A difference of opinion cannot lead to invocation of penalty u/s 271(1)(c) [Sec 271 of ITA'61 – Sec 439-472 of ITA'25]

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The invocation of Sec 271(1)(c) of The Income Tax Act has the following pre-requisites –

1. The officer must record his satisfaction in the notice invoking the said Section
2. The Officer specify the charge he is levying being –

    (a) the assessee has concealed the particulars of his income, or

    (b) the assessee has furnished inaccurate particulars of such income

2(a) or (b) above could be invoked incase the following conditions are satisfied –

1. Details supplied should be inaccurate, not exact or correct, not according to truth or erroneous.
2. Condition of Mens Rea should be satisfied.

The Hon'ble Supreme Court in case of CIT vs. Reliance Petroproducts Pvt. Ltd. (2010) 322 ITR 158 held that the disallowance of claim which is not allowable as per the provisions of law by itself will not amount to furnishing of inaccurate particulars of income when the assesse has disclosed and furnished all the relevant facts and details.

Incase the correctness of the expenditure incurred by the assesse under the heads is not in doubt, in no way can it be considered as concealment of income, merely because the classification of the expenditure was in doubt. A difference of opinion cannot lead to invocation of penalty u/s 271(1)(c), was held in the case of TURNING POINT ESTATES PVT. LTD Vs ACIT 5(1) INDORE [2023-VIL-601-ITAT-IND]

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