

**IN THE HIGH COURT FOR THE STATE OF TELANGANA
AT HYDERABAD
(Special Original Jurisdiction)**

**TUESDAY, THE SECOND DAY OF DECEMBER
TWO THOUSAND AND TWENTY FIVE**

PRESENT

**THE HONOURABLE SRI JUSTICE P.SAM KOSHY
AND
THE HONOURABLE SRI JUSTICE SUDDALA CHALAPATHI RAO**

WRIT PETITION NO: 28440 OF 2009

Between:

M/s. Margadarsi Chit Fund Limited, Rep. by its Managing Director,
Smt.Ch.Sailaja, W/o.Ch.Kiran 5-10-195, Corporate office, Opp: Police Control
Room Hyderabad.

...PETITIONER

AND

The Additional Commissioner of Income Tax, Range 16, Ayakar Bhavan,
Basheerbagh, Hyderabad

...RESPONDENTS

Petition under Article 226 of the Constitution of India praying that in the circumstances stated in the affidavit filed therewith, the High Court may be pleased to issue a order or direction or writ more in the nature of writ of certiorari calling for the record comprised in the impugned notice under Section 274 R/w. 271 of the I.T. Act, 1961 dated 14.12.2009 issued by the Respondent and quash the same

I.A. NO: 1 OF 2009(WPMP. NO: 37008 OF 2009)

Petition under Section 151 CPC praying that in the circumstances stated in the affidavit filed in support of the petition, the High Court may be pleased to grant an order of interim stay of all further proceedings in pursuance of the impugned notice under Section 274 R/w. 271 of the I.T. Act, 1961 dated 14.12.2009 issued by the Respondent pending disposal of the above writ petition and thus render justice.

**Counsel for the Petitioner: SRI KAILASH NATH P.S.S, REPRESENTING
SRI T. BALA MOHAN REDDY**

**Counsel for the Respondent: SRI K. SUDHAKAR REDDY
(Sr SC FOR INCOME TAX)**

The Court made the following: ORDER

**IN THE HIGH COURT FOR THE STATE OF TELANGANA
AT HYDERABAD**

**THE HONOURABLE SRI JUSTICE P.SAM KOSHY
AND
THE HONOURABLE SRI JUSTICE
SUDDALA CHALAPATHI RAO**

W.P.No. 28440 OF 2009

02.12.2025

Between:

M/s Margadarsi Chit Find Limited,
Rep. by its Managing Director,
Smt.Ch.Shailaja,
Hyderabad.

...Petitioner

A N D

The Additional Commissioner of Income Tax,
Range 16, Ayakar Bhavan, Basheerbagh,
Hyderabad.

...Respondent

ORDER: *(per Hon'ble Sri Justice P.Sam Koshy)*

Heard Mr. Kailash Nath P.S.S, learned counsel representing
Mr. T.Bala Mohan Reddy, learned counsel for the petitioner and
Mr. K.Sudhakar Reddy, learned Senior Standing Counsel for the
Income Tax Department for the respondent. Perused the record.

2. The present is a writ petition assailing the show cause notice issued by the department dated 14.12.2009 under Section 271(1)(c) of the Income Tax Act, 1961 seeking explanation as to why penalty should not be imposed pursuant to the assessment order dated 14.12.2009 so far as the assessment year 2007-2008 is concerned.

3. The assessment order was already under challenge before this Court in W.P.No.28441 of 2009 which stood partly allowed vide order passed today i.e., 02.12.2025. The order of assessment so far as the chit contribution to the subscribers being treated as interest and dividend being set aside holding that it would not be treated as interest and dividend in terms of the judgment of the Delhi High Court in the case of **COMMISSIONER OF INCOME TAX VS. SAHIB CHITS (DELHI) (P) LTD.**,¹ and also two of the writ petitions decided by this High Court in W.P.No.26553 of 2005 decided on 29.01.2024 and W.P.No.1562 of 2008 decided on 26.06.2025, the order of the Assessing Officer to that extent stands set aside.

¹ ITA No.44 OF 2008 DATED 24.07.2009
of High Court of Delhi at New Delhi

4. In view of W.P.No.28441 of 2009 being partly allowed and the major portion of the order getting setting aside, we do not find any good ground in sustaining the show cause notice in the given facts any further. Nonetheless, the right of the Department would stand reserved to initiate appropriate proceedings so far as the other issues are concerned, if at all if such a situation still survives.

5. The present writ petition, accordingly, stands disposed of with the aforesaid liberty. There shall be no order as to costs.

Consequently, miscellaneous petitions pending, if any, shall stand closed.

**SD/-M. JAWAHAR REDDY
ASSISTANT REGISTRAR**

//TRUE COPY//

SECTION OFFICER

To,

1. THE ADDL. COMM. OF I.T., Range 16, Ayakar Bhavan, Basheerbagh, Hyderabad
2. One CC to Sri T. Bala Mohan Reddy, Advocate [OPUC]
3. One CC to Sri K. Sudhakar Reddy (Sr SC for Income Tax) [OPUC]
4. Two CD Copies

TJ
LS

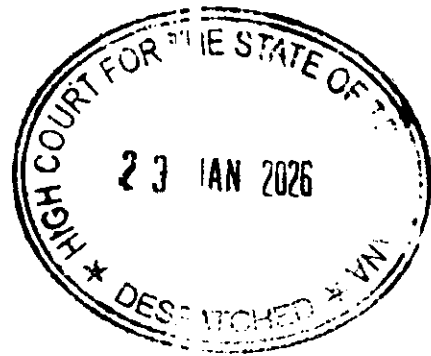
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HIGH COURT

DATED:02/12/2025

ORDER

WP.No.28440 of 2009



**DISPOSING OF THE WRIT PETITION
WITHOUT COSTS**

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12/12/25*