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TDS Applicable from 1st April 2026

A - Salary Payments

New Section (Act 2025)	Old Section (Act 1961)	Nature of Payment / Description	Rate
392	192	Salary	Slab
392(7)	192A	EPF Withdrawal - accumulated balance due to employee (EPF Scheme 1952). Also applicable for non-resident employees in Form 144.	10%

B - Payments to Residents

New Section (Act 2025)	Old Section (Act 1961)	Nature of Payment / Description	Rate	Threshold
393(1) [Table: Sl. No. 1(i)]	194D	Commission or brokerage – insurance	2% / 10%	20000
393(1) [Table: Sl. No. 1(ii)]	194H	Commission or Brokerage – others	2%	20000
393(1) [Table: Sl. No. 2(ii).D(a)]	194I(a)	Rent on machinery etc.- specified person	2%	50,000 per month
393(1) [Table: Sl. No. 2(ii).D(b)]	194I(b)	Rent other than machinery etc.- specified person	10%	50,000 per month
393(1) [Table: Sl. No. 3(ii)]	194IC	Payment on any consideration, not being consideration in kind, under the agreement referred to in section 67(14)	10%	–
393(1) [Table: Sl. No. 3(iii)]	194IA	Payment of Compensation on Acquisition of Certain Immovable Property	1%	50 Lakh
393(1) [Table: Sl. No. 4(i)]	194K	Income payable to a resident assessee in respect of Units of a specified Mutual Fund specified under Schedule VII (Table: Sl. No. 20 or 21) or units from the Administrator of the specified undertaking or units from specified company	10%	10000
393(1) [Table: Sl. No. 4(ii)]	194LBA	Certain income in the form of interest from units of a business trust to a resident unit holder	10%	–
393(1) [Table: Sl. No. 4(ii)]	194LBA	Certain income in the form of dividend from units of a business trust to a resident unit holder	10%	–
393(1) [Table: Sl. No. 4(iii)]	194LBB	Any income, other than that proportion of income which is exempt under Schedule V [Table: Sl. No. 2], in respect of units of an investment fund specified in section 224, payable to its unitholder.	10%	–
393(1) [Table: Sl. No. 4(iv)]	194LBC	Any income, in respect of an investment in a securitisation trust specified in section 221 to an investor.	10%	–
393(1) [Table: Sl. No. 5(i)]	193	Any income by way of Interest on securities	10%	10000

TAX INSIGHTS

By

Tax Research Department

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New Section (Act 2025)	Old Section (Act 1961)	Nature of Payment / Description	Rate	Threshold
393(1) [Table: Sl. No. 5(ii).D(a)]	194A	Any income by way of interest other than interest on securities, in case of deductee/payee is a senior citizen	10%	1,00,000
393(1) [Table: Sl. No. 5(ii).D(b)]	194A	Any income by way of interest other than interest on securities, in case of deductee/payee is other than senior citizen	10%	50000
393(1) [Table: Sl. No. 5(iii)]	194A	Any income being interest other than interest on securities	10%	10000
393(1) [Table: Sl. No. 6(i).D(a)]	194C	Any sum for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract between the contractor and a designated person – if contractor is individual or Hindu undivided family	1%	Rs. 30,000 (Single Transaction) or Rs. 1 lakh (In a FY)
393(1) [Table: Sl. No. 6(i).D(b)]	194C	Any sum for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract between the contractor and a designated person – if contractor is a person other than individual or Hindu undivided family	2%	Rs. 30,000 (Single Transaction) or Rs. 1 lakh (In a FY)
393(1) [Table: Sl. No. 6(iii).D(a)]	194J(a)	Any sum by way of – (a) fees for technical services (not being a professional services); or (b) royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films; or (c) payee, engaged only in the business of operation of call centre	2%	50000
393(1) [Table: Sl. No. 6(iii).D(b)]	194J(b)	Any sum by way – (a) fees for professional services; or (b) any sum referred to in section 26(2)(h)	10%	50000
393(1) [Table: Sl. No. 6(iii).D(b)]	194J(b)	Any sum by way of remuneration or fees or commission by whatever name called, other than those on which tax is deductible under section 392, to a director of a company	10%	–
393(1) [Table: Sl. No. 7]	194	Any dividends (including on preference shares) declared.	10%	10000
393(1) [Table: Sl. No. 8(i)]	194DA	Any sum under a life insurance policy, including the sum allocated as bonus on such policy, other than the amount not includible in the total income under Schedule II [Table: Sl. No. 2]	2%	1 lakh
393(1) [Table: Sl. No. 8(ii)]	194Q	Any sum for purchase of any goods	0.10%	in excees of 50 lakh
393(1) [Table: Sl. No. 8(iv)]	194R	Any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession of any resident.	10%	20000
393(1) [Table: Sl. No. 8(iv)] Note 6	194R	Benefits or perquisites of business or profession where such benefit is provided in kind or where part in cash is not sufficient to meet tax liability and tax required to be deducted is paid before such benefit is released	10%	20000
393(1) [Table: Sl. No. 8(v)]	194O	Sale of goods or provision of services by an e-commerce participant, facilitated by an e-commerce operator through its digital or electronic facility or platform. – any e commerce operator	0.10%	500000
393(1) [Table: Sl. No. 8(vi)]	194S	Any sum by way of consideration for transfer of a virtual digital asset by other than Individual or Hindu Undivided Family	1%	50000
393(1) [Table: Sl. No. 8(vi)] Note 6	194S	Any sum by way of consideration, whether in cash or in kind or partly in cash and partly in kind, for transfer of a virtual digital asset.	1%	10000
393(3) [Table: Sl. No. 1]	194B	Any income by way of winnings (other than winnings from Sl. No. 2 of the table at section 393(3)) from – (a) any lottery; or (b) crossword puzzle; or (c) card game and other game of any sort; or (d) gambling or betting of any form or nature whatsoever	30%	Rs. 10000 in case of a single transcations

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New Section (Act 2025)	Old Section (Act 1961)	Nature of Payment / Description	Rate	Threshold
393(3) [Table: Sl. No. 1] Note 2	194B	Any income by way of winnings (other than winnings from Sl. No. 2 of the table at section 393(3)) from-- (a) any lottery; or (b) crossword puzzle; or (c) card game and other game of any sort; or (d) gambling or betting of any form or nature whatsoever where consideration, is made in kind or cash is not sufficient to meet the tax liability and tax has been paid before such winnings are released	10%	Rs. 10000 in case of a single transcations
393(3) [Table: Sl. No. 2]	194BA	Any income by way of winnings from online game.	30%	on net winnings in the user account of the payee at the end of the tax year
393(3) [Table: Sl. No. 2] Note 2	194BA	Any income by way of winnings from online games, is made in kind or cash is not sufficient to meet the tax liability and tax has been paid before such winnings are released	30%	Rs. 10000 in case of a single transcations
393(3) [Table: Sl. No. 3]	194BB	Any income by way of winnings from any horse race.	30%	Rs. 10000 in case of a single transcations
393(3) [Table: Sl. No. 4]	194G	Any income, credited or paid to a person, who is or has been stocking, distributing, purchasing or selling lottery tickets, by way of commission, remuneration or prize (by whatever name called) on such tickets	2%	20000
393(3) [Table: Sl. No. 5.D(a)]	194N	Payment of certain amounts in cash by bank/ post office / co-operative society to a deductee being a co-operative society	2%	3 Crore
393(3) [Table: Sl. No. 5.D(b)]	194N	Payment of certain amounts in cash by bank/ post office / co-operative society to a deductee being a person other than co-operative society	2%	1 Crore
393(3) [Table: Sl. No. 6]	194EE	Any amount referred to in section 80CCA(2)(a) of the Income-tax Act, 1961 (43 of 1961).	10%	2500
393(3) [Table: Sl. No. 7]	194T	Any sum in the nature of salary, remuneration, commission, bonus or interest paid to a partner of the firm or credited to his account (including capital account).	10%	20000

C - Payments to Non-Residents

New Section (Act 2025)	Old Section (Act 1961)	Nature of Payment / Description	Rate
393(2) [Table: Sl. No. 1]	194E	Any income referred to in section 211	20%
393(2) [Table: Sl. No. 2]	194LC	Any income by way of interest payable in respect of monies borrowed in foreign currency from a source outside India.— (a) under a loan agreement or issue of long term infrastructure bond on or after the 1st July, 2012 but before the 1st July, 2023; or (b) by way of issue of any long-term bond on or after the 1st October, 2014 but before the 1st July, 2023, which is approved by the Central Government in this behalf	5%
393(2) [Table: Sl. No. 3]	194LD	Any income by way of interest payable in respect of monies borrowed from a source outside India by way of issue of rupee denominated bond before the 1st July, 2023	5%
393(2) [Table: Sl. No. 4.E(a)]	194LC	Any income by way of interest payable in respect of monies borrowed from a source outside India by way of issue of any long-term bond or rupee denominated bond, which is listed only on a recognised stock exchange located in any International Financial Services Centre. – Issued on or after the 1st April, 2020 but before the 1st July, 2023	4%
393(2) [Table: Sl. No. 4.E(b)]	194LC	Any income by way of interest payable in respect of monies borrowed from a source outside India by way of issue of any long-term bond or rupee denominated bond, which is listed only on a recognised stock exchange located in any International Financial Services Centre – Issued on or after the 1st July, 2023	9%
393(2) [Table: Sl. No. 5]	194LB	Income by way of Interest from Infrastructure debt fund payable to a Non-Resident	5%
393(2) [Table: Sl. No.6.E(a)]	194LBA(a)	Any distributed income referred to in section 223, being of the nature referred to in Schedule V [Table: Sl. No. 3.B(a)]	5%
393(2) [Table: Sl. No.6.E(b)]	194LBA(b)	Any distributed income referred to in section 223, being of the nature referred to in Schedule V [Table: Sl. No. 3.B(b)]	10%
393(2) [Table: Sl. No. 8]	194LBB	Any income, other than that proportion of income which is exempt under Schedule V [Table: Sl. No. 2], in respect of units of an investment fund specified in section 224	30%
393(2) [Table: Sl. No. 9]	194LBC	Any income in respect of an investment in a securitisation trust specified in section 221	30%
393(2) [Table: Sl. No. 10]	195	Any income— (a) in respect of units of a Mutual Fund specified under Schedule VII [Table: Sl. No. 20] or [Table: Sl. No. 21]; or (b) from the specified company	20%
393(2) [Table: Sl. No. 11]	196B	Any income in respect of units referred to in section 208	10%
393(2) [Table: Sl. No. 12]	196B	Any income by way of long-term capital gains arising from the transfer of units referred to in section 208	12.5%
393(2) [Table: Sl. No. 13]	196C	Any income by way of interest or dividends in respect of bonds or Global Depository Receipts referred to in section 209	10%
393(2) [Table: Sl. No. 14]	196C	Any income by way of long-term capital gains arising from the transfer of bonds or Global Depository Receipts referred to in section 209	12.5%
393(2) [Table: Sl. No. 15]	196D	Any income in respect of securities referred to in section 210(1) [Table: Sl. No. 1]	20%

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New Section (Act 2025)	Old Section (Act 1961)	Nature of Payment / Description	Rate
393(2) [Table: Sl. No. 16]	196D	Any income in respect of securities referred to in section 210(1) [Table: Sl. No. 1]	10%
393(3) [Table: Sl. No. 1]	194B	Any income by way of winnings (other than winnings from Sl. No. 2 of the table at section 393(3)) from–– (a) any lottery; or (b) crossword puzzle; or (c) card game and other game of any sort; or (d) gambling or betting of any form or nature whatsoever	30%
393(3) [Table: Sl. No. 1] Note 2	194B	Any income by way of winnings (other than winnings from Sl. No. 2 of the table at section 393(3)) from–– (a) any lottery; or (b) crossword puzzle; or (c) card game and other game of any sort; or (d) gambling or betting of any form or nature whatsoever where consideration, is made in kind or cash is not sufficient to meet the tax liability and tax has been paid before such winnings are released	30%
393(3) [Table: Sl. No. 2]	194BA	Any income by way of winnings from online game	30%
393(3) [Table: Sl. No. 2] Note 2	194BA	Any income by way of winnings from online games, is made in kind or cash is not sufficient to meet the tax liability and tax has been paid before such winnings are released	30%
393(3) [Table: Sl. No. 3]	194BB	Any income by way of winnings from any horse race	30%
393(3) [Table: Sl. No. 4]	194G	Any income, credited or paid to a person, who is or has been stocking, distributing, purchasing or selling lottery tickets, by way of commission, remuneration or prize (by whatever name called) on such tickets	2%
393(3) [Table: Sl. No. 5.D(a)]	194N	Payment of certain amounts in cash by bank/ post office / co-operative society to a deductee being a co-operative society	2%
393(3) [Table: Sl. No. 5.D(b)]	194N	Payment of certain amounts in cash by bank/ post office / co-operative society to a deductee being a person other than co-operative society	2%
393(3) [Table: Sl. No. 6]	194EE	Any amount referred to in section 80CCA(2)(a) of the Income-tax Act, 1961 (43 of 1961)	10%
393(3) [Table: Sl. No. 7]	194T	Any sum in the nature of salary, remuneration, commission, bonus or interest paid to a partner of the firm or credited to his account (including capital account)	10%

TCS Applicable from 1st April 2026

Tax Collected at Source(TCS)

New Section (Act 2025)	Old Section (Act 1961)	Nature of Payment / Description	Rate
394(1) [Table: Sl. No. 1]	206C(1)	Sale of alcoholic liquor for human consumption.	2%
394(1) [Table: Sl. No. 2]	206C(1)	Sale of tendu leaves	2%
394(1) [Table: Sl. No. 3]	206C(1)	Sale of timber obtained under a forest lease	2%
394(1) [Table: Sl. No. 3]	206C(1)	Sale of timber obtained by any mode other than a forest lease	2%
394(1) [Table: Sl. No. 3]	206C(1)	Sale of any other forest produce (not being timber or tendu leaves) obtained under a forest lease.	2%
394(1) [Table: Sl. No. 4]	206C(1)	Sale of Scrap	2%
394(1) [Table: Sl. No. 5]	206C(1)	Sale of minerals, being coal or lignite or iron ore.	2%
394(1) [Table: Sl. No. 6.D(a)]	206C (1F)	Sale consideration exceeding threshold limit in case of sale of motor vehicle	1%
394(1) [Table: Sl. No. 6.D(b)]	-	Sale consideration exceeding threshold limit in case of sale of wrist watch	1%
394(1) [Table: Sl. No. 6.D(b)]	-	Sale consideration exceeding threshold limit in case of sale of art piece such as antiques, painting, sculpture	1%
394(1) [Table: Sl. No. 6.D(b)]	-	Sale consideration exceeding threshold limit in case of sale of collectibles such as coin, stamp	1%
394(1) [Table: Sl. No. 6.D(b)]	-	Sale consideration exceeding threshold limit in case of sale of yacht, rowing boat, canoe, helicopter	1%
394(1) [Table: Sl. No. 6.D(b)]	-	Sale consideration exceeding threshold limit in case of sale of pair of sunglasses	1%
394(1) [Table: Sl. No. 6.D(b)]	-	Sale consideration exceeding threshold limit in case of sale of bag such as handbag, purse	1%
394(1) [Table: Sl. No. 6.D(b)]	-	Sale consideration exceeding threshold limit in case of sale of pair of shoes	1%
394(1) [Table: Sl. No. 6.D(b)]	-	Sale consideration exceeding threshold limit in case of sale of sportswear and equipment such as golf kit, ski-wear	1%
394(1) [Table: Sl. No. 6.D(b)]	-	Sale consideration exceeding threshold limit in case of sale of home theatre system	1%
394(1) [Table: Sl. No. 6.D(b)]	-	Sale consideration exceeding threshold limit in case of sale of horse for horse racing in race clubs and horse for polo	1%
394(1) [Table: Sl. No. 7.D(a)]	206C(1G)	Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding threshold limit for purposes of education or medical treatment	2%

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New Section (Act 2025)	Old Section (Act 1961)	Nature of Payment / Description	Rate
394(1) [Table: Sl. No. 7.D(b)]	206C(1G)	Remittance under the Liberalised Remittance Scheme of an amount or aggregate of the amounts exceeding threshold limit for purposes other than education or medical treatment	20%
394(1) [Table: Sl. No. 8.D(a)]	206C(1G)	Sale of "overseas tour programme package" including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure.	2%
394(1) [Table: Sl. No. 8.D(b)]	206C(1G)	Sale of "overseas tour programme package" including expenses for travel or hotel stay or boarding or lodging or any such similar or related expenditure.	2%
394(1) [Table: Sl. No. 9]	206C(1)	Use of parking lot for the purpose of business, excluding mining and quarrying of mineral oil (including petroleum and natural gas).	2%
394(1) [Table: Sl. No. 9]	206C(1)	Use of toll plaza for the purpose of business, excluding mining and quarrying of mineral oil (including petroleum and natural gas).	2%
394(1) [Table: Sl. No. 9]	206C(1)	Use of mine or quarry for the purpose of business, excluding mining and quarrying of mineral oil (including petroleum and natural gas).	2%

Direct Tax

03.04.2026

Whether depreciation on goodwill arising from amalgamation can be claimed when the assessee never recognised or recorded such goodwill in its books or tax block of assets.

Coromandel International Ltd. v. DCIT
ITAT HYDERABAD (18.03.2026)

Key Findings of ITAT

1. **Depreciation on Goodwill - Disallowed**

Legal position (accepted)

- As per CIT v. Smifs Securities Ltd.,
- Goodwill is an intangible asset eligible for depreciation u/s 32.

But in this case - claim failed because:

- Assessee did NOT:
    - Recognise goodwill in books
    - Capitalise it as an intangible asset
    - Add it to block of assets
    - Determine actual cost / WDV
    - Claim depreciation in return or before AO

Tribunal's reasoning:

- Depreciation under the Act works on the "block of assets" system (Sec. 32 + Sec. 43(6))
- If asset never enters the block, depreciation mechanism cannot start

Therefore:

No asset in block = No WDV = No depreciation

On Explanation 5 to Sec. 32

- It does NOT help the assessee
- It applies only when asset already exists in block

Here:

- Goodwill never entered the block → Explanation 5 irrelevant

Final conclusion

- Depreciation on goodwill not allowable
- Decision in favour of Revenue

2. **Claim of Depreciation via Revised Computation - Allowed** (for verification)

Facts:

- Assessee missed claiming depreciation in return for Dahej unit
- Later claimed it during assessment via revised computation
- AO rejected relying on: Goetze (India) Ltd. v. CIT

ITAT's ruling:

Important principles:

- Goetze ruling applies only to AO, not appellate authorities
- As per Sec. 32 Explanation 5:
- Depreciation is mandatory, even if not claimed

Therefore:

- Claim can be examined at appellate stage
- BUT factual verification is required

Outcome:

- Matter remanded to AO
- AO to:
    - Verify assets, usage, WDV
    - Recompute income accordingly

Key Legal Takeaways

1. On Goodwill Depreciation

- Mere existence of goodwill in theory is not enough
- You must:
    - Recognise it in books
    - Add to block of assets
    - Determine cost & WDV
- Otherwise - depreciation fails

2. On Explanation 5 to Sec. 32

Helps only when:

- Asset exists in block
- Not when asset itself is missing

3. On Amalgamation Cases

- Consistency in accounting treatment matters
- You cannot change stance later (e.g., reserve → goodwill)

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TAX INSIGHTS
By
Tax Research Department

Goods & Services Tax

03.04.2026

Reverse Charge Mechanism (RCM) under GST

What is Reverse Charge Mechanism (RCM)?

Under GST, normally supplier pays tax (forward charge).Under RCM, recipient pays tax instead of supplier.
In short:
Liability shifts from seller → buyer

Why RCM Exists?

RCM is used where:
- Suppliers are unorganized / hard to track
- Risk of tax evasion is high
- Government wants better compliance & tracking

Legal Provisions

RCM is governed by:
- Section 9(3) CGST Act / 5(3) IGST Act: Notified supplies
- Section 9(4): Purchases from unregistered suppliers
- Section 9(5): E-commerce operators

Types of RCM

1. **RCM on Notified Goods & Services (Sec 9(3))**

Government notifies specific transactions where RCM applies.
Examples:
Goods:
- Cashew nuts, bidi leaves, tobacco from agriculturist
- Raw cotton
- Scrap / used goods from government
- Silk yarn

Services:
- Goods Transport Agency (GTA)
- Legal services by advocates
- Director (company)
- Sponsorship services
- Security services
- Renting by government

Example:
Company hires GTA → company pays GST under RCM

2. **RCM on Unregistered Purchases (Sec 9(4))**

Applies mainly to: Real estate promoters
Key cases:
- Cement from unregistered supplier
- Capital goods
- Shortfall in 75% procurement requirement

Example:
Builder buys cement from unregistered dealer → builder pays GST under RCM

3. **RCM for E-Commerce (Sec 9(5))**

E-commerce operator (ECO) pays GST, not actual supplier
Examples:
- Cab services (like Uber/Ola)
- Hotel bookings via platform
- Housekeeping services
- Restaurant services via apps

Example:
Ride booked on app → platform pays GST, not driver

Time of Supply under RCM

For Goods
Earliest of:
- Date of receipt
- Date of payment
- 30 days from invoice

For Services
Earliest of:
- Date of payment
- 60 days from invoice

Compliance Requirements under RCM

Mandatory Registration
- Even if turnover < threshold
- Must register if liable under RCM

Payment of Tax
- Must pay in cash only
- ITC cannot be used to pay RCM

Self-Invoicing
- Required when supplier is unregistered
- Buyer creates invoice

Payment Voucher
- Issued at time of payment to supplier

Input Tax Credit (ITC) under RCM

Allowed if:
- Goods/services received
- Used for business

Important:
- First pay tax in cash
- Then claim ITC later

Direct Tax

04.04.2026

Can an Association of Persons (AoP) be taxed at Maximum Marginal Rate (MMR) (30% + surcharge) when it has opted for the new tax regime under Section 115BAC?

Gulmohar Park Journalists' Colony Welfare Association vs ITO
ITAT DELHI(20.03.2026)

Fact of the case

- The AoP declared income of only ₹1.46 lakh
- CPC taxed it at:
  - 30% (MMR)
  - + 25% surcharge
- Tax demand came to ~₹63,000
- Even though the assessee had opted for Section 115BAC (new tax regime)

Tribunal's key reasoning

The ITAT made a very important clarification:

1. **Option under 115BAC is decisive**
   - Tax rates depend on the assessee's chosen regime
   - Once 115BAC is opted, that regime overrides other rate provisions
2. MMR under Section 167B not automatic
   - Section 167B applies MMR in certain AoP cases
   - BUT:
     - It cannot override the chosen tax regime
     - Especially when income is low and clearly fits slab rates
3. Low income matters
   - Income was only ₹1.45 lakh
   - Applying 30% + surcharge was clearly disproportionate

Final verdict

- MMR not applicable
- Surcharge also not applicable
- AO directed to recompute tax under normal 115BAC slab rates

Why this ruling is important

1. Big relief for AoPs

Many societies, clubs, RWAs etc. are taxed as AoPs. This ruling confirms:

- They can safely opt for 115BAC
- They won't be automatically pushed into 30% MMR

2. Limits CPC adjustments

The decision indirectly signals:

- CPC cannot blindly apply MMR
- Must respect taxpayer's regime choice

3. Clarifies hierarchy of provisions

- 115BAC (optional regime) → takes priority
- Over general charging provisions like 167B (MMR)

Practical takeaway

If you're:

- An AoP / society / association
- With low or moderate income
- And you opted for 115BAC

Then:

- Check if CPC applied 30% MMR incorrectly
- You may have a strong case for rectification or appeal

Simple summary

"Once you opt for the new tax regime, the department cannot ignore it and tax you at maximum marginal rate."

Goods & Services Tax

04.04.2026

The taxpayer challenged a Section 74 GST demand order via a writ petition, arguing that: The appellate remedy under GST law (appeal to GSTAT) was not available earlier because the Tribunal was not functional.

Anjan Kumar Nayak v. Commissioner of State Tax
HIGH COURT OF ORISSA(23.03.2026)

What changed?

- The GSTAT (Goods and Services Tax Appellate Tribunal) is now constituted and functional.
- Government issued Notification S.O. 4220(E) (17 Sept 2025) extending timelines to file appeals up to 30 June 2026.

Court's Key Ruling

The High Court refused to entertain the writ petition and held:

1. Writ is NOT a substitute for appeal (when available)
   - Writ jurisdiction can be used only when no effective alternative remedy exists.
   - Earlier, writs were allowed because GSTAT did not exist.
   - Now that GSTAT is functional → writ cannot bypass statutory appeal.

2. Mandatory pre-deposit must be followed

Under Section 112(8) of CGST Act:

- Pay 100% of admitted dues, AND
- Pay 10% of disputed tax (subject to ₹20 crore cap)
- This condition cannot be avoided by filing a writ.

3. Extended timeline gives fair opportunity
   - Since appeals can be filed till 30 June 2026, taxpayers are not prejudiced.
   - The court said keeping writ petitions pending would be improper.

4. Direction by Court

The petitioner must:

- Make required pre-deposit
- File appeal before GSTAT within prescribed timeline
- GSTAT must entertain appeal if filed properly

Key Legal Principle Reinforced

"Writ remedy is exceptional, not an alternative to statutory appeal."

Especially when:

- Appellate forum exists AND
- Adequate time is provided

Practical Takeaways

When you can file writ in GST matters:

- No appellate forum exists (earlier GSTAT situation)
- Violation of natural justice
- Jurisdictional errors

When writ will likely fail:

- GSTAT is functional
- Appeal remedy available
- Only trying to avoid pre-deposit requirement

Bottom Line

- This judgment strongly pushes taxpayers toward GSTAT route
- Courts will no longer entertain writs just to avoid:
  - Appeal procedure
  - Pre-deposit obligations

Direct Tax

06.04.2026

Can the Income Tax Department complete or enforce assessments after a resolution plan is approved under the IBC, when such tax claims are not included in the plan?

PCIT(Central) v. Diamond Power Infrastructure Ltd.
Gujarat High Court (23.03.2026)

Key Legal Principle

The Court reaffirmed the rule laid down by the Supreme Court in:

- Ghanashyam Mishra & Sons (P.) Ltd. v. Edelweiss Asset Reconstruction Co. Ltd.

Principle:

Once a resolution plan is approved under the IBC:

- All claims are frozen
- Claims not included in the plan are extinguished
- The plan becomes binding on all stakeholders, including tax authorities

Court's Reasoning

NCLT permission is irrelevant after plan approval

- Even though the National Company Law Tribunal allowed continuation of assessment proceedings during CIRP, that permission does not survive once the resolution plan is approved.

IBC overrides Income-tax proceedings

- The IBC has an overriding effect over other laws.
- Tax assessments cannot create fresh liabilities post-resolution.

Assessments ≠ enforceable claims

- Even if assessments were validly completed during CIRP:
    - If the resulting tax demand is not part of the resolution plan,
    - It becomes legally unenforceable.

Rainbow Papers distinguished

- The Court clarified that:
    - State Tax Officer v. Rainbow Papers Ltd.
    - does not dilute the Ghanashyam Mishra principle.

Final Holding

- Assessments completed by the Assessing Officer became void / unsustainable after approval of the resolution plan.
- Appeals of the Income Tax Department were dismissed.

Practical Implications

For Tax Authorities

- Must file claims during CIRP
- Cannot rely on post-plan assessments to recover dues

For Resolution Applicants

- Gain certainty and clean slate
- Protected from past undisclosed or contingent tax liabilities

For Corporate Debtors

- Post-resolution entity is free from past liabilities not in plan

Important Insight

This judgment reinforces a strong IBC doctrine:

- "Resolution plan = final settlement of all liabilities"
- Even statutory dues like income tax are not treated differently unless included in the plan.

Conceptual Takeaway

This case strengthens the "clean slate theory" under the IBC:

- Encourages bidders to participate without fear of hidden liabilities
- Ensures finality and certainty in insolvency resolution

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TAX INSIGHTS

By

Tax Research Department

Goods & Services Tax

06.04.2026

- **Can a rectification application under GST be entertained after 6 years?**
- **Can an assessee challenge an order on merits after filing such a delayed rectification?**

Ahamed Usman v. Deputy Commissioner
Kerala High Court (17.03.2026)

Key Legal Findings

Rectification beyond limitation = Not maintainable

- Under Section 39(9) of the CGST Act, rectification must be done within a prescribed time limit.
- Even with extensions (via Section 168A), the deadline here expired in March 2019.
- Filing in January 2024 = "Hopelessly time-barred"
- Court cannot even direct authorities to consider it

Rectification = Admission of own error

The Court made an important conceptual point:

- By seeking rectification, the assessee admits that the error is his own.

Therefore:

- You cannot simultaneously argue that the order is wrong on merits
- The merits challenge becomes self-contradictory and untenable

Mandatory timelines cannot be relaxed

- GST timelines for rectification are strict and binding
- Courts will not grant equitable relief where statute clearly bars it

Final Holding

- Rectification application rejected as time-barred
- Merits challenge rejected as inconsistent and untenable
- Appeal dismissed; Single Judge decision upheld

Practical Implications

For Taxpayers

- Rectification under GST is time-sensitive → delays are fatal
- Filing rectification late can backfire legally
- Choose strategy carefully:
  - Rectification → admits own mistake
  - Appeal → challenges department's error
- You generally can't safely pursue both inconsistently

For Professionals

- Always track Section 39(9) deadlines strictly
- Avoid using rectification as a fallback after years
- Strategic sequencing matters:
  - If you believe order is wrong → appeal
  - If it's your mistake → rectify (within time)

Key Takeaway

Rectification is not a remedy for negligence or delay.
And more importantly:
You cannot "admit error" and "deny error" at the same time in law.

Direct Tax

07.04.2026

Whether Section 54F exemption can be denied when:

- **Investment is made in multiple residential units**
- **Construction deviates from approved building plan**
- **Bank statements are not fully furnished**

Mekala Sharath Reddy (HUF) v. Deputy Commissioner of Income-tax
Income Tax Appellate Tribunal Hyderabad Bench (25.03.2026)

Key Legal Findings

"A residential house" = Multiple units (pre-2014 law)
For AY 2009–10 (pre-amendment):

- Law used the phrase "a residential house"
- Tribunal relied on:
  - Krishnagopal B. Nangpal v. Dy. CIT

Interpretation:

- "A" ≠ "one"
- Multiple units are allowed
- Amendment in 2014 (introducing "one residential house") is prospective

Approved building plan NOT required
The Tribunal clarified:

- Section 54F does not mandate:
  - Approved plan
  - Occupancy certificate

Key principle:

- Income-tax law focuses on investment & construction, not municipal compliance
- Even unauthorised/deviated construction can qualify

(though at assessee's own risk under other laws)

Proof of construction > Mode of proof

- Assessee furnished a valuation report
- It proved construction within prescribed time

Therefore:

- Non-submission of full bank statements not fatal
- If Revenue doubts source → separate provisions apply (e.g., unexplained investment)

Final Holding

- Deduction under Section 54F allowed
- AO directed to delete addition
- All objections of Revenue rejected

Practical Implications

For Taxpayers

- For pre-2014 years:
  - You can invest in multiple flats/units and still claim exemption
- Focus on:
  - Timing of construction
  - Substance over documentation gaps

For Litigation Strategy
This ruling gives 3 powerful defenses:

1. Multiple units argument → valid for old years
2. Municipal non-compliance irrelevant for tax benefit
3. Alternative evidence (valuation report) acceptable

Important Distinction

Aspect	Pre-2014	Post-2014
Language	"A residential house"	"One residential house in India"
Multiple units	Allowed	Generally restricted

Conceptual Takeaway

Section 54F is an incentive provision — it should be interpreted liberally.
Courts/Tribunals consistently emphasize:

- Substance over form
- Investment intent over technical defects

Goods & Services Tax

07.04.2026

After GST registration cancellation for non-filing of returns and rejection of appeal as time-barred, can the registration still be restored?

Ganapati Enterprise v. State of Assam
Gauhati High Court(16.03.2026)

Key Legal Findings

Proper officer retains power to restore registration
Even after cancellation:

- Under Section 29(2)(c) → registration can be cancelled for non-filing
- But under Rule 22(4) proviso →

If the taxpayer:

- Files all pending returns
- Pays tax + interest + late fees
- The proper officer can drop cancellation proceedings
- Registration can be restored (via Form GST REG-20)

Appeal failure ≠ end of remedy

- Assessee's appeal was rejected as time-barred
- Still, Court held:
- Alternative statutory route remains open
- Restoration via compliance is independent of appeal limitation

GST cancellation has serious civil consequences
The Court emphasized:

- Cancellation affects the right to carry on business

Therefore:

- Law should allow revival upon full compliance
- Authorities must act fairly and reasonably

Final Direction

Assessee given liberty to apply for restoration
Must:

- File all pending returns
- Pay full dues (tax + interest + late fee)

Officer directed to:

- Consider application
- Pass order within reasonable time (≈60 days)

Practical Implications

For Taxpayers

- Even if:
  - Registration cancelled
  - Appeal time expired
- You can still revive GST registration
- Key condition: Full compliance

For Professionals
This case highlights a powerful remedial route:
Instead of litigation, use:

- Rule 22(4) proviso strategy
- Faster - More practical - Less risky than writs/appeals

Key Takeaways

🔹 Compliance cures default
GST law allows a "second chance" — but only with full payment discipline
🔹 Procedural delay not always fatal

- Appeal limitation strict
- But restoration route survives

🔹 Distinction to remember

Remedy	Nature	Limitation
Appeal	Adjudicatory	Strict
Restoration (Rule 22)	Compliance-based	Flexible (if officer satisfied)

Conceptual Insight

GST framework balances enforcement with revival

- Default → cancellation
- Compliance → restoration

This ensures businesses are not permanently shut out for procedural lapses.

Direct Tax

08.04.2026

1. **Are interest-free / concessional staff loans taxable as perquisites?**
2. **Can the employer deduct TDS on such perquisites from employees' salaries?**
3. **Is a writ maintainable when only a consequential circular is challenged?**

Telangana Grameena Bank Officers Association v. Telangana Grameena Bank
Telangana High Court (23.03.2026)

Key Legal Findings

Concessional loans = taxable perquisites
The Court relied heavily on:
- All India Bank Officers' Confederation v. Regional Manager, Central Bank of India

Principle:
- Section 17 defines salary broadly
- "Perquisites" include fringe benefits arising from employment

Interest-free / concessional loans =
- Economic benefit
- Available only due to employment

Therefore: Taxable as part of salary

Employer's TDS action is valid
- Under Section 192, employer must deduct TDS on salary
- Perquisites form part of salary → TDS applies

Court clarified:
- Employer has option to bear tax or recover from employees
- Deducting from salary is perfectly lawful
- Bank's circular to deduct tax in instalments = valid

Benchmark valuation is valid
- Perquisite value computed using SBI lending rate benchmark (Rule 3)
- Upheld as:
  - Rational
  - Uniform
  - Reduces litigation

Writ not maintainable (procedural flaw)
The petition failed because:
- Employees challenged only the final circular (Oct 2025)
- Did NOT challenge earlier foundational circular (March 2025)

Legal principle:
You cannot challenge a consequential action without challenging the root cause
- Hence, writ dismissed on maintainability also

Final Holding

- Interest-free / concessional loans = taxable perquisites
- Bank's TDS deduction upheld
- Writ petition dismissed

Practical Implications

For Employees (especially bank staff)
- Staff loans at concessional rates are not tax-free benefits
- Expect TDS deduction on such benefits

For Employers
- Must include such perquisites in salary computation
- Can:
  - Either bear tax (u/s 192(1A))(OLD) OR
  - Deduct from employee salary

Compliance with Rule 3 valuation is critical

For Litigation Strategy
- Always challenge:
  - Base circular / rule
  - Not just consequential implementation

Key Takeaways

◆ Substance over form
Any economic benefit from employment = taxable
◆ Long-standing practice ≠ legal right
- Just because tax wasn't deducted earlier
- Doesn't prevent correction later

◆ Supreme Court precedence dominates
- Industrial tribunal awards or internal policies
- Cannot override tax law interpretation

Conceptual Insight

"Perquisite" = any advantage attached to employment, not just cash salary
This case reinforces a broad tax base under salary:
- Loans
- Facilities
- Subsidised benefits

All can be taxed if they provide measurable economic gain.

1. **Whether writ petition is maintainable after SCN (show cause notice) is issued?**
2. **Whether seized goods can be released without proper documents?**

Ankit Dubey v. Principal Commissioner of CGST
HIGH COURT OF MADHYA PRADESH(12.03.2026)

Key Findings of the Court

1. Writ Petition = Premature
   - After search & seizure, SCN under Section 74 was already issued.
   - This means adjudication process had begun.
   - Court held:
     - Assessee must participate in adjudication first.
     - Writ under Article 226 cannot bypass statutory remedy.

Principle:
"Writ jurisdiction should not be invoked at the investigation/adjudication stage."

2. Provisional Release Denied
   - Department offered release under:
     - Section 67(6) of CGST Act
     - Rule 140 (bond/security mechanism)
   - But assessee:
     - Failed to produce valid bills/invoices/challans
     - Could not establish genuineness of goods

Result:
No right to provisional release without documentary proof.

3. Validity of Search
   - Search was conducted by proper officer (Joint Commissioner).
   - Based on:
     - "Reasons to believe" of tax evasion
     - Undeclared godowns + unaccounted stock

Court held:
- Sufficiency of "reasons to believe" cannot be deeply examined in writ
- Only decision-making process, not merits, is reviewable

Legal Principles Established

(A) Writ vs Adjudication
Once SCN issued :
- ➤ Follow statutory remedy (reply, appeal)
- ➤ Writ = not maintainable

(B) Provisional Release Rule
- Release allowed only if:
  - Proper documents produced
  - Bond/security furnished
- Otherwise, department can retain goods

(C) Judicial Restraint
- Court emphasized:
  - It is not an appellate authority over tax officers
  - Limited scope under Article 226

Final Outcome

- Writ petitions dismissed
- Goods not released
- Assessee directed to participate in adjudication process

Exam Takeaway

- After SCN → No writ (premature)
- No documents → No provisional release
- Search valid if "reasons to believe" exist
- Courts avoid interfering in GST investigation stage

Direct Tax

09.04.2026

Can the Assessing Officer apply 50% presumptive income (Sec. 44ADA) to a Business Correspondent (BC) activity instead of accepting income declared under Sec. 44AD?

Manoj Rajaram Sharma v. ITO
ITAT MUMBAI(20.03.2026)

ITAT Decision (In Favour of Assessee)
The Tribunal held:
- BC activity = Business, NOT profession
- Therefore, Section 44AD applies, NOT Section 44ADA
- AO's action of applying 50% rate (44ADA) was legally incorrect

Key Legal Findings
1. Wrong section applied by AO
   - Section 44AD → applies to business (presumptive @ 6%/8%)
   - Section 44ADA → applies to specified professions (presumptive @ 50%)

ITAT clearly said:
- Business Correspondent work (banking facilitation) ≠ specified profession

2. Income declared was already higher
   - Assessee declared 35% of gross receipts
   - This is much higher than 8% required under Sec. 44AD

So:
- Once declared income exceeds statutory minimum, AO cannot arbitrarily increase it

3. AO accepted turnover but changed rate
   - AO accepted gross receipts
   - Still applied 50% rate without legal basis

ITAT:
This is not permitted unless:
- turnover is wrong, OR
- assessee is ineligible, OR
- evidence of suppression exists

(None existed here)

4. Misuse of 44ADA not allowed
   - AO indirectly used 44ADA logic
   - ITAT: Sections 44AD & 44ADA are mutually exclusive

Final Outcome
- Addition of ₹2.15 lakh → Deleted
- Income declared under Sec. 44AD → Accepted

Practical Takeaways
For Business Correspondents (BCs)
- You can safely use Sec. 44AD
- You are NOT covered under professional income (44ADA)

For Taxpayers using 44AD
- If you declare ≥ 8% (or 6%), AO:
  - Cannot increase profit % arbitrarily
  - Must accept, unless strong evidence exists

Important Strategy Point
If facing scrutiny:
- Ensure turnover is correct
- Maintain basic supporting documents
- Even under presumptive scheme, explanations matter

Goods & Services Tax

09.04.2026

Can a taxpayer seek rectification for denied ITC based on the retrospective amendment (Sec. 16(5)), even if the department claims the application is time-barred (6 months as per circular)?

SZK Logistics v. Union of India
HIGH COURT OF JHARKHAND (11.02.2026)

High Court Decision (Favourable to Assessee – Limited Relief)

- Court did NOT reject the application as time-barred outright
- Directed authority to:
  - Examine rectification on merits
  - Provide hearing
  - Pass a reasoned order within 2 months

BUT:

- Limitation issue kept OPEN
- Taxpayer can challenge later if adverse order passed

Key Legal Principles

1. Retrospective ITC Amendment must be considered
   - Finance (No. 2) Act, 2024 inserted Sec. 16(5) (retrospective from 01.07.2017)
   - Allows ITC for FY 2017–18 to 2020–21 if return filed by 30 Nov 2021

   Court recognized:
   - This amendment can impact earlier adverse orders
2. Circular cannot override adjudication at threshold
   - Department relied on:
     - Circular No. 237/31/2024-GST
     - Imposes 6-month limit for rectification

   Court response:
   - Whether circular is binding or limitation applies → NOT decided now
   - Must be examined by authority during adjudication
3. Writ court gave "limited mandamus"

   Instead of deciding merits itself, Court:
   - Sent matter back to proper officer
   - Ensured:
     - Natural justice (hearing)
     - Reasoned decision
4. Litigation strategy preserved
   - Assessee can:
     - Challenge rectification order
     - Along with original order (DRC-07)
   - Important procedural advantage

Practical Impact

For Taxpayers

- Even if delayed:
  - Rectification may still be entertained
- Retrospective ITC amendment = strong ground to reopen cases

Key Takeaways

- Substantive benefit (ITC) > procedural limitation (at initial stage)
- Circular-based time limits are not automatically fatal
- Proper officer must:
  - Examine both merits + limitation

Bottom Line

Rectification for ITC post-2024 amendment cannot be dismissed outright on limitation grounds—must be examined on merits first.

Direct Tax

10.04.2026

TDS credit must be allowed in the year in which the related income is taxed, even if the deductor deducts and reports TDS in a later year (Form 26AS mismatch).

R.K. Distilleries (P.) Ltd. v. ITO
ITAT HYDERABAD(27.03.2026)

Legal principle applied

- Section 199 + Rule 37BA(3) of the Income-tax Rules

Core rule:

- TDS credit is linked to year of assessability of income, not year of deduction.

This reinforces that:

- Income and TDS cannot be separated across years
- Otherwise, it leads to distorted taxation or double taxation

What happened in this case

- Assessee raised invoice in March 2020 → income taxed in AY 2020–21
- Deductor deducted TDS in next financial year → appears in Form 26AS of AY 2021–22
- CPC denied TDS credit due to mismatch

Result:

- ITAT said denial was incorrect

ITAT decision

The Tribunal held:

- TDS credit allowed in AY 2020–21 (year income offered)
- Form 26AS mismatch is not decisive
- AO must allow credit after verification
- Safeguard: ensure no double claim in next year

Precedent followed

The ruling relies on:

- Greatship (India) Ltd. v. DCIT

Which established the same principle:
TDS follows income, not deduction timing

Practical implications

1. Relief in 26AS mismatch cases

You can claim TDS credit even if:

- It is not reflecting in Form 26AS
- Deductor reported it late

2. Common real-world scenarios covered

This ruling helps in cases like:

- Year-end invoices (March billing)
- Clients booking expense in next year
- Late TDS deduction or filing by deductor

3. What you should do as a taxpayer

If you face such mismatch:

- Claim TDS in correct income year
- Keep documentation:
  - Invoice
  - Agreement
  - Ledger entries
- If disallowed:
  - File rectification (Sec 154) or appeal
  - Cite Rule 37BA(3) + this ITAT ruling

4. Important caution

You cannot claim TDS twice:

- Once in income year
- Again in 26AS year

Concept to remember

"TDS credit follows income, not Form 26AS timing."

Homebuyers alleged that the developer (Sobha Ltd.) did not pass on Input Tax Credit (ITC) benefits under Section 171 of the CGST Act (anti-profiteering)

DGAP v. Sobha Ltd.
GSTAT, New Delhi(02.04.2026)

Key Findings of GSTAT

1. Entire transaction was post-GST → No profiteering framework triggered
   - Booking, agreement, construction, and payments all happened after 1 July 2017 (GST regime).
   - Therefore, there was no "pre vs post GST" comparison base.

Anti-profiteering applies mainly when:
- Tax rate reduces OR
- ITC benefit increases compared to pre-GST
- Here, neither condition existed.

2. Price already included ITC benefit
   - The villa price was pre-agreed after considering available ITC.
   - Buyers accepted the pricing structure before entering the agreement.
   - So, there was no hidden benefit retained by the builder.
3. DGAP data showed no additional ITC benefit
   - Pre-GST ITC ratio: 12.26%
   - Post-GST ITC ratio: 11.02%
   - Change: –1.24% (decline, not gain)

Meaning:
- Builder did not gain extra credit under GST
- Hence, nothing to pass on

4. "Upfront payment" includes construction-linked plans

GSTAT clarified an important interpretational point:
- Even if payments are made in installments (construction-linked plan)
- It can still be treated as "upfront payment" for anti-profiteering analysis

This follows the principle laid down in:
- Reckitt Benckiser India Pvt. Ltd. v. Union of India

5. Buyers had no locus standi
   - Since:
     - Price was agreed post-GST
     - ITC was already factored in
     - No additional benefit arose
   - Buyers had no legal right to challenge profiteering

Final Ruling
- No violation of Section 171 (anti-profiteering)
- DGAP report accepted
- Case decided in favour of the developer

Practical Takeaways

When anti-profiteering applies
- Projects spanning pre-GST + post-GST
- Where ITC benefit increases or tax rate reduces

When it does NOT apply (this case)
- Entire project is post-GST
- Pricing is decided after GST implementation
- No incremental ITC benefit

Why this case matters
- This ruling clarifies a major grey area in real estate GST litigation:
- Pure post-GST projects are generally outside anti-profiteering scrutiny, if pricing already factors ITC

Direct Tax

11.04.2026

Whether giving only 6 days to respond to a show-cause notice (SCN)—instead of the minimum 7 days required under SOP Clause N.1.3—violates:

- **Faceless Assessment SOP, and**
- **Principles of natural justice**

Sanjay Harichand Chugh v. Assessment Unit
High Court of Karnataka(18.02.2026)

Key Facts

- SCN dated 12-02-2024
- Reply required by 18-02-2024 ,only 6 days given
- Assessment completed under faceless regime without proper response
- Assessee challenged:
  - Assessment order
  - Demand notices
  - Penalty orders
  - Rectification rejection

Court's Reasoning

1. SOP violation = procedural illegality
   - Clause N.1.3 of SOP mandates at least 7 days for response
   - Giving 6 days is a clear breach
2. Natural justice takes priority
   - Adequate opportunity to respond is fundamental
   - Even if the assessee was previously negligent, that does not cure a defective SCN
3. Focus only on impugned notice
   - Court refused Revenue's argument about prior non-cooperation
   - Held: illegality in the SCN itself is sufficient to invalidate proceedings

Final Decision

- Assessment order, demand, penalties, and rectification rejection → SET ASIDE
- Matter remanded back to stage of SCN
- Assessee given fresh opportunity to respond

Key Legal Principle

Minimum response time under SOP is mandatory, not directory
Violation = breach of natural justice → entire assessment collapses

Practical Takeaways

For taxpayers
- Always check time given in SCNs
- If < 7 days → strong ground to challenge

For tax authorities
- Strict adherence to SOP is essential
- Procedural lapses can invalidate entire proceedings

Bottom Line

Even a seemingly small procedural lapse—like giving one day less—can nullify the entire assessment, because fair opportunity to respond is non-negotiable in law.

Goods & Services Tax

11.04.2026

Can GST registration be cancelled on grounds not mentioned in the Show Cause Notice (SCN)?

Opes Chem Corp (P.) Ltd. v. State of Punjab
HIGH COURT OF PUNJAB & HARYANA(05.02.2026)

What Happened

SCN (Show Cause Notice) said:

- Registration obtained by:
  - fraud
  - wilful misstatement
  - suppression of facts

But Cancellation Order said:

- Assessee involved in:
  - circular trading
  - no cash tax payment
  - violation of Section 16(2)(c)
- These were completely different grounds

Problem Identified by the Court

- The foundation (SCN) and final order did not match
- Assessee was never given opportunity to defend actual allegations
- This violates principles of natural justice

Key Legal Principle

SCN must clearly contain the exact allegations on which action is proposed

- SCN = foundation of proceedings
- You cannot:
  - add new grounds later
  - decide on issues never put to the assessee

High Court's Ruling

- Cancellation order = Invalid / Unsustainable
- Appellate order = also set aside
- Entire proceedings = quashed

However:

- Department allowed to restart proceedings properly

Final Outcome

- Registration cancellation set aside
- Matter remanded
- Department given liberty to issue fresh SCN with proper grounds

Practical Takeaways

For Taxpayers

- Always check whether:
  - SCN and final order match
- If not → strong ground to challenge

For Department

- SCN must:
  - clearly state specific charges
  - include reasons + facts
- Cannot rely on:
  - vague or generic allegations

Why this case matters

This reinforces a fundamental procedural rule:
"No surprise grounds in adjudication"
Even if the department has valid evidence,
they must disclose it upfront in the SCN

Direct Tax

12.04.2026

Can registration of a charitable trust (u/s 12AA) be cancelled only because it generates surplus income?

CIT v. Baba Gandha Singh Education Trust
Punjab and Haryana High Court(27.02.2026)

Key Facts

- Assessee: Educational trust running schools
- Registered under Section 12AA
- CIT cancelled registration u/s 12AA(3) because:
  - Continuous surplus generation
  - Only 2% students got fee concession
- Assessee argued:
  - Surplus reinvested in infrastructure (labs, buildings, etc.)
- ITAT restored registration
- Revenue appealed to HC

Court's Reasoning

1. Strict conditions under Section 12AA(3)

Cancellation allowed only if:

- Activities are not genuine, OR
- Activities are not in accordance with objects
- Mere surplus ≠ ground for cancellation

2. Surplus ≠ profit motive (by itself)

- Educational institutions can generate surplus
- Key test:
- Is surplus incidental to carrying out objects?

If YES → valid

3. Application of surplus matters

- Trust used surplus for:
  - Infrastructure
  - Educational facilities
- This is within objects

Court emphasized:

- Department cannot dictate how funds should be applied
- Multiple valid ways to achieve educational purpose:
  - Fee concession
  - Free books
  - Better infrastructure

4. No deviation found by CIT

- No finding that:
  - Activities were non-genuine, OR
  - Funds used outside objects
- Cancellation was based only on surplus → legally insufficient

5. Support from Supreme Court

Relied partly on:

- New Noble Educational Society v. Chief CIT

Principle:

- Surplus allowed if arising from genuine educational activity

Final Decision

- Revenue appeal dismissed
- ITAT order upheld
- Registration restored

Key Legal Principle

Mere surplus generation ≠ ground for cancellation u/s 12AA(3)

Cancellation requires:

- Non-genuine activities OR
- Deviation from objects

Practical Takeaways

For trusts / NGOs

- Generating surplus is not fatal
- Ensure:
  - Activities align with objects
  - Surplus is reinvested in objectives

For tax authorities

- Must prove deviation or non-genuineness
- Cannot:
  - Assume profit motive merely from surplus
  - Dictate mode of application of funds

Bottom Line

A charitable institution doesn't lose its character just because it runs efficiently and generates surplus—what matters is purpose, not profit arithmetic.

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(Under the jurisdiction of Ministry of Corporate Affairs)

TAX INSIGHTS
By
Tax Research Department

Goods & Services Tax

12.04.2026

Whether issuing only a summary of SCN (DRC-01) along with a tax determination statement—without a proper, detailed show cause notice (SCN)—is valid under GST law.

Garg Associates v. State of Assam
HIGH COURT OF GAUHATI(13.03.2026)

Key Findings of the Court

1. Summary (DRC-01) ≠ Proper SCN
   - The Court held that Form GST DRC-01 is only a summary, not a substitute for a proper SCN under Section 73.
   - A valid SCN must:
     - Clearly state grounds, reasons, and allegations
     - Enable the taxpayer to effectively respond
   - Merely attaching a tax computation to DRC-01 does not satisfy statutory requirements.

2. Mandatory Documents Cannot Be Skipped

Under GST law:
   - SCN (Section 73(1)) → Mandatory
   - Statement (Section 73(3)) → Separate
   - Summary (Rule 142, DRC-01) → Additional
   - The department cannot bypass SCN and rely only on summary + attachments.

3. Unauthenticated Documents Are Invalid
   - Attachments to DRC-01 and DRC-07:
     - Had only "Sd/- Proper Officer"
     - No digital/e-signature

Court held:
   - Authentication via digital or e-signature is mandatory
   - Unsigned documents = no legal validity

4. Violation of Natural Justice (No Hearing)
   - DRC-01 did not specify:
     - Date
     - Time
     - Venue of hearing (marked "NA")

Court ruled:
   - Under Section 75(4), hearing is mandatory:
     - Even if no reply is filed
     - Whenever an adverse decision is contemplated
   - Passing order without hearing = violation of natural justice

.

5. Entire Proceedings Held Invalid

Due to:
   - No proper SCN
   - Unauthenticated documents
   - No opportunity of hearing
   - The entire demand and order (DRC-07) were quashed

Final Outcome
- Impugned order set aside
- Department given liberty to initiate fresh proceedings (de novo)
- Limitation period adjusted (time excluded)

Key Legal Principle (Takeaway)
A valid GST demand must be founded on a proper, reasoned, and authenticated show cause notice—summary forms cannot replace statutory requirements

Practical Implications
This judgment reinforces:
- Strict compliance with procedural safeguards
- Importance of:
  - Proper SCN drafting
  - Digital authentication
  - Grant of personal hearing
- Any lapse in these can invalidate entire GST proceedings, even if tax liability exists.

Direct Tax

13.04.2026

Issue 1: Franchise Fee – Capital or Revenue?
Issue 2: Payment to Foreign Talent Scout , No TDS deducted.

DCIT v. Indiawin Sports (P.) Ltd.
ITAT Mumbai (27.03.2026)

Issue 1: Franchise Fee – Capital or Revenue?

Facts:

- Assessee operates IPL team (Mumbai Indians)
- Paid franchise fee to BCCI for participation in IPL
- Claimed as revenue expenditure
- AO treated it as capital expenditure (intangible asset)

Tribunal's Reasoning

1. Consistency principle (very important)
   - In earlier years (AY 2009–10 to 2018–19):
   - ITAT already held franchise fee = revenue expenditure
   - No:
     - Change in facts
     - Change in law
   - Therefore, same view must continue
2. Judicial discipline
   - Lower authorities must follow binding precedents
   - Mere appeal pending in HC ≠ reason to deviate
3. Nature of payment
   - Franchise fee = recurring business expenditure
   - Paid for participation and operation, not acquisition of asset
   - Hence, Section 37(1) applies

Final Holding (Issue 1)

- Franchise fee = Revenue expenditure
- Not capital
- No depreciation needed

Issue 2: Payment to Foreign Talent Scout (DTAA)

Facts:

- Payment to New Zealand resident (John Wright)
- Role: Talent scout
- No TDS deducted (assessee claimed DTAA benefit)

Core Legal Conflict

- AO: Fees for Technical Services (FTS) → Article 12 → TDS required
- Assessee: Independent Personal Services → Article 14 → No TDS

Tribunal's Analysis

1. Nature of services
   - Professional expertise-based
   - No control on "how" work is done
   - No employer-employee relationship
   - Qualifies as independent personal services
2. Article 14 conditions (India–NZ DTAA)

Income taxable in India only if:

- Stay > 183 days (only 88 days here)
- OR fixed base in India (uncertain)

3. Critical missing fact → "Fixed Base"
   - Whether scout had a fixed base in India not verified
   - This is decisive for taxability

Final Holding (Issue 2)

Matter remanded to AO to verify:

- Existence of fixed base in India

If no fixed base → No tax in India ,No TDS liability

Key Legal Principles

1. Franchise fee (IPL context)
   - Recurring participation fees = Revenue expenditure
2. Consistency rule
   - Same facts → same tax treatment across years
3. DTAA – Article 14 vs Article 12
   - Independent services → Article 14
   - FTS applies only if not covered under Article 14

Practical Takeaways

For businesses (sports franchises, etc.)

- Franchise payments are generally revenue in nature if recurring
- Prior favourable rulings are powerful

For international taxation

- Always check:
  - Nature of service (independent vs technical)
  - Stay duration (183 days rule)
  - Fixed base (often decisive)

Bottom Line

- IPL franchise fee is a running cost, not a capital asset
- In cross-border services, DTAA classification can override domestic tax—if conditions are met

Can Section 74 (fraud/suppression) be invoked when: tax shortfall is voluntarily disclosed, and tax with interest is paid before SCN, and there is no intent to evade tax?

Apollo Tyres Ltd. v. Union of India
HIGH COURT OF MADRAS(28.11.2025)

Key Facts

- The assessee (Apollo Tyres) supplied tyres, tubes, and flaps (TTF).
- Due to industry-wide confusion on composite vs individual supply, tax was short-paid.
- On 12.01.2019, the assessee:
  - Voluntarily declared the issue, and
  - Expressed intent to pay differential tax with interest.
- Investigation (DGGI) started after this disclosure.
- Entire tax & interest was eventually paid before SCN (20.04.2022).

Court's Findings

1. Section 74 wrongly invoked

Section 74 applies only when there is:

- Fraud
- Wilful misstatement
- Suppression of facts

Court held:

- No mens rea (intent to evade)
- Disclosure was voluntary and prior to enforcement
- Hence, Section 74 ingredients not satisfied

2. At best, Section 73 could apply

- Case involved interpretational confusion, not fraud
- So it falls under Section 73 (non-fraud cases)

But even Section 73 fails because:

- Tax & interest already paid before SCN

3. Section 39(9) bar not applicable

Department argued:

- Payment after investigation → no rectification allowed

Court rejected:

- Assessee had declared intent BEFORE investigation
- Hence, restriction under Section 39(9) does not apply

4. No liability existed on SCN date

- Entire tax already paid

Therefore:

- SCN itself invalid
- Proceedings unsustainable

Final Outcome

- SCN & Order-in-Original & Appellate Order → QUASHED
- Case decided in favour of assessee

Key Legal Principles Established

Voluntary compliance protects taxpayer

If:

- Disclosure is before detection, and
- Payment made with interest,

Then fraud provisions (Sec 74) cannot be invoked

Timing of intent matters more than timing of payment

- Even if payment happens later,
- Earlier declared intention to pay is crucial

Industry confusion ≠ suppression

- Interpretational disputes → Section 73, not 74

No SCN if dues already paid

- Once tax & interest paid pre-SCN → proceedings fail

Practical Takeaways

- Always document voluntary disclosure early
- Pay tax & interest before SCN wherever possible
- Distinguish clearly:
  - Sec 73 → genuine mistake
  - Sec 74 → fraud intent required

Direct Tax

14.04.2026

Whether interest received on income-tax refund (Section 244A) qualifies for deduction under Section 80-IB as business profits?

Computer Graphics (P.) Ltd. v. Deputy Commissioner of Income-tax
HIGH COURT OF MADRAS(27.03.2026)

Key Facts

- Assessee: Manufacturing & trading (colour paper, X-ray films)
- Claimed 80-IB deduction on:
  - Business profits
  - Interest on income-tax refund (disputed)
- Revenue disallowed → CIT(A) & ITAT confirmed → HC appeal

High Court's Ruling

Interest on IT refund is NOT eligible for 80-IB deduction

The Court held:

- Section 80-IB allows deduction only for:
- "profits and gains derived from business"
- Interest under Section 244A arises from:
- Excess tax paid + statutory refund mechanism

Therefore:

- Not derived from manufacturing/business activity
- Not even indirectly connected to business operations

Crucial Legal Interpretation

"Derived from" ≠ "Attributable to"

This is the heart of the judgment:

- Derived from = Direct, first-degree nexus with business
- Attributable to = Wider, indirect connection

Court emphasized:

- Section 80-IB uses "derived from" (narrow test)
- Interest on refund fails this test

Why Assessee's Argument Failed

Assessee argued:

- Tax paid from borrowed funds
- Interest burden reduced profits
- Refund interest should compensate → hence eligible

Court rejected:

- This is economic logic, not legal eligibility
- Source of income = tax refund, not business

Final Outcome

- Deduction on refund interest disallowed
- Appeal dismissed
- Decision in favour of Revenue

Key Principles Emerging

1.Strict interpretation of deduction provisions

- Tax incentives like 80-IB are not liberally interpreted

2.Refund-related income = "Income from other sources"

- Even if linked to business taxes
- Still not business income

3.Nexus test is decisive

Ask:

Is income directly generated from core business activity? If NO → deduction fails

Practical Takeaways

- Do NOT claim 80-IB / similar deductions on:
  - Interest on IT refunds
  - Compensation-type receipts from tax authorities
- Always test income under:
  - "derived from" (strict) vs
  - "attributable to" (broad)

Quick Comparison with Other Common Items

Income Type	Eligible under 80-IB?	Reason
Sale of manufactured goods	Yes	Direct business income
Duty drawback / incentives	Depends	Often litigated
Interest on deposits	No	Not derived from business
Interest on IT refund	No	From tax mechanism

Goods & Services Tax

14.04.2026

Can GST portal restrictions deny inter-State transfer of ITC on amalgamation, when the law itself does not impose such a restriction?

Emerson Process Management (India) Pvt Ltd. v. Union of India
HIGH COURT OF GUJARAT (05.03.2026)

Key Facts

- Petitioner had multi-State GST registrations
- Amalgamation approved by NCLT
- Unutilized ITC (mainly CGST) to be transferred under:
  - Section 18(3) + Rule 41
- Attempted filing Form ITC-02 on portal

Portal error:
"Transferee and Transferor should be of same State/UT"

- Department refused transfer based on this portal restriction

High Court's Key Findings

1. Portal restriction has NO legal basis
   - Neither Section 18(3) nor Rule 41:
     - Prohibits inter-State ITC transfer
   - Portal condition = extra-statutory

Court held:

- Department cannot add conditions not present in law

2. System limitations cannot override statutory rights
   - GST portal lacked mechanism for inter-State transfer

Court ruled:

- Technical limitations ≠ legal restriction
- Rights under statute cannot be defeated by portal design

3. Improper endorsement on statutory form
   - Department inserted remark inside Form ITC-02

Court criticized:

- Statutory forms cannot be modified administratively
- No provision to record such objections within the form

4. ITC transfer on amalgamation is legally allowed
   - Section 18(3) permits transfer of ITC when:
     - Business reorganized (merger/amalgamation)
     - With transfer of liabilities
   - No condition of "same State" exists
5. Manual filing must be accepted
   - Since portal failed:

Court directed:

- Allow manual ITC-02 filing
- Process within 6 weeks

Final Outcome

- Portal restriction declared invalid
- Department directed to:
  - Accept manual ITC-02
  - Allow ITC transfer
- Decision in favour of assessee

Important Precedent Followed

- Umicore Autocat India (P.) Ltd. v. Union of India

(similar ruling on inter-State ITC transfer)

Key Legal Principles

1. Statute > Portal
   - GSTN system cannot override law
2. No implied restrictions

If law is silent →

- Authorities cannot insert conditions

3. Substantive benefit cannot be denied
   - Procedural gaps (like portal issues)
   - Cannot defeat vested ITC rights
4. Manual compliance is valid fallback
   - Where digital mechanism fails
   - Authorities must accept manual processes

Practical Takeaways

For taxpayers:

- In mergers/amalgamations:
  - ITC transfer allowed even across States
- If portal blocks:
  - File manual ITC-02
  - Rely on this HC ruling

For litigation strategy:

- Challenge:
  - Portal errors
  - System restrictions
- "Technology cannot override statute"

Insight

This judgment reinforces a growing judicial trend: GST compliance is law-driven, not portal-driven

TAX INSIGHTS

By

Tax Research Department

Direct Tax

15.04.2026

Whether the Assessing Officer (AO) must issue a fresh notice u/s 143(2) when passing an order u/s 143(3) read with 263 after revision by PCIT.

DCIT v. G Corp (P.) Ltd
ITAT BANGALORE (01.04.2026)

ITAT Ruling

The Tribunal held:

No, a fresh notice u/s 143(2) is NOT mandatory if:

- Original assessment u/s 143(3) was already completed after issuing 143(2), and
- The new order is passed only to give effect to revision u/s 263, and
- It is not a reassessment (u/s 147/148).

Key Reasoning

1. Continuation of original proceedings
   - Proceedings u/s 263 are not fresh proceedings.
   - They are a continuation/modification of the original assessment.
2. No fresh return filed
   - In reassessment (u/s 148), assessee files a new return → fresh 143(2) needed.
   - In 263 cases:
     - No new return
     - Only correction of earlier errors
   - Hence, no trigger for fresh 143(2).
3. Limited scope of AO
   - AO can only examine issues pointed out by PCIT.
   - Cannot reopen entire assessment.
   - So, this is not equivalent to a full scrutiny assessment.
4. Law does not require multiple 143(2) notices
   - Only one valid 143(2) per assessment cycle is sufficient.
   - Issuing another is not mandated by statute.
5. Distinction from reassessment & search cases

The Tribunal distinguished:

- ACIT v. Hotel Blue Moon
- CIT v. Sodder Builder & Developer (P.) Ltd.

These apply where:

- Fresh return is filed (search/reassessment cases)

Not applicable to:

- Section 263 revision cases

Final Outcome

- CIT(A) order quashing assessment was reversed
- Matter sent back to decide on merits
- Revenue's appeal allowed

Practical Takeaway

Situation	Is fresh 143(2) required?
Original scrutiny u/s 143(3)	Yes
Reassessment u/s 147/148	Yes
Search assessment (153A/158BC)	Yes
Revision u/s 263 (this case)	No

Why this matters

This ruling:

- Prevents technical invalidation of 263 assessments
- Clarifies procedural confusion
- Strengthens Revenue's position in revision cases

Goods & Services Tax

15.04.2026

Can Rule 86A be used to block a taxpayer's Electronic Credit Ledger (ECL), when the allegation is only that the recipient wrongly availed ITC?

Sri Padmavathi Marketing v. Assistant Commissioner of Commercial Taxes
HIGH COURT OF KARNATAKA(04.03.2026)

High Court Ruling

No, Rule 86A cannot be invoked in such cases
If there is no finding that the taxpayer itself:

- fraudulently availed ITC, or
- is ineligible for ITC,

then blocking ECL is without jurisdiction

Key Reasoning

1. Rule 86A is very specific (not general power)
The Court emphasized:
Rule 86A can be used only in limited situations, such as:

- Fake invoices
- No receipt of goods/services
- Supplier non-existent
- Tax not paid to Government
- Assessee itself is non-genuine

These conditions must apply to the taxpayer whose ledger is blocked

2. Allegation was against the recipient, not the petitioner

- Department's case:
- ITC wrongly availed by M/s Million Lights (recipient)

But:

- No finding that petitioner:
    - wrongly availed ITC
    - had fake purchases
    - was non-existent
    - lacked documents
- So Rule 86A misapplied

3. Passing on ITC ≠ availing ITC
Even if allegation is:

- issuing invoices without supply
- That may trigger other proceedings (e.g., demand, penalty)
- But cannot justify blocking ECL under Rule 86A unless petitioner's own ITC is tainted

4. Jurisdictional error → notice invalid

- Show-cause notice itself was beyond legal authority
- Hence:
    - Notice set aside
    - ECL to be unblocked immediately

Final Outcome

Issue	Decision
Invocation of Rule 86A	Invalid
Show-cause notice	Quashed
Electronic Credit Ledger	To be unblocked

Practical Takeaways

When Rule 86A can be used
Only if your own ITC is:

- Fake
- Ineligible
- Based on bogus invoices
- Without receipt of goods/services

When it cannot be used

- Issue lies with buyer/recipient
- Department is investigating third party
- No finding against your own ITC

Big Impact

This ruling:

- Protects taxpayers from overreach by GST officers
- Reinforces that Rule 86A is not a blanket power
- Helps in litigation where ECL is blocked mechanically

One-line summary

"No fault in your ITC = No blocking of your ledger under Rule 86A."

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(Under the jurisdiction of Ministry of Corporate Affairs)

Direct Tax

16.04.2026

Whether a certificate issued under Section 197 (lower/nil TDS) applies: Only from the date of issue, or for the entire assessment year (AY)

CIT (TDS) v. NHAI
High Court of Madhya Pradesh (06.03.2026)

Final Verdict

The Court held:
A Section 197 certificate is valid for the entire assessment year, not just prospectively from the date it is issued.

Key Reasoning

- Under Income-tax Act, 1961, taxation is always determined for a full assessment year, not in fragments.
- Section 197(2) + Rule 28AA:
  - Once a certificate is issued, it remains valid throughout the AY, unless cancelled.
- Therefore, its benefit relates to the whole year, even if issued mid-year.

Practical Outcome in This Case

- The assessee (NHAI) deducted TDS at a lower rate even before the certificate date (30-06-2008).
- The Assessing Officer said:
  - Lower rate valid only after 30-06-2008
  - Earlier payments = short deduction → default + interest
- Court rejected this view.

What the Court Held

- Assessee NOT an assessee in default under Section 201 of Income-tax Act
- No liability for interest under Section 201(1A)
- Lower TDS rate valid for entire AY, including earlier payments

Key Takeaways

- Section 197 certificate = AY-based validity: Not date-based
- Mid-year issuance still protects earlier payments: If certificate covers that AY
- No TDS default exposure: If lower deduction aligns with certificate for that AY

Important for:

- Cross-border payments (Section 195)
- Large contracts
- Situations with delayed certificate issuance

Caution

- This applies only if certificate clearly specifies the relevant AY
- If certificate is:
  - Conditional, or
  - Later cancelled
  - position may change

Supporting Precedents Mentioned

- CIT v. Bovis Lend Lease (I) Ltd.
- Conner Institute of Health Care and Research Center Pvt Ltd v DCIT

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TAX INSIGHTS

By
Tax Research Department

Goods & Services Tax

16.04.2026

For DDP (Delivered Duty Paid) exports, whether the following must be included in value for IGST payment: Ocean freight, insurance, foreign import duties, delivery charges abroad,other pre-delivery costs etc.

Arjun Knit Wear, In re
AAR, Tamilnadu(06.02.2026)

Final Ruling

- YES, all such expenses must be included in the taxable value for IGST on exports.
- Refund question not answered (outside AAR jurisdiction).

Legal Basis

Under Section 15 of the Central Goods and Services Tax Act, 2017:

- Value of supply = transaction value
- Includes:
    - Incidental expenses
    - Any amount charged for anything done before or at the time of delivery

Why DDP Changes Everything

Under DDP terms:

- Seller bears ALL costs + risks till delivery at buyer's location
- Supplier even handles:
    - Import clearance
    - Foreign duties
    - Logistics abroad
- So these are not reimbursements in a pure sense
- They are part of the price of supply
- Pure Agent Argument Rejected

The applicant admitted:

- They are not a "pure agent" (Rule 33)

Why?

Because:

- Expenses are incurred on own account
- Invoices are in supplier's name
- Supplier bears risk and obligation
- Hence, exclusion from value not allowed

Key Conclusion

All pre-delivery costs under DDP:

- Form part of transaction value
- Subject to IGST on export (if exporting with payment of tax)

Important Distinction

GST vs Customs Valuation

- GST valuation → based on CGST Act, 2017 (full transaction value including DDP costs)
- Customs valuation → stops at place of export

So:

- GST value may be higher than shipping bill value

Practical Impact for Exporters

If you export under DDP:

- You must:
    - Include all overseas costs in invoice value
    - Pay IGST on full bundled value

This affects:

- Working capital (higher IGST outflow)
- Refund amounts (if exporting with IGST)
- Pricing strategy for global contracts

Risk Area

Mismatch risk:

- GST invoice value vs shipping bill value

As per CBIC circular:

- Refund may be restricted to lower of the two values

Key Takeaways

- DDP = bundled supply: Everything till delivery = taxable value
- Reimbursements ≠ exclusion: Unless strict "pure agent" conditions met
- Exporters must rethink pricing: Especially in FOB vs CIF vs DDP decisions

Direct Tax

17.04.2026

Can the Assessing Officer (AO) make additions for unaccounted production/sales just by estimating higher yield (based on past years or industry averages) without any incriminating material or defects in books?

ACIT(Central) v. Mahamaya Steel Industries Ltd.
HIGH COURT OF CHHATTISGARH(04.09.2025)

What Happened

- The assessee (steel manufacturer) declared 82.42% yield.
- AO assumed 89% yield (based on earlier years/search assessments).
- On that basis, AO:
  - Rejected books (Section 145)
  - Estimated extra production
  - Added ₹19.09 crore as unaccounted income

What CIT(A) and ITAT Found

Both authorities held:

- No defects in books, vouchers, or records
- No incriminating material found during search
- Past years' estimates cannot be blindly applied
- Mere low yield or GP/NP variation ≠ suppression

Therefore, addition was purely guesswork

High Court Decision

The High Court of Chhattisgarh upheld ITAT and ruled:

Key Principles

No addition without evidence:

- Relied on Dhakeswari Cotton Mills Ltd. v. CIT
- AO cannot make "pure guess" assessments

Section 145 (rejection of books) requires defects:

- No defects → no rejection → no estimation

Search assessment (Section 153A) needs incriminating material:

- Especially for concluded years

Each year is separate:

- Past estimates ≠ automatic application to current year

Concurrent factual findings:

- CIT(A) + ITAT findings = binding unless perverse
- Here, they were reasonable and evidence-based

Key Takeaways

- Low yield alone is NOT evidence of suppression
- No incriminating material → no addition in search cases
- Estimation must be backed by tangible evidence
- AO cannot rely solely on past trends or industry averages
- Courts won't interfere with factual findings unless perverse

Bottom Line

The Court shut down a common revenue approach:

- "You can't manufacture income just because numbers look low."
- Without hard evidence, additions become conjectural and legally unsustainable.

Goods & Services Tax

17.04.2026

Can an IGST refund be denied only because the Bill of Lading (BoL) is illegible, without giving the taxpayer a chance to submit a proper copy?

Indorama India (P.) Ltd. v. State of West Bengal
HIGH COURT OF CALCUTTA (18.03.2026)

Facts in Brief

- Assessee claimed IGST refund on ocean freight (Dec 2018 period)
- Based on Union of India v. Mohit Minerals Pvt. Ltd. (which invalidated such levy)
- Refund initially allowed by adjudicating authority
- Reversed in appeal because:
  - Bill of Lading was illegible
  - Shipping line (foreign/Indian) not verified

High Court's Ruling (High Court at Calcutta)

Key Findings:

Principles of natural justice violated

- Refund denied without giving opportunity to cure defect (illegible document)

Procedural defect ≠ automatic rejection:

- If decision hinges on a document → taxpayer must get chance to submit a proper copy

Merits must be examined

- Eligibility (e.g., foreign shipping line) should be decided after proper evidence is considered

Final Direction

- Matter remanded to appellate authority
- Assessee allowed to:
  - Submit legible Bill of Lading
  - Furnish supporting documents
- Authority to:
  - Re-decide on merits
  - Within 1 month

Key Takeaways

- Opportunity to rectify defects is mandatory
- Illegible/missing documents → curable defect
- Refund cannot be denied on technicalities alone
- Natural justice applies even in appellate GST proceedings
- Substance over form in refund claims

Bottom Line

The Court reinforced a practical rule:

- "If your claim fails because of a document, you must first be allowed to fix that document."
- A denial without such opportunity is procedurally unfair and legally unsustainable.

Direct Tax

18.04.2026

Whether right to collect toll under BOT/BOOT projects is: a tangible asset (road/building → 10%), OR an intangible asset (→ 25% depreciation) ?

Jalandhar Amritsar Tollways Ltd v. DCIT
ITAT DELHI(27.03.2026)

Key Rulings

1. Toll Collection Right = Intangible Asset (BIG WIN for assessee)
   - ITAT held:
     - Right to collect toll is a business/commercial right
     - Falls under "intangible assets" u/s 32
   - Depreciation allowed @ 25% (not 10%)

Based on precedent:
   - ACIT v. Progressive Constructions Ltd

2. Subsidy from NHAI → Reduce Asset Cost
   - Subsidy received for project cost:
     - Must be deducted from actual cost (Explanation 10 to Sec 43(1))
   - Excess depreciation claim = rightly disallowed

3. Provision for Road Maintenance, Not Allowed
   - Provision for future resurfacing:
     - Not based on scientific method
     - Liability not certain (traffic, damage, etc.)
   - Deduction allowed only when actually incurred

Supported by:
   - Seagram Distilleries Pvt Ltd v. CIT

4. "Negative Grant" Liability, Cannot be Capitalised
   - Future payments to NHAI:
     - Not crystallised liability
     - Cannot be added to asset cost
   - Depreciation on such amount = disallowed

5. Section 80-IA Benefit
   - Any disallowance increases business income
   - Since entire income is from infrastructure activity:
     - 80-IA deduction increases correspondingly

6. Penalty u/s 271(1)(c), Not Leviable
   - Mere disallowance of claim ≠ concealment
   - No penalty

Based on:
   - CIT v. Reliance Petroproducts Pvt Ltd

Key Takeaways

- Toll rights = Intangible asset → 25% depreciation
- Govt subsidy = reduce asset cost
- Estimated provisions (without scientific basis) = not deductible
- Future liabilities not crystallised = no capitalization
- Disallowance can increase 80-IA deduction
- Wrong claim ≠ penalty automatically

One-Line Summary

Right to collect toll under BOT projects is an intangible asset eligible for 25% depreciation, but related claims must satisfy strict rules on cost, provisions, and liability crystallisation.

Whether GST rate increase from 12% to 18% (w.e.f. 18-07-2022) applies to: Contracts entered before the rate change, and Whether differential tax can be demanded/recovered?

Ezhumalaiyan Construction v. State Tax Officer
HIGH COURT OF MADRAS (24.02.2026)

Court's Decision

1. GST @ 18% is VALID for Post-18.07.2022 Supplies
    - Even if contract was signed earlier at 12%:
        - Tax rate is governed by law, not contract
    - Since rate was increased via notification:
        - Supplies after 18-07-2022 → 18% GST applicable

Based on:
- Notification No. 3/2022–Central Tax (13-07-2022)

2. Contracts Cannot Override Tax Law
    - Agreement with Govt. mentioning 12%:
        - Cannot restrict statutory levy
    - GST law prevails over contractual terms

3. Differential Tax Demand (6%) = VALID
    - Department rightfully demanded:
        - Additional 6% GST on post-change supplies

4. BUT Recovery Temporarily Stayed (Relief to Contractor)
    - Court gave practical relief:
        - Govt. departments had agreed to reimburse extra GST
    - Recovery of differential tax:
        - Kept in abeyance (paused)

5. Direction to Government Departments
    - Concerned Govt. authorities must:
        - Pursue reimbursement
        - Complete within 6 months

6. Other Tax Dues Still Payable
    - Only differential GST got relief
    - Other confirmed dues:
        - Must be paid with interest

Precedents Followed

- Vediappan v. Secretary to Government
- M Murugesan v. Secretary to Government Rural Development Tamil Nadu

Key Takeaways

- GST rate changes apply prospectively based on supply date
- Old contracts don't freeze tax rates
- Govt. contractors must:
    - Pay revised GST
    - Then seek reimbursement (if contract permits)
- Courts may grant temporary protection from recovery
- Practical relief ≠ waiver of tax liability

One-Line Summary

GST rate increase to 18% applies to post-18.07.2022 supplies even under old contracts; demand is valid, but recovery can be deferred to allow reimbursement from Government.

Direct Tax

19.04.2026

Under Project Completion Method (PCM): Should various expenses be allowed as revenue expenditure (Sec 37) OR Capitalised as Work-in-Progress (WIP)?

Samira Realty Projects Pvt Ltd v ACIT
ITAT MUMBAI(27.03.2026)

Tribunal's Principle

- Only those costs which bring inventory to its present location & condition are capitalised.
- Others = revenue expenses (allowed immediately).
- Based on Accounting Standard 2 (AS-2)

Final Classification of Expenses

Allowed as Revenue Expenditure

- Advertisement
- Business promotion
- Sales commission

Reason:

- Promotional / selling nature
- Do NOT contribute to construction or readiness of inventory

Deductible in the year incurred

Capitalised as WIP (Project Cost)

- Loan processing charges
- Security expenses

Reason:

- Directly related to project
- Necessary for execution / completion

Added to WIP under PCM

Key Logic Explained

Under PCM:

- Profit is recognised only when project completes
- But:
  - Not ALL expenses are deferred
  - Only project-specific costs are capitalised

Test to Apply;

Ask:

"Does this expense help bring the inventory to its present condition/location?"

- YES → Capitalise (WIP)
- NO → Revenue expense

Important Precedent Followed

- ACIT v Airmid Real Estate Ltd

Also supported by:

- Gopal Das Estates & Housing Pvt Ltd v CIT

Key Takeaways

- PCM ≠ automatic capitalization of all expenses
- Selling & marketing expenses = revenue
- Project execution costs = WIP
- AS-2 is crucial for classification
- Nature of expense > method of accounting

One-Line Summary

Under project completion method, only project-specific costs are capitalised to WIP, while advertisement, promotion, and commission remain allowable revenue expenses.

Goods & Services Tax

19.04.2026

Whether the builder profiteered by not passing on the benefit of Input Tax Credit (ITC) to homebuyers after the introduction of GST, as required under Section 171 of the CGST Act, 2017.

DGAP v. LIC HFL Care Homes Ltd.
GSTAT, New Delhi (23.03.2026)

Key Facts

- Project: "Jeevan Ananda"
- Period examined: July 2017 – Nov 2019
- Pre-GST ITC: 0%
- Post-GST ITC ratio: 17.99%
- Reason: Under GST, ITC became available on both goods and services (not available earlier)

Methodology Adopted (Post Delhi HC guidance)

Following the principle laid down in Reckitt Benckiser India Pvt. Ltd., GSTAT used: Area-based method

1. Compute total ITC benefit (savings)
2. Divide by total project area → per sq. ft. benefit
3. Multiply by sold area → total profiteering

Result:

- Total ITC benefit: ₹2,07,65,434
- Benefit per sq. ft.: ₹76.895
- Profiteered amount: ₹2,07,08,131

Key Findings

1. Profiteering Established
   - Increase from 0% to 17.99% ITC ratio proves additional benefit under GST
   - Builder must pass this benefit to buyers via price reduction
2. Builder's Defenses Rejected

Argument:

Pre-GST CENVAT credit wasn't availed due to mistake

Held:

- This is not a valid excuse
- Failure to claim credit ≠ denial of benefit to buyers
- Obligation under Section 171 is absolute

3. ITC Includes Both Goods & Services
   - Builder argued benefit limited to materials
   - Tribunal rejected this
   - ITC benefit includes:
     - Inputs (goods)
     - Input services
4. Judicial Admission Binding
   - Builder earlier admitted profiteering
   - Tribunal held:
     - Judicial admissions are conclusive
     - Cannot later deny liability
5. GST on Profiteered Amount Included
   - GST @12% added to profiteered amount

Reason:

- Buyers should not bear tax on inflated price
- Based on Delhi HC ruling in Reckitt Benckiser

Total payable:

- ₹2,07,08,131 + ₹24,84,976 (GST) = ₹2,31,93,107

6. Interest @18% Mandatory
   - Payable from date of each buyer's payment
   - Not from date of order
   - Continues till refund

Final Order

Builder must:

- Refund ₹2.31 crore (including GST) to buyers
- Pay 18% interest from date of receipt of payments
- Distribute amount buyer-wise based on area

Legal Principles Highlighted

1. Anti-profiteering = Consumer Welfare
   - Prevents unjust enrichment
   - Ensures GST benefits reach end consumers
2. No "One-Size-Fits-All" Formula
   - Methodology depends on facts of each case
   - But must be: Fair, Reasonable
3. Area-Based Allocation Preferred in Real Estate
   - Ensures equal benefit per sq. ft.
   - Aligns with Delhi HC guidance
4. ITC Benefit = Actual Savings, Not Theoretical
   - Focus is on real reduction in tax cost

Takeaways

- Section 171 imposes strict liability
- Increase in ITC ratio = prima facie profiteering
- Unavailed credit cannot reduce liability
- GST collected on inflated price must also be refunded
- Interest is automatic and compensatory

If an issue is "debatable", it cannot be corrected using rectification under Section 154.

(Since set-off of STCG (on depreciable assets) against brought-forward business loss is a debatable issue, the Assessing Officer cannot reopen it via Section 154)

Madhavpura Mercantile Co-op Bank Ltd. v. ACIT
ITAT AHMEDABAD(07.04.2026)

Key legal findings

1. Income diversion to DICGC – rejected
   - The bank argued income was diverted to Deposit Insurance and Credit Guarantee Corporation (DICGC) by overriding title.
   - ITAT rejected this:
     - Income first accrues to the Official Liquidator, not DICGC.
     - DICGC only has priority of payment, not ownership of income.
   - Relied on DICGC v. Raghupathi Raghavan correctly interpreted.
   - So, no "diversion at source", income remains taxable.
2. Sale of depreciable assets = STCG (not business income)
   - Gain on sale of depreciable assets:
     - Taxable as Short-Term Capital Gains (STCG) under Section 50
     - Not business income under Section 41(1)
3. Crucial issue: Set-off of STCG vs business loss
   - AO initially allowed:
     - STCG set off against brought-forward business loss
   - Later tried to withdraw via Section 154 (rectification)

ITAT's ruling:
- Whether such set-off is allowed = legally debatable
- Supported by precedent:
  - Hickson & Dadajee Pvt. Ltd. v. ACIT (affirmed by Bombay HC)

Therefore:
- Not a "mistake apparent from record"
- Cannot be rectified u/s 154
- Rectification order quashed

4. Bad debts – allowed
   - Bank wrote off bad debts in books
   - AO disallowed without proper reasoning

ITAT held:
- As per CBDT Circular and SC law:
  - Writing off in books is sufficient
- Addition deleted

Why this case is important

Limits of Section 154
- Section 154 applies only to obvious mistakes
- Not to issues requiring:
  - Interpretation
  - Judicial debate
  - Multiple possible views
- This case reinforces that: "Debatable issue ≠ Rectifiable mistake"

Practical tax implication

- If an issue has:
  - Conflicting case laws OR
  - Two possible interpretations

AO must use:
- Reassessment (148) or
- Revision (263)
- not 154

Final outcome

- Rectification order quashed
- Bad debt deduction allowed
- Diversion of income argument rejected
- STCG classification challenge rejected

Goods & Services Tax

20.04.2026

When the department relies on seized documents in a GST SCN, the assessee is entitled to inspection and copies/extracts of all such relied-upon records, including digital data.

Jalpaiguri Woodcraft v. State of West Bengal
HIGH COURT OF CALCUTTA(08.04.2026)

Key facts

- Search & seizure conducted in Dec 2022 under Section 67 CGST Act
- Physical documents + computer hard drives seized
- Only seizure memo given; no actual data shared
- SCN issued in Feb 2026 (after ~3 years) under Section 74
- SCN relied on seized material (Excel/Tally/data extracts)

High Court's decision

1. Right to access relied-upon documents

The Court held:

- Assessee must be given:
    - Inspection of records
    - Copies or extracts of documents relied upon in SCN
- Reason: You cannot defend yourself against evidence you are not allowed to see.

2. Strong protection for digital data

A key clarification:

If the department relies on:

- Hard drive data
- Accounting software (like Tally)
- Excel sheets

Then copies must be supplied if requested

- This is crucial in modern GST disputes where evidence is mostly digital.

3. Delay matters

- SCN issued after 3 years from seizure
- Court emphasized:
    - Longer delay - stronger need for transparency
    - Reliance on old seized data without disclosure is unfair

4. Natural justice prevails over procedural objections

Department argued:

- Taxpayer did not cooperate earlier

Court held:

- Non-cooperation earlier does not cancel right to disclosure
- Once SCN relies on seized material → disclosure becomes mandatory

Legal significance

1. Expands Section 67(5) interpretation

Even though Section 67 CGST Act allows copies/extracts, the Court clarified:

- It applies fully to digital + physical records
- It is not discretionary when material is relied upon

2. Major impact on GST litigation practice

This strengthens taxpayer rights in:

- Search & seizure cases
- Data extraction disputes
- SCNs based on forensic accounting

3. Department's limitation

Authorities cannot:

- Rely on seized data secretly
- Deny access while using it against taxpayer

Bottom line

If the GST department uses seized documents to build a case, it must share those documents, including digital accounting data, so the taxpayer can respond effectively.

Direct Tax

21.04.2026

Whether profit on sale of fixed assets, directly credited to Reserves & Surplus, can be excluded from the Profit & Loss Account while computing book profit under section 115JB (MAT).

PVP Corporate Parks (P.) Ltd. v. DCIT
Madras High Court (20.03.2026)

Held by Madras High Court

- Assessee's stand rejected
- Revenue's stand upheld

The Court held that:

- Capital profit on sale of fixed assets must be routed through the Profit & Loss Account for computing book profits under section 115JB.

Key Legal Findings

1. Routing through P&L is mandatory
   - Even capital gains from sale of fixed assets must first pass through the Profit & Loss Account.
   - Direct credit to Reserves & Surplus is not permitted for MAT computation.

2. MAT starts with "net profit as per P&L"
   - Section 115JB is based on:
   - "Net profit as per Profit & Loss Account prepared under Companies Act"
   - If an item bypasses P&L, it distorts book profit computation.

3. Companies Act compliance required
   - As per Schedule VI (Part II & III):
     - All material, non-recurring, and exceptional items must be disclosed in P&L.
   - Sale of fixed assets is a material transaction, so it must be routed through P&L.

4. Direct credit to reserves is impermissible
   - Company cannot:
     - Skip P&L
     - Directly park gains in reserves
   - Such treatment leads to understatement of book profit.

5. Judicial support relied upon

The Court followed:

- Apollo Tyres Ltd. v. CIT – limits AO's role but assumes proper P&L compliance
- Dynamic Orthopaedics (P.) Ltd. v. CIT – MAT requires strict adherence to Schedule VI
- HCL Comnet Systems & Services Ltd. v. CIT – book profit must stem from valid P&L

Practical Impact

If a company:

- sells assets (land/building/plant), and
- credits profit directly to reserves

Then Assessing Officer is justified in:

- recomputing book profit under 115JB
- adding back such profit to P&L

One-line takeaway

- Under MAT provisions, you cannot bypass the Profit & Loss Account—even for capital profits from fixed asset sales.

Goods & Services Tax

21.04.2026

Whether a cinema operator:

1. **Failed to pass on GST rate reduction (28% → 18% / 18% → 12%), and**
2. **Could exclude ₹3 "maintenance charge" from ticket value while computing profiteering.**

DGAP v. Jyothi Theatre
GSTAT, New Delhi (25.03.2026)

Held by GSTAT

- Respondent guilty of profiteering
- Profiteering = ₹19,86,640 (to be deposited in Consumer Welfare Fund)

Key Findings

1. GST cut must reduce ticket price

- Section 171 CGST Act mandates:
- Any tax reduction must be passed to customers via commensurate price reduction
- Cinema did not reduce final ticket price after GST cut.

Instead:

- Base prices were increased
- GST benefit was effectively absorbed by theatre

2. ₹3 maintenance charge is part of taxable value

- The theatre argued it was "tax-free maintenance"

Tribunal rejected this:

- Any amount collected in connection with ticket sale = part of transaction value
- Therefore:
  - ₹3 must be included in GST base
  - Must also be considered while computing post-rate-cut pricing

3. State cinema price rules don't override GST law

- Even though State Government fixed maximum ticket caps, GSTAT held:
  - These are only upper limits
  - Theatre still has freedom to reduce prices
- Central GST law prevails over State regulation

4. DGAP computation upheld

- DGAP method comparing:
  - Pre-rate cut vs post-rate cut pricing
  - Adjusted for GST and maintenance charges
- Found no reduction benefit passed to customers

5. No penalty imposed

- Section 171(3A) penalty provision was not yet in force during violation period
- So only refund to Consumer Welfare Fund, not penalty

Key Legal Principles Emerging

◆ Anti-profiteering is strict liability

If GST is reduced:

- Price must fall unless justified with strong evidence

◆ Burden of proof is on supplier

If price increases after tax cut:

- Supplier must show real cost escalation
- Otherwise profiteering is presumed

◆ "Commensurate reduction" ≠ optional

- Not a suggestion
- It is a statutory obligation under Section 171

One-line takeaway

If GST is reduced, businesses cannot neutralise the benefit by tweaking base prices or adding charges - the entire tax benefit must reflect in final consumer price.

Direct Tax

22.04.2026

Whether income from hoarding/advertisement display on society's wall is: "Income from Other Sources" (AO view), OR "Income from House Property" with Sec. 24(a) deduction.

Sambhau Tirth Co operative Housing Society Ltd. v. DCIT
ITAT Mumbai(26.03.2026)

What the assessee did

- Allowed advertisers to use society building wall for hoardings
- Earned "hoarding/display charges"
- Returned income under:
- Income from House Property
- Claimed: 30% standard deduction u/s 24(a)

What the Assessing Officer did

- Treated income as:
- Income from Other Sources (IFOS)
- Denied Section 24(a) deduction

ITAT Mumbai decision

Holding

The Tribunal held:

Hoarding charges from advertisements on society building wall are taxable under "Income from House Property".

Why ITAT treated it as House Property income

The reasoning is:

- The building wall is part of immovable house property
- Income arises due to use/letting of property rights
- It is not a separate commercial service activity
- Therefore falls under: Section 22 – House Property

Result

- Taxable under House Property head
- Eligible for standard deduction u/s 24(a)
- Not taxable under "Income from Other Sources"

Practical implication (important for societies)

For co-operative housing societies:

✓ Covered income type
- Wall hoardings
- Building façade advertisements
- Society premises branding rights

✓ Tax treatment
- House Property income
- 30% standard deduction allowed

Important nuance

This ruling applies when:

- Society merely permits use of wall/building space

But if:

- Entire roof/terrace/structure is commercially exploited like a business asset,
- then tax authorities may argue:
- "IFOS or Business Income" (depending on facts)

Final takeaway

This ITAT ruling strengthens the position that:

Advertisement/hoarding income from society building structure is not business income, but house property income eligible for Section 24(a) deduction.

TAX INSIGHTS
By
Tax Research Department

Goods & Services Tax

22.04.2026

When goods are exported under LUT (without payment of IGST), and later re-imported due to buyer refusal, should IGST be levied again at full import value?

Nar Spice Products v. Union of India
Kerala High Court (19.03.2026)

Facts in brief

- Exporter shipped spices (curcumin) to USA under LUT (zero-rated export)
- Buyer refused due to tariff hike
- Goods were re-imported into India
- Customs demanded IGST of ~₹1.03 crore
- Exporter challenged levy as excessive/unjustified

Department's stand

- As per Notification No. 45/2017–Customs
- On re-import, IGST must be paid
- If ITC was claimed earlier, it must be reversed or refunded

High Court ruling

Key holding

The Court held:

IGST liability on re-import of goods exported under LUT is restricted only to reversal/refund of input tax credit (ITC), if any availed.

Important principles laid down

1. No double taxation intent
   - Export was already zero-rated under LUT
   - Re-import is not a fresh taxable supply event
2. IGST liability is conditional

Re-import treatment depends on ITC position:

Case A: If ITC was NOT availed

- On certification by jurisdictional officer
- No IGST payable

Case B: If ITC WAS availed

Liability limited to:

- reversal of ITC (or equivalent amount)
- Not full IGST on entire import value

3. Customs demand set aside
   - Excess IGST demand on Bill of Entry was not sustainable
   - Matter remanded for fresh verification of ITC status

Final outcome

- IGST cannot be levied mechanically on full re-import value
- Liability is restricted to ITC adjustment only
- If no ITC availed → clearance without IGST possible

Practical takeaway

For exports under LUT:

- Export = zero-rated supply (no IGST paid)
- Re-import due to rejection:
  - No fresh tax incidence like normal imports
  - Only ITC safeguard rule applies
- GST law avoids double burden taxation on same goods cycle

One-line summary

Re-import of goods exported under LUT does not attract full IGST; liability is limited only to reversal/refund of ITC, and if no ITC is availed, goods can be cleared without IGST.

Direct Tax

23.04.2026

Whether an assessment is valid when case is selected for scrutiny under CBDT Instruction No. 5/2017 (Para 1(i)), but mandatory conditions for such selection are not satisfied, and notice under section 143(2) is issued on that defective basis.

Ajay Kumar v. DCIT
ITAT Delhi (17.04.2026)

Key Facts

- Assessee selected for manual scrutiny under Para 1(i) of CBDT Instruction 5/2017.
- Condition required: prior year additions on recurring issue exceeding threshold (₹10 lakh non-metro / ₹25 lakh metro).
- No such prior year additions existed in assessee's case.
- Despite this, assessment and later section 263 proceedings led to additions under sections 68 and 69C.
- Assessee challenged jurisdiction of scrutiny itself.

Tribunal's Findings

(A) Violation of CBDT Instruction = Invalid selection
- Para 1(i) conditions were mandatory, not optional.
- Since conditions were not met, selection itself was illegal.

(B) Section 143(2) notice becomes invalid
- Notice issued on basis of invalid scrutiny selection.
- Therefore, assumption of jurisdiction fails at inception.

(C) Not curable under Section 292BB
- Revenue argued procedural lapse.
- Tribunal held:
- This is a jurisdictional defect, not procedural irregularity.
- Hence, section 292BB cannot cure it.

(D) Entire assessment void
- Since foundation (scrutiny selection + notice) was invalid:
    - Assessment under 143(3) r.w.s. 263 becomes void ab initio
    - Additions under sections 68 and 69C deleted

Legal Principles Reaffirmed

CBDT Instructions (Section 119):
- Binding on Income-tax authorities
- Must be strictly followed

Jurisdiction vs Procedure:
- Non-compliance with mandatory selection norms = jurisdictional error
- Not a curable defect

Section 292BB limitation:
- Only cures service-related procedural defects
- Cannot validate invalid assumption of jurisdiction

Final Ratio

If scrutiny selection violates mandatory CBDT Instruction conditions, the resulting notice under section 143(2) is invalid, the assessment lacks jurisdiction, and such defect cannot be cured under section 292BB.

Practical Takeaway

This judgment strengthens assessees' position that:
- Scrutiny selection under CBDT guidelines is not merely administrative
- If selection parameters are not met, entire assessment can collapse
- Strong ground for challenging assessments in:
    - manual scrutiny cases
    - high-value penny stock / LTCG reassessments
    - 263-based re-assessments

Whether a court can impose an additional condition of bank guarantee for bail when accused has already furnished a substantial personal bond and sureties.

Sahil Jain v. Superintendent (Anti Evasion)
SUPREME COURT OF INDIA (18.02.2026)

Facts

- Accused alleged to have wrongly availed Input Tax Credit of ₹17.64 crores using fake invoices.
- Bail already granted with conditions:
  - Personal bond: ₹1 crore
  - Two sureties of ₹1 crore each
- Additionally, High Court imposed:
  - Bank guarantee of ₹50 lakhs
- Accused challenged this extra condition.

Supreme Court's Decision

Bank guarantee condition set aside
The SC held that:

- When substantial personal bond + sureties already furnished, adding a bank guarantee is:
  - unnecessary
  - onerous
  - legally unsustainable

Key Reasoning

(A) Bail conditions must be reasonable

- Bail conditions should ensure presence of accused, not become punitive.
- Excessive financial conditions defeat the purpose of bail.

(B) Already sufficient security existed

- ₹1 crore personal bond + equal sureties already provided strong assurance.
- Additional ₹50 lakh bank guarantee was disproportionate.

(C) Reliance on precedent

- Followed principle in Saravanan v. State (2020 INSC 600):
  - Bail conditions must not be excessive or oppressive

Final Holding

Imposing a bank guarantee of ₹50 lakh, in addition to substantial bond and sureties already furnished, is unjustified and liable to be set aside.

Outcome

- High Court order modified
- Bank guarantee condition quashed
- Bail otherwise maintained

Legal Principle

Once adequate financial sureties and personal bond are furnished, courts should not impose additional monetary security like bank guarantees unless special reasons exist.

Practical Takeaway

This ruling is important in GST arrest/bail cases because it clarifies that:

- Courts cannot impose stacked or excessive financial conditions
- Bail should not become de facto pre-trial punishment
- Conditions must be proportionate to securing attendance, not revenue protection

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TAX INSIGHTS
By
Tax Research Department

Direct Tax

24.04.2026

Validity of assessment and penalty orders when notices were sent to the wrong email address.

Vyavasaya Seva Sahakari Sangh Ltd. v. Assessment Unit
High Court of Karnataka(27.03.2026)

Core Legal Question

Can tax proceedings be sustained if notices were never properly served due to being sent to an incorrect email?

- Court's answer: No

Key Legal Principle Applied

The Court relied on principles of natural justice, especially:

- Right to be heard (audi alteram partem)
- Proper service of notice is a mandatory condition
- If notice is not served correctly, entire proceedings become invalid

Court's Key Observations

- Department sent notices to wrong email ID
- Assessee never received notice
- Hence, assessee had no opportunity to respond

The Court clearly held:

- Sending notice to an incorrect email ≠ valid service
- Therefore, no real opportunity of hearing was given

What Was Quashed

The Court set aside:

- Assessment order
- Demand notices
- Penalty orders under:
  - Section 270A of Income-tax Act, 1961
  - Section 272A(1)(d) of Income-tax Act, 1961

Relief Granted

The assessee was given a fresh chance:

- To reply to notice under Section 143(2) of Income-tax Act, 1961
- Department directed to:
  - Reconsider the case
  - Provide proper hearing
  - Pass a fresh order legally

Practical Implications

For Taxpayers

- If you never received notice, check:
  - Email ID used by department
  - Service logs on income tax portal
- You can challenge proceedings for defective service

For Tax Professionals

- Strong precedent for:
  - Faceless assessment challenges
  - Cases involving technical defects in notice service
- Even a procedural lapse can invalidate the entire case

Bottom Line

This ruling reinforces a strict rule:

- No proper notice = No valid assessment
- Even in digital/automated systems, due process cannot be compromised.

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Goods & Services Tax

24.04.2026

Whether corpus / sinking fund collected by RWAs (Resident Welfare Associations) is taxable under GST, is separate from maintenance charges and when GST becomes payable (time of supply).

Liberty Square Apartment Owners Association, In re
AAR, Karnataka(11.02.2026)

Key Ruling

1.Corpus fund is Taxable (YES)

- Corpus fund is treated as "consideration"
- Why? Because:
  - It is collected for future services
  - It is not a refundable deposit
- Hence, it qualifies as advance for supply

Falls under:

- Section 7 of CGST Act, 2017
- Section 2(31) of CGST Act, 2017

Conclusion:

- GST is applicable on corpus fund

2.Corpus fund ≠ Monthly maintenance

The AAR made an important distinction:

Basis	Monthly Maintenance	Corpus Fund
Nature	Recurring	One-time / occasional
Purpose	Day-to-day expenses	Future capital expenses
Timing of service	Immediate	Future

Therefore:

- Corpus fund is separate and independent for GST purposes

3.Time of Supply

The crux of the ruling:

Under Section 13(2)(a) of CGST Act, 2017

- Time of supply is earlier of:
  - Invoice date OR
  - Payment receipt

In this case:

- Payment (corpus fund) is received before service
- So it is treated as advance

Final conclusion:

- GST payable at the time of collection (receipt), not when money is used

Important Legal Reasoning

Mutuality argument rejected

- RWAs argued: "members and association are same"
- AAR said:
  - GST law treats them as separate persons
  - So transactions are taxable
- Corpus fund ≠ deposit
- Deposit = refundable
- Corpus fund = non-refundable & for future services
- Hence treated as advance, not deposit

Practical Implications

For RWAs / Housing Societies

- GST must be paid when corpus is collected
- Not when:
  - lift is replaced
  - building is repainted

For Practitioners

- Important for:
  - GST audits of RWAs
  - Litigation on "advance vs deposit"
- Reinforces:
  - Advance = taxable immediately

Final Takeaway

- Even if service is in future,
- Advance received today = GST today

Direct Tax

25.04.2026

Whether delay in filing Form 10DA, disentitles deduction under Section 80JJAA?

Expert Global Solutions (P) Ltd v. DCIT
ITAT PUNE (10.04.2026)

Held (ITAT Pune)
No — deduction cannot be denied merely due to late filing of Form 10DA, if the form was available during assessment proceedings.

Key Reasoning

1. Procedural requirement is directory
   - Filing Form 10DA is procedural, not a strict condition precedent
   - Substantive benefit (deduction) should not be denied for technical delay

2. Timing of submission matters
   - If Form 10DA is filed before completion of assessment, compliance is sufficient

3. Consistency in deduction
   - Deduction allowed in earlier years
   - cannot be disturbed in subsequent years without valid reason

4. Reliance on precedent
The Tribunal followed:
   - Tarasafe International (P.) Ltd. v. Dy. DIT CPC
   - CIT v. G. M. Knitting Industries (P.) Ltd.

These support that audit report can be filed before assessment completion

5. Distinguished contrary ruling
   - Pr. CIT v. Wipro Ltd.
   - applicable only to exemption provisions (Chapter III)
   - Section 80JJAA falls under deductions (Chapter VI-A) → liberal interpretation applies

Final Outcome
- Disallowance by CPC under Section 143(1) set aside
- AO directed to allow deduction under Section 80JJAA

Practical Takeaways
- Late Form 10DA ≠ automatic disallowance
- Ensure form is filed before assessment is completed
- Strong ground to challenge CPC adjustments
- Supports "substance over form" argument

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Goods & Services Tax

25.04.2026

Whether excess tax already paid by the assessee should be adjusted before calculating interest and penalty on delayed tax payment?

Tvl. Sai Cashew Processors v. Deputy State Tax Officer
HIGH COURT OF MADRAS (11.03.2026)

Held (Madras High Court)

Adjustment of excess payment is mandatory

- Excess tax paid must be adjusted before computing interest
- Failure to do so makes the demand incorrect and unsustainable

Interest liability remains (but needs correct computation)

- Interest under Section 50 of CGST Act, 2017 is compensatory
- However, it must be calculated after giving credit for excess payment

Penalty not justified

- Penalty under Section 73 of CGST Act, 2017 was held not justified in facts of the case

Matter remanded

- Case sent back to the department for:
    - Fresh computation of interest
    - After adjusting excess payment (~₹1.73 lakh)
    - Reconsideration of penalty after representation

Key Reasoning

- Substance over arithmetic errors: Authorities cannot ignore actual payments already made
- Interest = compensatory, not punitive: Can only be levied on net tax liability, not gross
- Fair computation required: Court found doubt in calculation methodology used by department

Practical Takeaways

For taxpayers

- Always track excess payments / cash ledger balances
- Demand notices must be checked for proper adjustment
- Strong ground to challenge inflated interest demands

For professionals

- Argue "net liability basis" for interest computation

Use this ruling in:

- Rectification applications
- Appeals against GST orders

Important Notes

- Interest liability cannot be avoided, only recomputed correctly
- Penalty depends on facts — here it failed due to lack of justification

One-line takeaway

GST interest must be computed on net tax after adjusting excess payments; otherwise, the demand is liable to be set aside.

Direct Tax

26.04.2026

Can a commission agent claim TDS credit when TDS is in his PAN, but income actually belongs to farmers?

Jivanbhai Somabhai Patel v. DCIT CPC Bengaluru
ITAT AHMEDABAD (09.04.2026)

Facts in brief

- Assessee = APMC commission agent (Arathiya)
- Facilitated sale of farmers' agricultural produce
- Buyers deducted TDS u/s Section 194Q of the Income-tax Act, 1961
- TDS got reflected in agent's PAN (wrongly)
- Assessee:
  - Offered only commission income (correct)
  - But claimed full TDS credit (incorrect)

Held (ITAT)

No, TDS credit is NOT allowable

Legal reasoning

Based on:

- Section 199 of the Income-tax Act, 1961
- Rule 37BA of the Income-tax Rules, 1962

Principle:

TDS credit must go to the person in whose hands the income is assessable

Since:

- Income = farmers' income
- Assessee admitted he is only an agent

Credit cannot be given to agent even if TDS appears in his PAN

Key mistake by assessee

- Claimed TDS without offering corresponding income
- Did not get TDS corrected in:
  - Farmers' PAN, or
  - Deductor's TDS return

Correct approach (as per ITAT)

- Inform deductor (buyer)
- File declaration as agent

Ensure:

- TDS certificate issued in farmers' names, OR
- Revised TDS return filed

Key principle

"Matching concept applies: Income ↔ TDS must be in same hands"

Even if:

- TDS appears in Form 26AS
- Credit is denied if income is not yours

Practical impact

For commission agents / APMC traders

- Don't claim TDS on:
  - Farmers' sale proceeds
- Ensure correct PAN reporting at source

For tax professionals

- Always reconcile:
  - Form 26AS vs P&L income
- Avoid blind TDS claims

Final outcome

- Appeal dismissed
- TDS credit denied
- Relief only via correction of TDS records, not via return

TAX INSIGHTS

By

Tax Research Department

Goods & Services Tax

26.04.2026

Whether GST authorities can insist on personal appearance of a taxpayer in detention proceedings, despite a request for representation through an advocate.

Nishu v. Union of India
Calcutta High Court(07.04.2026)

Key Legal Findings

1. Personal appearance is NOT mandatory
   - The Court held that insisting on personal appearance was unjustified.
   - Under Section 116 of the Central Goods and Services Tax Act 2017:
     - A person can appear through an authorised representative (AR), including an advocate.
   - Therefore, authorities must allow representation through counsel.

2. Delay by authorities was improper
   - Even after 4 months, no formal seizure order was passed.
   - The Court criticized this as a failure to act within statutory timelines.

3. Ownership should be determined from documents
   - Since:
     - Invoice
     - E-way bill
     - Consignment note
     - were available,
   - Authorities should have determined ownership instead of raising doubts arbitrarily.

4. Release of goods on payment
   - The Court allowed release under Section 129(1)(a) of the Central Goods and Services Tax Act 2017:
     - Goods + vehicle must be released upon payment of applicable tax and penalty.

5. Directions issued
   - Hearing to be fixed and conducted allowing advocate representation
   - Petitioner permitted to deposit dues
   - Authority must pass order within 48 hours after hearing
   - Goods to be released upon payment

Practical Takeaways

- GST officers cannot compel physical presence if representation through AR is requested.
- Prolonged detention without formal seizure order is illegal.
- Proper documents = presumption of ownership; authorities must act accordingly.
- Taxpayers can secure release quickly by paying under Section 129(1)(a), without losing the right to appeal.

Why this matters

This ruling strengthens procedural fairness in GST enforcement:

- Prevents harassment through forced personal appearances
- Reinforces statutory rights of representation
- Pushes authorities to act within timelines

Direct Tax

27.04.2026

Can unpaid service tax be disallowed under Section 43B of the Income-tax Act, 1961 when no deduction was claimed in the Profit & Loss Account?

Schlumberger Solutions (P.) Ltd. v. ACIT
ITAT DEHRADUN (30.03.2026)

Key Facts

- Assessee had outstanding service tax liability.
- The amount was:
  - Not debited to P&L, and
  - Not claimed as expenditure.
- AO still made disallowance u/s 43B.
- DRP deleted it → Revenue appealed → ITAT decision.

Tribunal's Ruling

The ITAT held:

If no deduction is claimed, Section 43B cannot be invoked.

Because:

- Section 43B restricts allowance of deductions (timing issue).
- It does not create a disallowance independently.
- If nothing is claimed → nothing can be disallowed.

Therefore:

Disallowance of unpaid service tax = Deleted

Additional Procedural Point

- Earlier ITAT order misunderstood the issue (treated it as Sec 44BB matter).
- On Miscellaneous Application:
  - Order was recalled
  - Matter re-decided correctly.

Legal Principle

- Section 43B applies only where an expenditure is claimed as deduction.
- If the liability is not routed through P&L and no deduction is claimed, no disallowance can be made.

Practical Application

No Disallowance Scenario

- GST/service tax collected → shown as liability in balance sheet
- Not treated as expense
- No 43B disallowance

Disallowance Will Apply

- Tax component debited to P&L
- Claimed as expense/deduction

If unpaid → disallowed u/s 43B

Why This Matters

This ruling protects taxpayers from incorrect additions by AO where:

- Statutory liabilities are accounted correctly as balance sheet items,
- But still wrongly disallowed.

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TAX INSIGHTS
By
Tax Research Department

Goods & Services Tax

27.04.2026

Whether general penalty under Section 125 can be levied in addition to late fee under Section 47(2) for non-filing of GST annual return (GSTR-9/9C).

Kalanther Madeena Textiles v. Deputy Commissioner (CT)
Madras High Court (04-02-2026)

Held (Key Ratio)
No. Dual levy is not permissible.
- Late fee u/s 47(2) is penal in nature
- Section 125 is a residuary penalty provision
- It applies only when no specific penalty/fee exists

Therefore:
- Once late fee is levied for delay, Section 125 cannot be invoked for the same default

Legal basis
Under the Central Goods and Services Tax Act, 2017:
- Section 47 → Specific consequence for delay in filing returns
- Section 125 → General penalty (fallback provision)
- Specific provision overrides general provision

Precedent followed
Kandan Hardware Mart v. Assistant Commissioner (ST)

Outcome
- General penalty u/s 125 → Quashed
- Late fee u/s 47(2) → Sustained
- Assessee required to pay late fee (₹1,57,800)
- Bank attachment → Lifted upon payment

Practical takeaway
If you face similar GST demand:
- Accept late fee liability
- Challenge Sec. 125 penalty if based on same delay

Strong argument line:
"Section 125 cannot be invoked where a specific penal consequence under Section 47 already governs the default."

Important limitation
This judgment applies only when:
- Same default = delay in filing return

It does NOT bar Sec. 125:
- For other independent violations
- Where no specific penalty exists

Bottom line
- GST law does not allow stacking of penalties
- Residuary penalty (Sec. 125) cannot ride on top of late fee (Sec. 47)

TAX INSIGHTS

By

Tax Research Department

Direct Tax

28.04.2026

The case deals with TDS on purchase of immovable property under Section 194-IA and consequences of failure under Section 201 of the Income-tax Act.

Artha Real Estate Corporation Ltd. *v.* Deputy Commissioner of Income-tax, TDS
ITAT BANGALORE (10.04.2026)

Key Facts

- Assessee purchased land worth ₹4.81 crore
- TDS @1% was deducted only on ₹1.43 crore
- No TDS on remaining ₹3.38 crore
- Assessee argued:
  - Balance amount was debited to P&L
  - Hence TDS not required

ITAT Decision (Bangalore Bench)

1.TDS must be on entire consideration

- Section 194-IA clearly requires TDS on total sale consideration
- Tribunal rejected the argument that:
  - "Since part is in P&L, TDS not required"
- Held:
  - Property transfer cannot happen without full consideration
  - Therefore, TDS obligation applies on full ₹4.81 crore

Result:

- Short deduction = default
- Assessee rightly treated as "assessee-in-default" under Section 201

2.Other TDS defaults (expenses) → Matter remanded

For other expenses where TDS wasn't deducted:

- Assessee argued:
  - Liability not crystallized
  - TDS deducted later OR not applicable
  - Additional evidence (Form 16A, etc.) submitted

ITAT held:

- These claims need verification
- Allowed:
  - Fresh examination by AO
  - Submission of additional evidence

Result:

- Issue sent back (remanded) to Assessing Officer

Key Legal Takeaways

1. Full consideration = TDS base
   - Under Section 194-IA:
     - TDS applies on entire agreed consideration
     - Not just amount paid or booked
2. Accounting treatment ≠ escape from TDS
   - Booking part of amount in:
     - P&L
     - Provisions
     - Any other head
     - Does NOT remove TDS liability
3. Consequence of short/non-deduction
   - Treated as assessee-in-default (Sec 201)
   - Leads to:
     - Tax demand
     - Interest (Sec 201(1A))
     - Possible penalty
4. Relief possible for other payments
   - If assessee proves:
     - TDS not applicable OR
     - Deducted later and paid
     - Can avoid default (subject to verification)

Practical Implications

If you're dealing with property transactions:

- Always deduct TDS on:
  - Full sale consideration (not partial payments)
- Even if:
  - Payment is staggered
  - Some amount is adjusted/booked differently

Bottom Line

- Strict compliance under Section 194-IA
- Partial TDS = default
- Documentation can save you—but only for other expense-related TDS issues, not property consideration

Goods & Services Tax

28.04.2026

Can the assessee argue that extension of time applies only to recovery, not to passing of assessment order? Whether GST order for FY 2019–20 passed on 20.08.2024 is time-barred ?

City Enterprises v. Deputy State Tax Officer
Madras High Court (08.01.2026)

Key Facts

- Demand order issued: 20.08.2024
- Period involved: FY 2019–20
- Allegations:
  - Under-declaration of output tax
  - Excess Input Tax Credit (ITC)
- Order passed ex parte (no reply by assessee)

Main Argument by Assessee

The taxpayer argued:

- Time limit for passing order had expired
- Notifications extended only recovery time, not tax determination

Court's Ruling

1. Limitation validly extended till 31.08.2024

The Court relied on:

- Notification No. 9/2023-CT
- Notification No. 56/2023-CT

These explicitly extended the time limit for:

- Passing orders under Section 73(9)

Final deadline for FY 2019–20:

- 31 August 2024

Since order was passed on 20.08.2024, it is: Within limitation

2. "Extension only for recovery" argument rejected

- Court said: wording of notifications is clear
- Extension applies to:
  - Issuance of order (determination)
  - Not just recovery
- So, taxpayer's interpretation was incorrect

3. Relief given (procedural fairness)

Even though limitation plea failed:

- Order was ex parte
- Court allowed second chance

Directions:

- Case remanded to officer
- Assessee must: Deposit 50% of disputed tax & File reply with documents

Then:

- Fresh order to be passed on merits

Key Takeaways

1. Time extensions apply broadly
   - Notifications under Section 168A:
     - Can extend entire adjudication timeline
     - Not limited to recovery
2. For FY 2019–20
   - Last deadline for order u/s 73: 31.08.2024
3. Don't ignore SCN (DRC-01)
   - If you don't reply:
     - Ex parte order will be passed
   - Relief may come only with:
     - Costly pre-deposit (like 50%)
4. Courts may still grant opportunity
   - Even if case is weak on law
   - Courts may intervene for: Natural justice

Bottom Line

- Limitation defense won't work if order is within extended timeline
- GST notifications extending time are strictly enforced
- However, procedural lapses (like ex parte orders) can still give you a second chance—at a cost

TAX INSIGHTS

By

Tax Research Department

Direct Tax

29.04.2026

Can an inflated stock statement given to a bank be used as evidence for tax addition even if books are not rejected?

Ajay Food Products *v.* Income-tax Officer
HIGH COURT OF JAMMU & KASHMIR AND LADAKH (11.03.2026)

Core ruling

Inflating stock statements submitted to a bank to obtain higher cash credit can justify addition under Section 69 of the Income-tax Act, because such conduct is treated as "commercial immorality" and evidentiary admission of undisclosed stock/income.

What happened in this case?

The assessee-firm:

- Took cash credit from a bank against stock hypothecation
- Submitted a stock statement showing much higher quantities and values than books
- Certified that the figures were true and matched books of account
- Later admitted it was inflated only to get higher loan limit

The tax department found:

- Huge mismatch between books vs bank statement
- No satisfactory explanation except "we inflated for bank purposes"

So the Assessing Officer made an addition under Section 69 (unexplained investment/stock).

High Court's findings

1. Bank statement = strong admission

Since the assessee:

- Mentioned both quantity and value
- Certified it as true and matching books

The Court treated it as a binding admission, not a casual estimate.

2. Inflation for bank = not a "harmless practice"

The Court rejected the argument that this is routine business behavior.

It held:

- Inflating stock to get higher credit is not legally acceptable
- It amounts to commercial immorality

This expression is important: it signals moral + legal disapproval, not just technical illegality.

3. Section 69 can apply even without rejecting books

The Court confirmed:

- Books of account not being rejected does not prevent addition
- External evidence (bank statement) can independently support addition

4. Discrepancy was substantial and unexplained

The Tribunal had already found:

- Large differences in stock quantities
- No credible justification except admission of inflation

Legal principle emerging

If an assessee submits inflated stock figures to a bank and certifies them as correct, the tax authorities can rely on it as evidence of undisclosed stock and make additions under Section 69.

Why this judgment matters

For taxpayers/businesses:

- "Bank statement inflation is harmless" argument is not accepted
- Statements given to banks can directly affect tax liability
- Certification ("true and correct") makes it much more dangerous

For tax law:

- Strengthens use of third-party financial documents as admissions
- Reinforces substance over form in stock valuation disputes
- Expands evidentiary value of bank submissions

Practical takeaway

If a business inflates stock for bank limits and signs it as accurate, it risks:

- Tax additions for unexplained stock/income
- Penalty exposure (in some cases)
- Loss of credibility of books in assessment

Goods & Services Tax

29.04.2026

Whether, after a GST rate cut, a supplier is automatically required to reduce prices, or whether it can justify non-reduction due to increased costs under Section 171 of CGST Act, 2017.

DG Anti Profiteering v. Samsung India Electronics (P.) Ltd.
GSTAT, New Delhi (09.03.2026)

Held (Core Principles)

1. Presumption of price reduction is rebuttable
   - Law assumes that GST rate reduction → price reduction.
   - But this is not absolute.
   - Supplier can rebut this presumption with valid justification.

2. Cost increase can be a valid defence
   - Supplier may claim:
     - increase in raw material cost
     - increase in customs duty
     - other business cost escalations

   However:
   - Must be backed by cogent evidence
   - Cannot be used as a device to avoid passing GST benefit

3. Reliance on Delhi High Court view

GSTAT followed the principle laid down in:
   - Reckitt Benckiser India Pvt. Ltd. case

   Key takeaway:
   - Cost-based justification is allowed
   - But must be real, provable, and not artificial

4. DGAP's computation found questionable

The Tribunal did not decide profiteering finally. Instead, it identified possible errors and ordered re-examination.

DGAP must verify:
   - Whether negative values were ignored
   - Whether CSD (Canteen Stores Department) supplies were wrongly included
   - Whether cost increases (e.g., customs duty, Sept 2018 price changes) were ignored

5. Matter remanded
   - Case sent back to DGAP
   - DGAP to:
     - rework calculations
     - consider evidence properly
     - submit supplementary report within 2 months

Practical Significance

- Anti-profiteering is not a rigid mathematical exercise
- Authorities must consider real-world business costs
- Burden lies on supplier to prove cost escalation
- DGAP must ensure accurate, fair, evidence-based computation

One-line takeaway

GST rate reduction creates a rebuttable presumption of price reduction; suppliers can justify non-reduction due to cost increases, but only with strong evidence, and authorities must compute profiteering carefully.

Direct Tax

30.04.2026

Whether cash payments towards credit card dues can be treated as unexplained money under Section 69A of the Income-tax Act, 1961 when the assessee claims the source as cash gifts from family members.

Shrenik Manish Mehta v. Income-tax Officer
Mumbai - ITAT (06.04.2026)

Facts

- Assessee declared income: Rs. 6.31 lakh
- Credit card payments: Rs. 27.66 lakh
- Cash payments: Rs. 13.95 lakh

Source claimed (cash gifts):

- Father: Rs. 8 lakh
- Mother: Rs. 4.5 lakh
- Wife: Rs. 3 lakh
- AO rejected explanation, treated entire amount as unexplained u/s 69A
- CIT(A) upheld AO's view

Evidence Filed

- Affidavits and gift confirmations
- ITRs of father, mother, and wife
- Bank statements showing:
  - Wife - professional income (Sec 44ADA)
  - Parents - regular bank credits indicating income activity

ITAT Ruling

1. Wife's Gift (Rs. 3 lakh)

- Wife had independent professional income
- Regular credits in bank account
- Fully accepted

2. Mother's Gift (Rs. 4.5 lakh)

- Small income from homemade food business
- Bank showed regular UPI credits
- Income relatively low vs. gift amount
- 50% accepted (Rs. 2.25 lakh)

3. Father's Gift (Rs. 8 lakh)

- Filed ITR, had bank transactions
- Some indication of business activity
- Capacity not fully proved
- 50% accepted (Rs. 4 lakh)

Final Outcome

- Total relief: Rs. 9.25 lakh
- Addition sustained: Rs. 4.70 lakh
- Appeal: Partly allowed

Key Legal Principles

1. Onus under Section 69A

Assessee must prove:

- Identity of donor
- Creditworthiness (capacity)
- Genuineness of transaction

2. Affidavit ≠ Conclusive Proof

- Must be backed by:
  - ITRs
  - Bank statements
  - Evidence of income

3. Partial Acceptance Doctrine

- Tribunal can estimate and allow part of claim where:
  - Income exists but is insufficient
  - Evidence is only partly convincing

4. Weight of Evidence

- Spouse with declared income → strong evidence
- Parents with low income → stricter scrutiny

Practical Takeaways

- Avoid large cash transactions → invite scrutiny
- Always support gifts with:
  - Banking trail
  - Donor's ITR and income proof
- Ensure gift amount is reasonable compared to donor's income

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TAX INSIGHTS

By

Tax Research Department

Goods & Services Tax

30.04.2026

Whether a single/composite GST assessment order can be issued covering multiple tax periods across more than one financial year under sections 73 and 74 of the CGST Act, 2017.

Avika Steel Mart v. Union of India
HIGH COURT OF ANDHRA PRADESH (15.04.2026)

Facts

- Petitioner: Registered taxpayer (Avika Steel Mart)
- Assessment order dated: 22.11.2025
- Covered period: Nov 2020 to Oct 2023 (multiple financial years)
- Petitioner challenged mainly on ground that:
- Composite assessment across years is illegal

Legal Position (as noted by HC)

- Earlier Division Bench ruling:
    - Single show cause notice / assessment cannot cover:Multiple months (before annual return due date), OR
    - Multiple financial years (after annual return due date)
- Each tax period / financial year must be assessed separately

High Court Ruling

1. Composite Assessment Invalid
    - Order spanning multiple years is contrary to law
    - Violates scheme of Sections 73/74
    - Impugned assessment order set aside

2. Fresh Proceedings Allowed
    - Department permitted to:
    - Issue separate notices/orders for each assessment year

3. Relief on Recovery
    - All coercive actions (e.g., attachment, recovery):Quashed

4. Limitation Protection
    - Time between:
        - Original order date - HC order receipt
        - Excluded for limitation purposes

Final Outcome

- Writ allowed (on this ground)
- Matter remanded for fresh assessment year-wise

Key Legal Principles

1. No Composite GST Assessment
    - GST law is period-specific (monthly/annual structure)
    - clubing multiple years = procedurally invalid

2. Procedural Defect = Entire Order Void
    - Even without examining merits,
    - Order can be quashed purely on jurisdiction/procedure

3. Separate Cause of Action
    - Each tax period = independent liability + independent notice

4. Protection to Revenue
    - Courts balance by:
        - Allowing fresh proceedings
        - Granting limitation exclusion

Practical Takeaways

- If you receive a single GST order covering multiple years: Strong ground to challenge
- Always check:
    - Period covered in SCN/order
    - Whether it crosses financial years