Legal Decisions

DIRECT TAXES

INCOME TAX

LD/75/01 **ITAT Delhi: ITA No. 8379/Del/2025 SNT Agro Industries Pvt. Ltd. Vs. The Income Tax Officer *20th May 2026***

ITAT deleted addition u/s 68 on account of alleged bogus purchases; No material in possession of AO to establish the escapement of income except the information from the investigation wing and the statement of a person providing accommodation entries; AO cannot reopen the case without properly establishing himself that the income had actually escaped assessment irrespective of source of information; Reliance placed on co-ordinate bench ruling in Kishore Jerom Bhai Khaniya; AO had not made a case on how addition can be sustained, when Assessee had already declared the purchases as well as sales out of the same purchases in the books of account.

LD/75/02 Supreme Court: Civil Appeal No. 9107 of 2012 Sanand Properties P. Ltd. Vs. The Jt. Commissioner of Income Tax *12th May 2026*

The Supreme Court upheld reopening of assessment for AY 07-08 and AY 08-09 holding that material gathered during survey prima facie revealed that income received by the assessee from the AOP was not exempt share of profit but taxable share of revenue which had escaped assessment; Referring to Calcutta Discount Co. Ltd. vs. ITO [41 ITR 191] and Phool Chand Bajrang Lal vs. ITO [203 ITR 456] the Court held that mere disclosure of a transaction in original assessment does not amount to true and full disclosure where later information exposes its real character; The Court found that the assessee had not highlighted that the declared AOP profit represented 35% of gross sale receipts and that no meaningful enquiry on Clause 7 of AOP agreement had occurred in original assessment thereby negating any plea of change of opinion.

LD/75/03 Supreme Court: Civil Appeal No. 527/ 2012 L.K. Trust Vs. The Commissioner of Income Tax & Anr. *07th May 2026*

SC held that assessee was entitled to claim deduction u/s 36(1)(iii) for interest paid on capital borrowed for the purpose of business; Provisions of Section 36(1)(iii) concerns itself with capital borrowed and not with other debts / liability; SC stated that the legislature has permitted allowance interest paid on capital borrowed for the purpose of business, and the capital, in this context, means money and not any other asset purchased on credit; Expression occurring in Section 36(1)(iii) is wider in scope than the expression occurring in Section 57(iii); As per SC, HC was incorrect to observe that the amount borrowed was utilised for the benefit of assessee's subsidiary company assessee's business; Reference made to SC ruling in Sharp Business System.

LD/75/04 Madras High Court: CRL OP No. 19461 of 2023 B. Mohammad Iqbal Vs. The Asst. Commissioner of Income Tax *30th April 2026*

Madras HC quashed criminal proceedings initiated u/s 276CC due to lack of AO's jurisdiction who initiated prosecution and in absence of penalty proceedings under Section 271(f); Jurisdiction of assessee's case vested with ITO, Ward 17(1) Chennai whereas prosecution was initiated by Assistant Commissioner sans formal transfer order u/s 127; HC relied on SC judgment in K.C. Builders wherein it was held that criminal proceedings cannot survive without penalty proceedings being initiated.

LD/75/05 Bombay High Court: Income Tax Appeal 2515 of 2018 Commissioner of Income Tax (Exemption) Vs. Muniwar Abad Charitable Trust *29th April 2026*

Bombay HC upheld ITAT order wherein reassessment initiated beyond 4 years was quashed on change of opinion in absence of assessee's failure to disclose material facts during original assessment; HC distinguished Revenue's reliance on coordinate bench ruling in case Yuvraj vs. Union of India [315 ITR 84] and opined that in the said case there was a lack of application of mind, whereas in the present case, the ITAT order was well reasoned and based on correct application of law; AO had failed to demonstrate how the Assessee had failed to disclose material facts during the original assessment.

LD/75/06 ITAT Chennai: ITA No. 3762/Chny/2025 Shariq Javed Vs. The Income Tax Officer *29th April 2026*

ITAT quashed penalty u/s 270A sans AO's failure to record satisfaction about under reporting of income during assessment proceedings u/s 143(3); ITAT relied on SC ruling in Jai Laxmi Rice Mills to hold that penalty proceedings under Section 270A could not be initiated sans recording of AO satisfaction; Requirement to record satisfaction u/s 270A(1) was mandatory and in absence of such satisfaction during the assessment process, the penalty proceedings were vitiated, as per ITAT.

LD/75/07 Delhi High Court: W.P. No. 15119/2024 Airpay Money P. Ltd. Vs. The Dy. Commissioner of Income Tax *27th April 2026*

Delhi HC set aside order rejecting assessee's application u/s 270AA income in absence of establishment of misrepresentation or suppression of facts; Assessee had voluntarily paid tax and interest within 30 days of demand and had acted transparently in disclosing all relevant material particulars; Facts did not indicate any misrepresentation or concealment of income, nor any mens-rea or contumacious conduct; HC opined that the application of penalty u/s 270A, as interpreted by AO was contrary to the spirit and intent of the statutory provisions; HC remarked that penalty provisions are deterrent in nature and should not be treated as a revenue source.

LD/75/08 ITAT Mumbai: ITA No. 5882/Mum/2025 Mukesh Babulal Shah Vs. The Income Tax Officer *22nd April 2026*

ITAT held assessee to be entitled to deduction u/s 54 though no deposit was made in capital gains account and a belated return u/s 139(4) was filed, however subject to verification that assessee had utilised the capital gains for purchase of new property before filing of the return of income; If sale consideration was utilised before the last date of filing of return u/s 139, even though return was filed u/s 139(4) being a belated return, the same was an allowable claim; Reliance placed on Jurisdictional HC ruling in Humayun Suleman Merchant.

LD/75/09 Bombay High Court: W.P. No 4001 of 2025 Reliance Industries Limited Vs. The Dy. Commissioner of Income Tax *22nd April 2026*

Bombay HC quashed notice under Section 143(2) and Section 142(1) issued to RIL in the name of erstwhile non-existing companies beyond the time limit prescribed in the statute; Revenue contended coordinate bench judgment contained a 'finding' regarding the necessity of assessee as the successor entity; HC held that such judgment did not contain any binding "findings" in the context of sections 150 or 153(6); Further, reliance was placed on ruling in Shell India Markets wherein it was established that if notice is issued to a non-existing entity due to merger, the notice and the assessment order would be invalid.

LD/75/10 Chhattisgarh High Court: TAXC No. 133 of 2025 Varsha Construction Vs. The Asst. Commissioner of Income Tax *16th April 2026*

Chhattisgarh HC held that AO erred in making adjustment u/s 143(1)(a) for deduction under Section 36(1)(va) towards employees' contribution since as on the date of intimation order in January 2021, the said issue was a highly debatable issue, in view of the divergent views of various HCs; SC ruling in Checkmate Services Pvt. Ltd was dated October 2022; AO had no authority to make adjustments or adjudicate upon any debatable issues u/s 143(1)(a); HC deleted the disallowance of contribution towards ESI and EPF u/s 36(1)(va) read with Section 2(24)(x).

LD/75/11 ITAT Rajkot: ITA No. 3 to 4/RJT/2025 M/s. RC Heights Pvt. Ltd Vs. The Dy. Commissioner of Income Tax *13th April 2026*

ITAT deleted the addition made towards alleged 'on-money' received by assessee which was based on the searched person's seized excel sheet data, which evidently had no nexus with the Assessee; Relying on Bombay HC judgment in Miss Lata Mangeshkar and Ahmedabad ITAT ruling in Pankaj Dahyabhai Patel (HUF), ITAT stated that where papers were not seized from house of the Assessee, nor was in his handwriting, the inference of on-money receipt based on such paper was not justified; ITAT also noted that no opportunity of cross examination was provided to assessee.

DISCIPLINARY CASE

Certification of e-forms relating to resignation and appointment of directors – Certification of appointment of director using digital signature of a person who ceased to be a director – Failure to exercise due diligence while certifying statutory forms – Non-production of documentary evidence in support of certification — Respondent is guilty of professional misconduct under Item (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

Held: In the instant case, the Respondent certified e-forms DIR-12 relating to the resignation of the Complainant as director and the appointment of new directors in the Company. The Committee noted that although the Respondent claimed to have verified the resignation letter, acceptance letter and other supporting documents before certifying the form relating to resignation of the Complainant, he failed to produce any documentary evidence, including the email through which the resignation letter was allegedly received, despite specific directions of the Committee. The Committee observed that while the Respondent had declared that he had verified original/certified copies of the documents, he was unable to produce the same during the disciplinary proceedings. In the absence of any supporting evidence, the Respondent failed to establish that he had exercised due diligence before certifying the e-form. The Committee further noted that the Respondent certified the DIR-12 relating to appointment of a director using the digital signature of the Complainant on 11th June 2018, despite his own contention that the Complainant had resigned from the Company on 29th March 2018. Accordingly, the Respondent ought to have verified the validity of such appointment before certifying the form. The Committee also observed that the subsequent appointment of another director was certified using the digital signature of a person whose own appointment had not been validly established. Further, the Respondent failed to verify the eligibility of the signatories and did not furnish records such as IP details or any other supporting documents relating to the certification process. Consequently, the Committee held that the Respondent failed to exercise due diligence in the conduct of his professional duties while certifying the aforesaid e-forms and was therefore guilty of professional misconduct under Item (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

[PR-278/18/DD/281/2018/DC/1361/2020]

Embezzlement of company funds while serving as Finance Manager – Manipulation of salary payments payable to employees and misappropriation of salary amounts – Forgery of signatures on salary documents – Conviction by foreign criminal courts and imposing penalty by civil court for embezzlement – Failure to maintain integrity, professional conduct and ethical standards expected of a Chartered Accountant – Respondent is guilty of Professional and Other Misconduct under Item (4) of Part II of the Second Schedule and Item (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949.

Held: In this case, the Respondent, while serving as Finance Manager of the Company was responsible for handling finance-related matters, including distribution of salaries to employees. It was alleged that the Respondent embezzled a portion of the salary amounts payable to employees by manipulating salary payments and disbursing amounts lower than those approved by the management. It was further alleged that the Respondent forged the signatures of the authorized official on salary documents for carrying out such transactions. The Committee noted that the Respondent did not dispute the fact that he had been convicted by the competent courts in the UAE and that penalties had been imposed upon him. The Committee observed that the disciplinary proceedings before ICAI were independent of the judicial proceedings and that the principle of res judicata was not applicable in determining professional misconduct under the Chartered Accountants Act, 1949. The Committee further noted that the Respondent failed to rebut the allegations on merits and primarily relied on legal objections. The Committee also observed that documentary evidence on record established that the Respondent had represented himself as a Chartered Accountant and that his appointment as Finance Manager was based upon his professional qualification. Further, both the civil and criminal courts in the UAE had held the Respondent guilty for embezzlement of the Company's funds and imposed monetary penalties and other punishments. The Committee noted that the findings regarding embezzlement and forgery had not been refuted by the Respondent. The Committee observed that a Chartered Accountant is expected to maintain the highest standards of integrity, ethical conduct and professional behavior and that the Respondent's actions were inconsistent with such standards and had brought disrepute to the profession. Accordingly, the Committee held the Respondent guilty of Professional and Other Misconduct under Item (4) of Part II of the Second Schedule and Item (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949.

[PR/114/18-DD/187/18-DC/1366/2020]

The section on Legal Updates has been contributed by CA. Sahil Garud and Disciplinary Directorate.