri C. Maheshwar Reddy, C.A. referring to the additional grounds of appeal filed by the assessee, submitted that, the assessee has taken a legal ground challenging the validity of the order passed by the A.O. imposing penalty under Section 271D of the Act, without any satisfaction as required to be recorded by the A.O. before initiation of penalty proceedings and the said grounds are legal grounds which can be raised at any stage, including pending proceedings before the Tribunal and therefore, pleaded that, in view of the decision of the Hon’ble Supreme Court in the case of NTPC Ltd Vs. CIT 229 ITR 383, the additional grounds filed by the assessee may be admitted for adjudication, for which the Ld. DR has not raised any objection. Therefore, considering the legality of the issue

involved in the additional grounds filed by the assessee, the same are admitted for adjudication.

9. The learned counsel for the assessee further submitted that, the order passed by the A.O. imposing penalty under Section 271D of the Act is invalid, because the A.O. has not satisfied the conditions precedent for initiation of penalty proceedings under Section 271D, which is evident from the fact that, in the present case, there was no regular assessment proceedings under Section 143(3) or reassessment proceedings under Section 147 of the Act, and in the absence of any assessment proceedings, the question of initiation of penalty proceedings under Section 271D of the Act does not arise. Since there was no satisfaction recorded by the A.O. as required under the law, the consequent order passed by the A.O. imposing penalty under Section 271D of the Act, cannot be sustained. Therefore, he submitted that, the penalty levied by the A.O. should be deleted. In this regard, he relied upon the decision of Hon'ble Supreme Court in the case of CIT Vs. Jai Lakshmi Rice Mills (379 ITR 521) and also the decision of the Hon'ble High Court of Telangana in the case of Srinivasa Reddy Reddappagari Vs. Joint Commissioner of Income Tax [2023] 332

CTR 614 (Telangana). The assessee also relied upon the decision of the ITAT, Indore Bench, in the case of Sri Umakant Sharma v. JCIT in TA Nos. 364 to 366/Ind/2022.

10. The learned counsel for the assessee on the issue of levy of penalty under Section 271D of the Act, further submitted that, the assessee has received balance consideration of Rs.15,78,000/- in terms of a contractual agreement with the buyer, as per the agreement dated 15.05.2015, which is much before the date of amendment to Section 269SS of the Act i.e., by insertion of the definition of “specified sum” which includes any sum received for transfer of any immovable property, whether or not the registration takes place and therefore, invoking the said provisions for the genuine transactions between the parties, is contrary to the law. Therefore, he submitted that, the penalty levied by the A.O. should be deleted on merits. In this regard, he relied upon the decision of ITAT Hyderabad Bench in the case of Ramkumar Reddy Satty Vs. JCIT in ITA No.488/Hyd/2023 and also the decision of ITAT Chennai Bench in the case of the ITO Vs. Sri R. Dinagharan (HUF) in ITA No. 3329/Chny/2019.

11. The Learned Senior A.R. for the Revenue, Dr. Sachin Kumar, on the other hand, supporting the order of the Ld. CIT(A), submitted that, on a plain reading of Section 271D of the Act, there is no requirement of any proceedings under the Act for initiation of penalty proceedings and further, there is no requirement of any satisfaction from the A.O. because, the authority initiating and imposing the penalty are different from the A.O. Therefore, the requirement of satisfaction from the A.O. before initiation of penalty proceedings is contrary to the law and cannot be accepted. In this regard, he relied upon the decision of the Hon'ble High Court of Kerala in the case of Grihalakshmi Vision Vs. ACIT [2015] 379 ITR 100 (Kerala).

12. We have heard both parties, perused the material available on record, and had gone through the orders of the authorities below. We have also carefully considered the relevant case laws relied upon by both parties in support of their contentions. The learned counsel for the assessee and the learned Senior A.R. for the Revenue have argued the issue on the legal ground raised by the assessee as well as on the merits of the case. Therefore, we first

advert to the issue on merits in respect of the levy of penalty under Section 271D of the Income Tax Act, 1961.

13. Admittedly, there is no dispute with regard to the fact that, the assessee has received a sum of Rs.15,78,000/- in cash towards sale of immovable property. The A.O. levied penalty under Section 271D of the Act, for contravention of the provisions of Section 269SS of the Act, and more particularly on the issue of amended provisions of Section 269SS, w.e.f. 01.06.2015, by insertion of the definition of “specified sum” and observed that, the term “specified sum” referred to under Section 269SS of the Act, includes any sum of money receivable, whether as advance or otherwise, in relation to the transfer of any immovable property, whether or not the transfer takes place. Since the assessee has received consideration in cash for transfer of immovable property, the A.O. invoked the provisions of Section 269SS of the Act, and levied penalty under Section 271D of the Act, for an amount of Rs.15,78,000/-, which is equal to an amount of consideration received for transfer of property. It was the argument of the counsel for the assessee that the assessee had entered into an agreement for sale of property and also received sum of

Rs.15,00,000/- as advance on 15.05.2015 and by the relevant time, the provisions stood as per Section 269SS of the Act are not attracted to consideration received for sale of property. Further, the assessee was under the bonafide belief that since the transactions involving sale of property are not coming within the ambit of Section 269SS of the Act, the assessee has agreed to accept the remaining amount of consideration for sale of property in cash. Therefore, there is a reasonable cause for the assessee to accept the cash consideration for sale of property, and the case of the assessee falls within the ambit of Section 273B of the Income-tax Act, 1961.

14. We have given our thoughtful consideration to the reasons given by the A.O. to impose penalty u/s 271D of the Act in light of various arguments of the assessee and we ourselves do not subscribe to the reasons given by the A.O. for the simple reason that, the assessee had entered into agreement for sale of property and had also received Rs.15,00,000/- before the amendment came to provisions of Section 269SS of the Act, by insertion of 'specified sum' which includes any amount received towards sale of property whether the transactions takes place or not. In the present case,

there is no dispute with regard to the fact that, the assessee had entered into an agreement for sale of property on 15.05.2015 and also received a sum of Rs.15,00,000/- advance in cash and finally executed the sale deed in favour of the purchaser on 11.04.2016 and received the balance consideration of Rs.15,78,000/- in cash in the presence of witnesses at the time of registration of the property before the Sub-Registrar. The assessee has also declared the sale consideration and paid the relevant taxes in the return of income filed for the relevant assessment year. Since the assessee has received the consideration in cash as per the contractual agreement entered into with the purchaser, and the said agreement was executed prior to the amendment to Section 269SS of the Act with effect from 01.06.2015, in our considered view, there exists a reasonable cause for the assessee for accepting the consideration in cash. Therefore, the case of the assessee falls under the provisions of Section 273B of the Income Tax Act, 1961. Therefore, in our considered view, the A.O. has erred in levying penalty under Section 271D of the Act for contravention of the provisions of Section 269SS of the Act.

15. Insofar as the legal ground taken by the assessee by way of additional grounds of appeal and the arguments of learned counsel for the assessee and the counter-arguments of the Ld. Senior A.R. for the Revenue, in our considered view, although both parties have argued the issue extensively in light of the relevant case laws, including the decision of the Hon'ble Supreme Court in the case of CIT Vs. Jai Lakshmi Rice Mills (supra) and also the decision of the Hon'ble High Court of Kerala in the case of Grihalakshmi Vision Vs. ACIT (supra), but in our considered view, since we have allowed relief to the assessee on merit and deleted the penalty levied under Section 271D of the Act, the legal ground taken by the assessee challenging the validity of the order passed by the A.O. under Section 271D of the Act, becomes academic in nature and thus, the additional grounds filed by the assessee are dismissed as 'infructuous'.

16. In the result, the appeal filed by the assessee is allowed.

Order pronounced in the Open Court on 10<sup>th</sup> December, 2025.

<b>Sd/-</b> (श्री रवीश सूद) <b>(RAVISH SOOD)</b> न्यायिक सदस्य/JUDICIAL MEMBER	<b>Sd/-</b> (मंजूनाथ जी) <b>(MANJUNATHA G.)</b> लेखा सदस्य/ACCOUNTANT MEMBER
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Hyderabad, dated 10.12.2025.  
*TYNM/sps*

आदेशकी प्रतिलिपि अग्रेषित/ Copy of the order forwarded to:-

1.	निर्धारिती/The Assessee	:	Hari Krishna Leela Prasad Paladugu, C/o. B. Narsing Rao & Co., LLP, Plot No.554, Road No.92, MLA Colony, Jubilee Hills – 500096, Hyderabad.
2.	राजस्व/ The Revenue	:	The Income Tax Officer, Ward – 6(1), Hyderabad.
3.	The Principal Commissioner of Income Tax, Hyderabad.		
4.	विभागीयप्रतिनिधि, आयकर अपीलीय अधिकरण, हैदराबाद / DR, ITAT, Hyderabad		
5.	गार्डफ़ाईल / Guard file		

आदेशानुसार / BY ORDER

Sr. Private Secretary  
ITAT, Hyderabad