

**आयकर अपीलीय अधिकरण, चण्डीगढ़ न्यायपीठ, चण्डीगढ़**  
**IN THE INCOME TAX APPELLATE TRIBUNAL**  
**DIVISION BENCH, 'A' CHANDIGARH**

**BEFORE SHRI RAJPAL YADAV, VICE PRESIDENT AND**  
**SHRI MANOJ KUMAR AGGARWAL, ACCOUNTANT MEMBER**

आयकर अपील सं./ ITA No. 605/CHD/2025  
निर्धारण वर्ष / Assessment Year. : 2014-15

The ITO, Ludhiana.	Vs	K.P. Exim INC. Main Bahadur Ke Road, Ludhiana.
स्थायी लेखा सं./PAN NO: AAKFK2926M		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

Assessee by : None.  
Revenue by : Shri Manav Bansal, CIT DR

Date of Hearing : 24.11.2025  
Date of Pronouncement : 27.01.2026

**ORDER**

**PHYSICAL HEARING**

**PER RAJ PAL YADAV, VP**

The present appeal is directed at the instance of the Revenue against the order of the Commissioner of Income Tax (Appeals) [in short 'the CIT (A)'] dated 25.02.2025 passed for assessment year 2014-15.

2. The grievance of the Revenue is that ld.CIT (Appeals) has erred in deleting the penalty of Rs.1,25,53,423/- without going into the merits of the case.

3. With the assistance of ld. Representative, we have gone through the record carefully. The ex-parte assessment order u/s 144 read with Section 147 of the Act was passed in the case of the assessee whereby an addition of Rs.3,60,17,984/- was made. On the basis of this assessment order, ld. AO has imposed a penalty u/s 271(1)(c) of the Act vide order dated 21.09.2022. Before ld. CIT (Appeals) it was pointed out that ld.CIT (Appeals), NFAC has set aside this ex-parte assessment order vide its order dated 15.01.2025, meaning thereby, the very genesis to impose the penalty upon the assessee has been extinguished. Accordingly, ld.CIT (Appeals) has deleted the penalty.

4. On due consideration of the facts and circumstances, we are of the view that if sub-clause (iii) of Section 271(1)(c) of the Act is being perused, then it would contemplate that an assessee would be required to pay a penalty which would not be equivalent to the amount of tax which is sought to be evaded by the assessee on account of additions made to its income and this penalty would not exceed three times of the taxes on such addition. In other words, a penalty is to be calculated on the taxes computed on additions made to the income of the assessee but in case this

addition is extinguished by an order of an Appellate Court, then no penalty would be computable. Following this ratio, the ld.CIT (Appeals) has deleted the penalty. Once an issue is being set aside to the file of AO, he would re-determine the issue and then it would be in his discretion to visit the assessee with penalty or not but on the basis of an addition made by the AO which does not survive when this penalty appeal was listed before the CIT (Appeals), no penalty is imposable. Accordingly, we do not find any merit in this appeal. Appeal is dismissed.

5. In the result, appeal of the Revenue is dismissed.

Order pronounced on 27.01.2026.

Sd/-

Sd/-

**(MANOJ KUMAR AGGARWAL)**  
**ACCOUNTANT MEMBER**

**(RAJPAL YADAV)**  
**VICE PRESIDENT**

“Poonam”

आदेश की प्रतिलिपि अग्रेषित/ Copy of the order forwarded to :

1. अपीलार्थी/ The Appellant
2. प्रत्यर्थी/ The Respondent
3. आयकर आयुक्त/ CIT
4. विभागीय प्रतिनिधि, आयकर अपीलीय आधिकरण, चण्डीगढ़/ DR, ITAT, CHANDIGARH
5. गार्ड फाईल/ Guard File

सहायक पंजीकार/ Assistant Registrar