

**Ajay Kumar Agrawal**  
Nehru Place, New Delhi  
Date: 29 December 2025

**For Professional Circulation Only**

**Serial No. 001**

**Shri Jagdish Prashad Gupta**  
**Versus**  
**Joint Commissioner of Income Tax, Range-1(1), Muzaffarnagar**  
ITA No. 3822/Del/2024 | ITAT Delhi  
Assessment Year: 2017-18  
Order dated: 23 December 2025

## **CORE ISSUE**

Whether penalty under section 271D of the Income-tax Act, 1961 for alleged violation of section 269SS can be sustained in a case where cash exceeding Rs. 20,000/- was received towards sale consideration of immovable property, when the transaction is genuine, duly recorded, deposited in the bank, offered to tax, and where the Assessing Officer has accepted the transaction without drawing any adverse inference in the assessment proceedings.

## **FACTS**

The assessee, a senior citizen aged about 70 years, was assessed under section 143(3) vide order dated 26.11.2019. During assessment proceedings, the Assessing Officer noticed cash deposits aggregating to Rs. 10,58,000/- during the demonetisation period. The assessee explained that Rs. 9,80,000/- out of the said amount represented sale consideration received in cash on sale of a residential flat. The assessee had originally purchased a one-room dwelling unit situated at Sector 63, Chandigarh through a General Power of Attorney on 10.05.2010 for Rs. 6,76,000/-, as transfer through registered sale deed was not permissible prior to allotment. Owing to financial exigencies, the assessee sold the flat for Rs. 9,80,000/-. The agreement to sell dated 05.11.2016 clearly recorded receipt of sale consideration in cash. The entire amount was deposited in the bank and the resultant capital gains were duly offered to tax. The Assessing Officer, while completing assessment, did not dispute the source or genuineness of the transaction. However, penalty proceedings were initiated and penalty under section 271D amounting to Rs. 9,80,000/- was imposed and confirmed by the CIT(A), NFAC.

## **STATUTORY PROVISIONS**

Section 269SS prohibits acceptance of loans, deposits or specified sums exceeding Rs. 20,000/- otherwise than by prescribed banking modes. Section 271D provides for levy of penalty equal to the amount received in contravention of section 269SS. Section 273B provides immunity from penalty where the assessee proves that there was reasonable cause for the failure.

## **FINDINGS OF THE ITAT**

The Tribunal held that the cash receipt of Rs. 9,80,000/- was pursuant to a valid agreement to sell and was duly deposited in the bank. The Assessing Officer had accepted the genuineness of the transaction in the assessment proceedings and had not made any addition under section 68 or otherwise. It was held that penalty proceedings cannot travel beyond the findings recorded in assessment proceedings when the transaction stands accepted as genuine.

## **RELIANCE PLACED AND OUTCOME OF JUDICIAL PRECEDENTS**

Reliance was placed on the judgment of the Hon'ble Supreme Court in PCIT v. Shree Madhi Surali Vibhag Nagarik Sahakari Dhiran Mandali Ltd., and the decision of the Visakhapatnam Bench in Smt. Vijapurapu Sudha Rao v. ITO, wherein penalty under section 271D was deleted when cash received on sale of immovable property was deposited in bank and offered to tax.

## **CONCLUSION AND DECISION**

The Tribunal held that the transaction was genuine and bona fide, the source of cash was fully explained, and the Assessing Officer had accepted the transaction without any adverse finding. The assessee demonstrated reasonable cause under section 273B. Accordingly, the penalty order passed under section 271D was set aside and the appeal was allowed.