



IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 25-11-2025

CORAM

THE HONOURABLE MR JUSTICE C. SARAVANAN

WP No. 24360 of 2022

AND

WMP NO. 23358 OF 2022, WMP NO. 23359 OF 2022

1. The Principal commissioner of
Income Tax
Central 2 Chennai Investigation Wing,
Room no. 301 3rd Floor New No. 46
Mahatma Gandhi Raod chennai 600
034

Petitioner(s)

Vs

1. The Income Tax settlement
commission
Additional Bench 640 Anna Salai
Nandanam chenani 35

2. Sri Nallasamy Kuppusamy
No. 4-C oettau street Karur Main Raod
Mulanur Dharapuram Taluk Tiruppur
Tamil nadu Pin 638 106 PAN
APKPK2925F

Respondent(s)

PRAYER

Call for the records on the files of the 1st Respondent herein in Settlement Application No. TN / CN 52 / 2019 - 20 / 53 / IT dated 23.11.2020 and quash the same as illegal and contrary to the provisions of the Income Tax Act 1961

For Petitioner(s): A.N.R. Jayaprathap

For Respondent(s): Mr. A.S.Sriraman For R2



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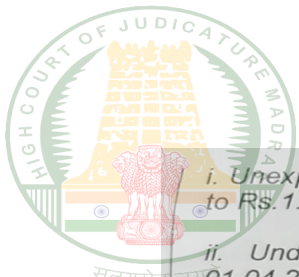
ORDER

Mr. A.S.Sriraman, learned counsel takes notice for the second respondent.

2. This Writ Petition is being disposed of after hearing the learned counsel for the Petitioner and learned counsel for the second respondent.

3. The Income Tax Department, represented by the Principal Commissioner of Income Tax is before this Court against the order dated 23.11.2020, whereby the application filed for settling the income tax dispute under the provisions of the Income Tax Act, 1961 has been allowed by the Income Tax Settlement Commission, Additional Bench at Chennai.

4. Challenging to the impugned order is on merits, primarily on the following grounds:



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i. Unexplained investment / Source of loan lent to Shri.Periyasamy amounting to Rs.1.20 crores.

ii. Undisclosed capital / Capital investment of Rs.1,04,13,774 as on 01.04.2009 – The Settlement commission has brought forward the additional capital of Rs.30,00,000 to taxation. Whereas, the remaining amount of Rs. 74,13,774 /- should also be brought to taxation.

iii. Unexplained investment in land- The settlement commission is wrong in coming to the conclusion in para 7.7 of the impugned order by stating that the AO has not brought out any strong evidence to prove that on money has been paid over and above the document value taken for registration when the assessee has himself accepted in the application before the settlement commission that the undisclosed Income earned out of the Money Lending Business was paid in cash for acquisition of properties at the Market value.

vi. Disallowance of expenses- The assessee had violated section 40A(3) of the I.T.Act by making and receiving payment in excess of Rs.20,000 which is amounting to Rs.3,45,51,991/-

v. Unaccounted Chit Commission – Since there is no bifurcation of Chit commission in the receipts, the claim of the assessee is not acceptable and addition of Rs.10,24,836/- should be brought to tax.

5. That apart, the impugned order of the settlement commission was also challenged on the following ground as in ground No.8 of the affidavit filed in support of this writ petition, which is reproduced below:

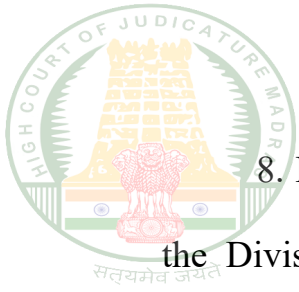
viii. It is submitted that with regard to undisclosed capital / capital investment of Rs.1,04,13,774/- Settlement Commission in its impugned order at para 7.5 has stated that loans taken and given are evidenced in search documents and assessee has also filed confirmations from some creditors and accepted the assessee explanations. It is submitted that the decision of Settlement Commission is not acceptable, on account of failure of the assessee to discharge the onus cast upon him, for proving the Identity, genuiness and creditworthiness of the creditors, the claim of the assessee that the source of the loans advanced to the debtors were borrowings from creditors can't be considered as genuine and further no joint verification was provided on the issue of verification of the creditors.



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6. It is noticed that the impugned order of the Settlement Commission is a detailed order. Unless, the reasons given for challenging warrant any interference under Article 226 of the Constitution of India, the impugned order of the Settlement Commission cannot be assailed. The impugned order of the Settlement Commission neither suffers from any procedural irregularity nor from any illegality. The impugned order is neither arbitrary nor passed in violation of the principles of natural justice for the Income Tax Department to invoke the extraordinary jurisdiction of this Court under Article 226 of the Constitution of India.

7. That apart, in ***W.P. Nos.16785, 16790 and 16794 of 2020*** in the case of ***The Principal Commissioner of Income Tax, Central-2, Chennai Vs. Income Tax Settlement Commission, Additional Bench and Others*** vide order dated 17.10.2023, this Court has held that an option to settle the case before the Settlement Commission is once in a life time of an assessee and therefore, once the Settlement Commission has applied its mind and granted relief by settling the case of an applicant, it is not open for the Department to agitate the same by challenging the order of the settlement commission.



8. In fact, the very same decision of this Court has also been affirmed by the Division Bench of this Court in W.A. Nos.1841 and 1842 of 2021 on 10.06.2025 and W.A. No.1858 of 2024 on 17.06.2025.

9. Applying the above ratio to the facts of the case, the challenge to the impugned order of the Settlement Commission by the Income Tax Department is to be rejected. Therefore, this writ petition deserves to be dismissed and is accordingly, dismissed. No costs. Connected Writ Miscellaneous Petitions are closed.

25-11-2025

Index:Yes/No
Speaking/Non-speaking order
Internet:Yes
Neutral Citation:Yes/No
ab

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C.SARAVANAN J.

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