

IN THE INCOME TAX APPELLATE TRIBUNAL
“A” BENCH, CHANDIGARH

HYBRID HEARING

BEFORE HON'BLE SHRI MANOJ KUMAR AGGARWAL, AM
AND
HON'BLE SHRI RAJESH DAMODARLAL SHARMA, JM

1. आयकर अपील सं. / ITA No.350/CHANDI/2026
(निर्धारण वर्ष / Assessment Year: 2014-15)
- &
2. आयकर अपील सं. / ITA No.351/CHANDI/2026
(निर्धारण वर्ष / Assessment Year: 2015-16)
- &
3. आयकर अपील सं. / ITA No.352/CHANDI/2026
(निर्धारणवर्ष / Assessment Year: 2016-17)

Om Sai Industries Plot No-19, Sector-5 Parwanoo, Solan Himachal Pradesh -173220	बनाम/ Vs.	Income Tax Officer Plot No. 35F, NH22 Near Toll Tax Barrier, HPMC Road Sector-2, Parwanoo (HP) - 173220
स्थायीलेखासं./जीआइआरसं./PAN/GIR No. AADFO-2686-H		
(अपीलार्थी/ Appellant)	:	(प्रत्यर्थी / Respondent)

अपीलार्थीकीओरसे/ Appellant by	:	Smt. Rano Jain (Advocate) (Virtual) – Ld. AR
प्रत्यर्थीकीओरसे/ Respondent by	:	Dr. Ranjit Kaur (Addl. CIT) - Ld. Sr. DR

सुनवाईकीतारीख/ Date of Hearing	:	12-08-2026
घोषणाकीतारीख / Date of Pronouncement	:	19.08.2026

आदेश / O R D E R

RAJESH DAMODARLAL SHARMA (Judicial Member)

1. Aforesaid appeals by the assessee for Assessment Years (AY) 2014-15 to 2016-17 involve identical facts & issues. The registry has

noted delay of 79 days in the appeals, the condonation of which has been sought by Ld. AR on the strength of a condonation petition stating that delay has occurred due to the fact that the assessee was undergoing matrimonial dispute at the relevant point of time and that the delay was neither intentional nor willful. Finding the same to be a reasonable cause, the delay is condoned and the appeals are admitted for adjudication on merits.

2. First we take up appeal for AY 2014-15 which arises out of an order of Ld. Addl. / Joint Commissioner of Income Tax (Appeals), Bhubaneswar [CIT(A)] dated 17.09.2025 in the matter of an assessment as framed by Ld. AO u/s 143(3) on 27.12.2016 denying deduction claimed by the assessee u/s 80-IC. The provisions of this section provide substantial profit-linked tax deductions for eligible manufacturing or processing undertakings or enterprises set up in specified developing states like Himachal Pradesh, Uttaranchal, Sikkim, and the North-Eastern States, or designated industrial areas. These provisions provide that where the gross total income of an assessee includes any profits and gains derived by an undertaking or an enterprise from specified business referred to in sub-section (2), then the assessee would be granted a deduction from such profits and gains as per specified percentages. The sub-section (2) provides that this section would apply to any undertaking or enterprise which has begun or begins to manufacture or produce any article or thing, not being any article or thing specified in the Thirteenth Schedule, or which manufactures or produces any article or thing, not being any article or

thing specified in the Thirteenth Schedule and undertakes substantial expansion during the specified period. Thus, the whole emphasis is on start of manufacturing or production of article during the specified period.

3. Upon perusal of impugned order, it could be seen that the assessee being resident firm claimed deduction u/s 80IC for Rs.29.88 Lacs during this year. The assessee is stated to be engaged in manufacturing of juicer parts and electrical coatings. Upon perusal of assessee's relevant documents, Ld. AO noted that the manufacturing unit came into existence on 30.03.2010 as a proprietary concern and approval was granted to the proprietor Shri Vivek Saini who did not claim any deduction u/s 80IC since inception. On 26.09.2012, the proprietary firm was converted into partnership firm. On 17.04.2013, there was reconstitution of the firm when Shri Vivek Saini retired and two new partners were inducted. In Form No.10CCB, the initial year was shown as AY 2014-15. In support of impugned claim u/s 80IC, the assessee furnished first sale bill dated 30.03.2010 showing sale of Rs.2,726/- to M/s Trimurti Industries and the item sold was sheet metal components. The assessee also furnished power release certificate. Further, machinery purchase bill No.45 dated 21.03.2010 issued by M/s Mahajan Traders of Delhi was also furnished. To verify the first sale bill, field enquiries were made from M/s Trimurti Industries which revealed that no such firm was existing at the given address. For further verification, Shri Vivek Saini (erstwhile proprietor) was summoned and his statement was recorded on 20.12.2016. In reply to Q. No.2, it was,

inter-alia, stated by him that he manufactured few sheet metal for Gas stoves besides doing job work of powder coating. In reply to Q. No.3, it was stated that he carried out manufacturing activities of Small sheet metal components which are used in assembling of gas stoves. He also mentioned the machinery being used for the said purpose. However, he could not mention the name of the seller and also could not furnish purchase bill of machinery. In reply to Q. No.6, it was stated by him that the sales during AY 2010-11 on account of manufacturing was in the range of Rs.2,000/- to Rs.3,000/-. He expressed inability to identify the first sale bill.

4. In the light of above facts, Ld. AO concluded that the first sale bill was bogus and accordingly, show-caused the assessee. The assessee refuted the allegation of Ld. AO vide reply dated 26.12.2016. In the reply, the assessee furnished confirmed ledger of M/s Mahajan Traders showing sale of machinery to assessee-firm besides an installation certificate from supplier. The assessee also drew attention to copies of raw material purchase bills duly certified by the Member Secretary, Single Window Clearance Agency (SWCA), Parwanoo. The confirmation of proprietor of M/s Trimurti Industries was also furnished to controvert the conclusion of Ld. AO. The assessee furnished various other documents in support of its impugned claim. However, these submissions stood rejected by Ld. AO who denied impugned deduction to the assessee. Similar view was taken in AYs 2015-16 & 2016-17. The Ld. CIT(A) confirmed the assessment order for all the years.. Aggrieved, the assessee is in further appeals before us.

Our findings and Adjudication

5. Upon perusal of case records, it could be seen that the assessee has furnished copies of EM-1 & EM-2 Certificates issued by the Department of Industries, Government of Himachal Pradesh, establishing the commencement of production w.e.f. 31.03.2010. The assessee has furnished Power Release Certificate dated 25.03.2010. Pertinently, the assessee has placed on record VAT Assessment Order of the firm for A.Y. 2010-11 accepting the sale as reflected by the assessee in first sale bills. The assessee also furnished copies of applications made to and official replies received from the Member Secretary, SWCA, Parwanoo, furnishing the first sale bill and raw material / machinery records as submitted at the time of registration. The assessee also filed written confirmation from Mr. Gyan Chand proprietor M/s Trimurti Industries. In support of machinery purchases, the assessee furnished invoices from M/s Universal Machine Tools and M/s Mahajan Traders showing machinery purchases, ledger extracts, and a copy of the lease agreement.

6. In our considered opinion, the fundamental requirement for claiming deduction u/s 80IC is that the industrial undertaking must commence its manufacturing or production activity within the timeline prescribed by law. The actual occurrence or timing of a sale is secondary; what matters is whether manufacturing operations actually started before the cutoff date. We find that Ld. AO has denied the deduction primarily on the ground of "preponderance of probabilities,"

on the reasoning that since machinery was acquired late in March 2010, the manufacturing operations could not have been started. However, this assumption is countered by substantial documentary evidences as submitted by the assessee and the same has already been enumerated by us in preceding paragraphs. The assessee has also placed on record complete details regarding raw materials, the specific manufacturing processes undertaken, machine usage, input-output ratios at each stage, finished goods produced, sales made, and closing stocks carried forward.

7. In our considered view, a deduction statutorily conferred u/s 80IC cannot be denied on mere assumptions or conjectures when official certificates issued by Government Authorities (such as the State Department of Industries and Power Department) substantiate the case of the assessee. On the given facts, the assessee has adequately demonstrated that manufacturing operations commenced within the stipulated period. Therefore, we find no justification for denying the impugned claim by lower authorities. Accordingly, Ld. AO is directed to allow the impugned deduction u/s 80IC for all the years as claimed by the assessee.

8. All the appeals stand allowed.

Order pronounced on 19th August, 2026

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

**-Sd-
(RAJESH DAMODARLAL SHARMA)
JUDICIAL MEMBER**

Dated: 19-08-2026

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

1. अपीलार्थी/Appellant
2. प्रत्यर्थी/Respondent
3. आयकरआयुक्त/CIT
4. विभागीयप्रतिनिधि/DR
5. गार्डफाईल/GF

BY ORDER
ASSISTANT REGISTRAR
INCOME TAX APPELLATE TRIBUNAL
KENDRIYA SADAN, SECTOR – 9A
CHANDIGARH