

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

CHENGALPATTU DISTRICT BRANCH (SIRC)

(Formerly Known as Kanchipuram District Branch)

E-Newsletter - October 2025



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ARTICLES INVITED FROM MEMBERS

Note: Articles are invited from members for publishing in Newsletter. The articles shall be either on the specific subject or a general article. Members can send their articles with Name, Membership Number, Mobile Number, Residential Address, Office Address & Photo to our E-mail id mentioned below:

E-mail id: chengalpattu@icai.org

Note: The views expressed in the articles published, are their own views and Chengalpattu District Branch (SIRC) does not endorse or take responsibility.

From the Chairman's Desk

Dear Members,

Greetings.

This year, September being a demanding month with the pressure of income tax filings and audits. The extension of the tax audit deadline from 30th September to 31st

October has come as a timely relief for practitioners and taxpayers alike. Let us use this additional time wisely ensuring efficiency, maintaining quality, and delivering professional excellence to those we serve.



CA. SHIVACHANDRA REDDY K

The past month was enriched by insightful programs, enthusiastic participation, and memorable celebrations. I take this opportunity to thank all members, faculty, and students for their wholehearted involvement in making our activities meaningful.

Looking ahead, October brings not only the festive colours of Navaratri and Diwali but also a renewed emphasis on learning and growth. In particular, the spotlight falls on GST 2.0 and its recent amendments. The implementation of GST 2.0 represents a significant milestone in India's indirect tax landscape. The new return system, changes in input tax credit utilisation, real-time reporting, and stricter compliance norms will profoundly impact businesses of all sizes.

As Chartered Accountants, our role is pivotal in guiding trade, industry, and taxpayers through these changes. I encourage each member to stay updated, attend knowledge sessions, and equip themselves to handle the evolving GST environment with confidence.

Completed Member Programs – September 2025

1. Teachers' Day Celebration – 5th September 2025

We gathered to honour our teachers and faculty—the guiding lights of our profession. The event featured a live address by the President of ICAI and heartfelt felicitations for our mentors. Their tireless dedication continues to inspire generations of professionals.

2. CPE Program – Navigating GST Assessments – 6th September 2025

Speaker: CA. Bhuvaneswari R V

A practical session addressing GST assessment challenges, reconciliations, and compliance, enabling members to approach departmental proceedings with clarity and confidence.

3. CPE Program – Combating Financial Crime – 20th September 2025

Speaker: Mr. Muhammad Sarfaraaz

The former RBI AGM shared insights on AML/CFT compliance, fraud detection, and risk profiling, highlighting emerging opportunities for professionals in financial crime prevention.

4. Taxpayers' Outreach Programme – 25th September 2025

Organised jointly with the Income Tax Department, this program created a platform for dialogue between CAs, NPOs, and tax officials on exemptions, compliance, and transparency.

5. Ayudha Pooja Celebrations – 30th September 2025

The branch celebrated Ayudha Pooja in the presence of the RCM, past chairmen, faculties, and staff. The event, rooted in gratitude and tradition, reinforced our values of humility and service.

Forthcoming Programs – October 2025

1. Tax Audit – Recent Developments Date: Saturday, 11th October 2025

This session will focus on the latest updates in tax audit laws, key challenges faced in practice, and strategies for effective compliance.

2. GST 2.0 – Recent Developments - Date: Friday, 17th October 2025

Deep dive into the new GST 2.0 framework covering return filing changes, ITC restrictions, e-invoicing integrations, and departmental expectations. This is a must-attend session for practitioners and industry professionals to understand the far-reaching implications of GST reforms and to prepare proactively.

Warm regards,

CA. Shivachandra Reddy K

Chairman, Chengalpattu District Branch (SIRC)

PHOTO GALLERY

Programme

Topic: Teachers' Day Celebrations

Date: 5th September 2025 (Friday)

Time: 2.30 PM to 5.00 PM

Venue: Branch Premises



CPE Meeting

Topic : Navigating GST Assessments: Challenges and Practical Insights

Speaker : CA. Bhuvaneswari R V

Date & Day: 6th September 2025 (Saturday)

Time : 5:30 PM to 7:30 PM

Venue : Branch Premises



CPE Meeting

Topic : Combating Financial Crime - Role of CAs in AML Compliance

Speaker : Mr. Muhammad Sarfaraaz

Date & Day: 20th October 2025 (Saturday)

Time : 5:30 PM to 7:30 PM

Venue : Branch Premises



Programe

Programe : Ayudha Pooja 2025 celebrations

Date & Day: 30th September 2025 (Tuesday)

Time : 10:30 AM to 12:00 Noon

Venue : Branch Premises





Upcoming Programs



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)
CHENGALPATTU DISTRICT BRANCH (SIRC)



Cordially invites you to our **CPE** meeting on

Tax Audit Recent developments

on **Saturday, 11th October 2025**

at Flat No.302, Third Floor, Branch Premises

CPE - 3 Hrs | Time - 5:00 PM to 8:00 PM

Speaker

CA. Bharath R

Scan here
for ARC Registration



Scan here
for Location



Scan here
for Event Registration



Registration Link: <https://events.cglportal-icai.org/member>

Fee - Rs.354/- Including GST

(Nil Fee for ARC Members of Chengalpattu District Branch)

Followed by Dinner

CA. Shivachandra Reddy K
Chairman

CA. Sathish T S
Secretary

CA. Sridhar Ganesh N
Managing Committee Member

CA. Lakshminarayanan T R
Program Coordinator

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LEGAL UPDATES

by



CA. SIVAGURUNATHAN T

The Registration Bill, 2025 – A Step Towards Digital Transformation

The Government of India has released the draft **Registration Bill, 2025** to replace the colonial-era **Registration Act, 1908**. The objective is to modernize property registration, improve transparency, and integrate technology into land and document management systems.

Key Highlights:

Digital Registration: Documents can be filed, verified, and registered fully online, with electronic registration certificates replacing physical papers.

Expanded Coverage: Mandatory registration is proposed for agreements to sell, powers of attorney, equitable mortgages, sale certificates, and even court orders affecting property rights.

Identity Verification: Aadhaar-based authentication (with consent) and alternative methods ensure both security and flexibility.

Integrated Records: The Bill seeks to link registration data with land records, GIS, and revenue systems for a “single source of truth.”

Institutional Reforms: Strengthened roles for Registrars and Inspectors General of Registration, ensuring administrative capacity for digital rollout.

Repeal of 1908 Act: The outdated law will be fully repealed, providing a fresh, uniform framework across states.

Benefits

- Faster, transparent, and tamper-proof property transactions.
- Reduced corruption and disputes through verifiable e-certificates.
- Greater convenience for citizens, banks, and businesses.
- Closing loopholes by mandating wider document registration.

Challenges Ahead

Bridging the **digital divide** in rural areas.

Ensuring **cybersecurity and privacy** of sensitive land records.

Reconciling **legacy records and disputes** during migration.

Achieving smooth **state-level implementation** under a central framework.

Conclusion:

The Registration Bill, 2025 marks a landmark reform, aiming to usher in a new era of **digital governance in property registration**. While challenges in execution remain, the Bill is a decisive step in replacing a 117-year-old framework with a modern, transparent, and technology-driven system that can reshape real estate and land administration in India.



GST Updates

by



CA. Shaikh Abdul Samad Ahmed

Procedure for issuing a returnable delivery challan for job work

In the context of Central Excise, a returnable delivery challan refers to a document and procedural framework that enables the temporary removal of excisable goods from a manufacturer's premises without attracting excise duty. This mechanism ensures compliance with tax regulations while allowing goods to be moved for purposes like job work, testing, repairs, exhibitions, or approvals, with the expectation of their return to the original premises. The returnable challan is crucial for tracking these goods, preventing tax evasion, and facilitating duty reversal or refunds upon their return, if applicable.

With the introduction of the Goods and Services Tax (GST) on July 1, 2017, Central Excise on most goods was integrated into GST, shifting the focus to a unified tax system. Nevertheless, the concept of returnable delivery challan from Central Excise has directly influenced GST provisions, particularly under Rule 55 of the CGST Rules, 2017. This rule prescribes the use of delivery challans for non-supply movements, such as job work under Section 143, sale-or-return, or exhibitions. Let us now explore the procedure that the principal must follow for removing GST-paid goods for job work.

OVERVIEW OF JOB WORK UNDER GST

Clause (68) of Section 2 of the Central Goods and Services Tax Act, 2017, defined the term "job work" as any treatment, processing, or operation carried out by an individual or entity (referred to as the "job worker") on goods that belong to another person who is registered under the GST regime. The job worker is the individual or entity responsible for carrying out specific processes or treatments on goods provided by another party. These processes could include activities such as manufacturing, assembling, packaging, testing, or any other form of processing that enhances or modifies the goods as per the requirements of the owner. The principal is the person who owns the goods and supplies them to the job worker for processing.

The transaction between the principal and the job worker falls under the scope of supply as prescribed under section 7 read with schedule II of the CGST Act, 2017. This means that the job work services (as per schedule II) provided by the job worker to the principal are subject to GST. The job worker typically issues an invoice for the services rendered, and GST is levied on the value of the job work charges as per the applicable GST rates. While job work transactions are generally taxable, Section 143(1) of the CGST Act provides for movement of goods from the principal to the job worker without tax payout to facilitate ease of operations for businesses. In other words, this section allows a registered principal to send inputs (raw materials, components, etc.) or capital goods (machinery, equipment, etc.) to a job worker for processing without the payment of GST at the time of dispatch with a condition.

To avail of this benefit, the principal must comply with the conditions specified under Section 143, such as intimating the jurisdictional officer and ensuring that the goods are returned to the principal (or supplied directly from the job worker's premises to another person on the principal's instructions) within the stipulated time frame:

- Inputs: Must be returned within one year from the date of dispatch to the job worker.
- Capital Goods: Must be returned within three years from the date of dispatch.

If the goods are not returned within these time limits, the transaction is treated as a supply, and GST becomes payable on the value of the inputs or capital goods.

To facilitate the trade Central Board of Indirect Taxes and Customs vide Circular No. 38/12/2018, dated 26th March, 2018 [2018 (11) G.S.T.L. C3] has clarified with respect to the issuance of challan, furnishing of intimation and other documentary requirements in this regard. This process ensures seamless tracking of goods sent for job work while maintaining compliance with GST regulations. The triplicate and duplicate challan system facilitates proper documentation, and FORM GST ITC-04 acts as a consolidated report to inform the tax authorities about the movement of goods. The principal must maintain meticulous records to avoid tax liabilities in case of delays or non-return of goods.

Situations

Goods sent from
principal's location

Goods sent directly
from supplier's location

Goods sent from one job
worker's location to
another job worker's
location

The detailed discussion on the movement of the goods in each situation is explained below:

Situation 1: Goods Sent to a Single Job Worker and Returned After Job Work

In this scenario, the principal sends goods to a single job worker for processing, and the goods are returned after completion of the job work

Procedure:

a. Preparation of Delivery Challan & Way Bill:

- The principal prepares a returnable delivery challan in triplicate as per Rules 45 and 55 of the CGST Rules.
- The challan must include details such as the description, quantity, value of goods, and a statement indicating that the goods are sent for job work without payment of tax.
- The principal should also ensure that before outward movement of goods the details of the delivery challan are reported in E-Way Bill portal and a valid E-Way Bill copy is generated.
- Two copies (Original & duplicate) of the delivery challan are sent along with the goods to the job worker.
- The third copy is retained by the principal for record-keeping for filing the intimation in prescribed form.

b. Return of Goods:

In Full:

After completing the job work, the job worker returns the processed goods to the principal endorsing in duplicate copy of delivery challan sent by the principal. The returned goods must be accompanied by duplicate copy to ensure proper documentation of the transaction.

Piecemeal Return or Further Movement:

If the goods are returned in parts (either to the principal or to another job worker), the original challan cannot be endorsed for partial quantities. In such situation, the job worker must issue a fresh delivery challan for each partial movement, referencing the principal's original challan number and date. The job worker returns the copy of the principal's duplicate delivery challan along with the last instalment of goods, ensuring all movements are documented.

c. Maintenances of Job Work Register:

The Job Work Register is one of the vital records, used by the principal to track goods sent to a job worker for processing and their return, ensuring compliance with Section 143 of the CGST Act. It documents details like delivery challan number, date, job worker's GSTIN, goods description, HSN code, quantity, value, and nature of job work. The register records dispatch and return dates, including partial returns with fresh challans referencing the principal's original challan. It helps monitor compliance [5] with return timelines—one year for inputs and three years for capital goods—to avoid treating non-returned goods as taxable supplies. The principal uses the register to file FORM GST ITC-04, reporting goods sent, returned, or pending.

Accurate maintenance prevents ITC loss, tax liabilities, and audit issues. Non-compliance may lead to GST payment with interest. The register thus ensures transparency and operational control.

d. Filing of FORM GST ITC-04:

The principal uses the details from the delivery challan and the returned goods to file FORM GST ITC-04, which serves as the intimation required under Section 143. This form reports the details of goods sent to the job worker, goods returned, and any goods still with the job worker.

e. Non-Compliance Consequences:

If the goods are not returned to the principal within the prescribed time (one year for inputs, three years for capital goods), the transaction is treated as a taxable supply. The taxable value mentioned in the delivery challan is considered the assessable value, and the principal must pay the applicable GST along with interest from the due date until the date of payment.

Situation 2: Goods Sent for Further Processing from One Job Worker to Another

Under the "Bill to Ship to" arrangement, goods are transported directly from the supplier's facility to the job worker's premises, bypassing the principal's location. In this model, the supplier issues an invoice to the principal (the "bill to" entity), while the goods are physically shipped to the job worker (the "ship to" entity) for processing or further work. This streamlined approach optimizes logistics by eliminating the need for intermediate storage or handling at the principal's location.

Furthermore, this scenario extends to cases involving imported goods. When goods are brought into India, they are cleared at a customs station and, instead of being routed to the principal's warehouse or facility, are directly [6] dispatched from the customs station to the job worker's location for processing. This direct shipment from the customs station ensures efficiency in the supply chain, reducing transit time and costs while enabling the job worker to commence operations promptly.

In such cases, the principal is expected to following the below given process:

Procedure:

a. Preparation of Delivery Challan:

Domestic purchase:

- In this method, the supplier issues an invoice naming the principal as the buyer and the job worker as the consignee, as per Rule 46 (o) of the CGST Rules. This ensures that the principal is recognized as the owner of the goods for ITC purposes.
- Hence, the principal prepares a returnable delivery challan in triplicate under Rule 45 and sends two copies to the job worker after the goods reaches. The challan details the goods being sent for job work and references the supplier's invoice.
- The third copy is retained by the principal for record-keeping for filing the intimation in prescribed form.
- No E-way Bill is required to be prepared by the principal since no movement of goods was undertaken by him. However, the supplier might have issued the tax invoice and E-Way bill for the movement of goods to the job worker's location under "Bill to Ship to" mode.

Imported Goods:

- The principal files a Bill of Entry at the customs station to clear imported goods intended for job work, ensuring compliance with customs regulations and facilitating the release of goods for further processing.
- After customs clearance, the principal prepares a delivery challan in triplicate as per Rule 45 of the CGST Rules, 2017, using the "Bill from and Dispatched from" method.
- The principal generates an E-way Bill under GST rules, referencing the delivery challan, to authorize the movement of goods from the customs station to the job worker.
- The goods are transported from the customs station to the job worker under the cover of the delivery challan, which specifies the goods sent for job work and references the Bill of Entry. This ensures a clear audit trail and compliance with GST regulations.
- Two copies of the delivery challan, along with a copy of the E-way Bill, are sent to the job worker to accompany the goods. The job worker endorses one copy upon receipt and returns it to the principal with the processed goods, while the second copy is retained by the job worker for their records.

- → **For balance procedure refer b to e of situation I**

Situation 3: Goods sent from one job worker's location to another job worker's location

Goods are sent from one job worker to another when a principal engages multiple job workers to perform sequential or specialized processes on the same goods, such as cutting, dyeing, and stitching for textiles. This is common in industries like manufacturing, textiles, or electronics, where different expertise or equipment is needed at each stage. The need arises to optimize production efficiency, leverage specialized skills, or utilize specific machinery available at different job worker locations. The first job worker, after completing their task, transfers the goods to the next job worker under a fresh delivery challan, referencing the principal's original challan to maintain traceability. An E-way Bill is generated to authorize the movement, ensuring GST compliance. This process allows the principal to streamline complex production without moving goods back and forth unnecessarily. Accurate documentation prevents Input Tax Credit loss and tax liabilities. This multi-job worker process enhances operational flexibility while adhering to GST regulations. The principal needs to ensure the following procedure is followed when the goods are sent from one job worker's location to another:

- The principal issues a fresh delivery challan for the movement of goods from the first job worker to the second job worker, referencing the original challan. [8]
- The first job worker can issue their own delivery challan, referencing the principal's original challan, or endorse the principal's challan by specifying the quantity and description of goods being sent to the next job worker.

→ **For balance procedure refer b to e of situation I**

Conclusion

The procedures for issuing a returnable delivery challan under the CGST Act, 2017, are designed to facilitate the movement of goods for job work while ensuring compliance with GST regulations. By adhering to Rules 45 and 55 and filing FORM GST ITC-04, the principal can claim ITC on goods sent for job work, even when they are not in their possession. The processes outlined for each scenario—single job worker, multiple job workers, direct supply to job worker, and piecemeal returns—provide a robust framework for managing job work transactions. Proper documentation, timely return of goods, and accurate reporting are critical to avoiding tax liabilities and ensuring compliance with the GST law.



RECENT DECISIONS IN DIRECT TAXES

by



CA. Muthu Abirami T V

Source: taxmann.com and taxmanagementindia.com

Income-tax Officer vs. Rajeshkumar Rameshchandra Shah [2025] 178 taxmann.com 171 (Ahmedabad - Trib.) [04-09-2025]

Held: Where Assessing Officer treated demonetization cash deposits as unexplained under section 68 citing abnormal cash sales, but assessee proved sales with VAT returns, stock records, supplier confirmations, since cash was from recorded sales and no discrepancies were found, section 68 was inapplicable and, thus, addition made by Assessing Officer was unjustified and liable to be deleted.

Section 68 of the Income-tax Act, 1961 - Cash Credit (Demonetization) - Assessment year 2017-18 - During demonetization period, assessee had made cash deposits in its bank account and claimed same to be out of cash sales made by assessee during period October, 2016 to 08-11-2016 - Assessing officer noted that assessee had recorded no major cash sales between April to September, 2016 but heavy cash sales were recorded thereafter and further, he noted that there were certain abnormalities in cash sales registers which indicated non-genuineness of sales - On this basis, Assessing Officer held that cash deposited during demonetization period was undisclosed cash of assessee and hence, same was added under section 68 - It was noted that assessee had furnished all evidences proving genuineness of sales made during demonetization period duly supported with purchases made which were further evidenced by copy of VAT returns filed by assessee and also stock records of assessee - Further, notices issued by Assessing Officer to all parties from whom purchases were made by assessee under section 133(6) were duly responded and parties confirmed sales made to assessee - Further, there was no abnormality in quantum of sales made by assessee in impugned year as compared to preceding year - Further, neither auditor had pointed out any discrepancy in accounts of assessee nor Assessing Officer had rejected books of assessee under section 145(3) - Whether on facts, addition made by Assessing Officer was to be deleted - Held, yes [Paras 5 to 7] [In favour of assessee]

Prudent Insurance Brokers (P.) Ltd. vs. Principal Commissioner of Income-tax [2025] 178 taxmann.com 490 (Mumbai - Trib.)[04-09-2025]

Held: Once assessee-company had disallowed its expenditure towards Corporate Social Responsibility (CSR) under section 37(1), any donation made by it to an institution registered under section 80G stood on an independent footing and, thus, it could claim deduction under section 80G

Section 80G, read with sections 37(1) and 263, of the Income-tax Act, 1961 - Deductions - Donation to certain funds, charitable institutions (Revision) - Assessment year 2020-21 - Whether once assessee-company had disallowed its expenditure towards Corporate Social Responsibility (CSR) under section 37(1), any donation made by it to an institution registered under section 80G stood on an independent footing and, thus, it could claim deduction under section 80G - Held, yes [Paras 8 and 9] [In favour of assessee]

Kesar Buildcon (P.) Ltd. vs. Principal Commissioner of Income-tax [2025] 178 taxmann.com 210 (Ahmedabad - Trib.)[08-09-2025]

Held: Where Assessing Officer passed assessment order in accordance with limited scrutiny assessment and did not make inquiries on issue of amount received by assessee company as loan from another company which was outside scope of CASS selection, such order could not be termed erroneous, and thus, assumption of jurisdiction by PCIT under section 263 was unsustainable

Section 2(22), read with section 263, of the Income-tax Act, 1961 - Deemed dividend (Revision) - Assessment year 2021-22 - Assessee-company filed its return of income which was selected for scrutiny under CASS with reason 'Very Low PBDIT as compared to business turnover' - Assessing Officer issued detailed questionnaires in line with notice, examined matter, called for supporting evidences and completed assessment after being satisfied with explanations tendered by assessee - Accordingly, returned loss was accepted in full as assessed income - Subsequently, PCIT invoked revisionary jurisdiction under section 263 on ground that Assessing Officer had failed to examine issue in respect of loan transaction of certain amount received by assessee from one company 'K' - PCIT recorded that as per MCA website, both assessee and 'K' had common management, and two directors of assessee were holding 20 per cent shares each in 'K', thus, transaction of loan received by assessee squarely fell within definition of deemed dividend under section 2(22)(e) - Accordingly, assessment order was both erroneous and prejudicial to interest of revenue - It was noted that Assessing Officer had recorded response as 'N.A.' (not applicable) against queries pertaining to limited scrutiny, including whether additional issues were examined - Thus, Assessing Officer was never required, within statutory framework of limited scrutiny under Faceless Assessment Scheme, to travel beyond CASS parameter, unless case was formally converted into complete scrutiny with prior approval of competent authority

- No such conversion was done - Whether therefore, order passed by Assessing Officer could not be termed erroneous merely because he did not make inquiries on an issue which was outside scope of CASS selection and, thus, assumption of jurisdiction by PCIT under section 263 was unsustainable - Held, yes [Paras 5.7 and 5.8] [In favour of assessee]

Income-tax Officer (International Taxation) vs. Ratan Kumar Ingu [2025] 178 taxmann.com 172 (Hyderabad - Trib.) [04-09-2025]

Held: Where assessee along with his father entered into MOU and agreements of sale-cum-GPA dated 21-3-2016 in respect of agricultural land, which were presented before Joint Sub-Registrar and duly registered on 24-3-2016 falling in financial year 2015-16 relevant to assessment year 2016-17, reopening of assessment for assessment year 2017-18 for said transaction was not valid.

Section 147, read with section 148, of the Income-tax Act, 1961 and rule 27 of the Income-tax (Appellate Tribunal) Rules, 1963 - Income escaping assessment - General (Validity of reopening) - Assessment year 2017-18 - Assessee, an NRI, had entered into an MOU on 21-3-2016 with one 'GNC' and 11 other persons for clearing of pending litigation in respect of agricultural land situated at Manchirevula Village - Assessee had also entered into 2 agreements of sale cum GPA both dated 21-3-2016 with 'GNC' and others for purchase of 2 parcels of land against consideration which was paid through banking channels - All these documents were presented before Joint Registrar and were duly registered on 24-3-2016 - On basis of reporting of said transaction vide agreement of sale cum GPA, Assessing Officer reopened assessment of assessee by issuing notice under section 148 dated 30-3-2021 - Assessee raised an issue of validity of reopening by invoking Rule 27 of ITAT Rules, 1963 - It was noted that documents were duly signed by parties and presented for registration on 24-3-2016 and thereupon these documents were registered dated 24-3-2016 - Whether, thus, transaction of sale of land was completed on date when these documents were presented before Sub-Registrar and thereafter, registered on 24-3-2016 which fell in financial year 2015-16 relevant to assessment year 2016-17 and not in financial year 2016-17 relevant to assessment year 2017-18 - Held, yes - Whether therefore, reopening of assessment for year under consideration was not valid - Held, yes [Para 11] [In favour of assessee]

Vedanta Ltd. vs. Deputy Commissioner of Income-tax (International Taxation) [2025] 178 taxmann.com 268 (Madras) [29-08-2025]

Held: Where assessee was treated as 'assessee-in-default' for payments made to non-resident without deduction of tax at source, since orders under section 201 and 201(A) were passed beyond six years from end of relevant financial year, same were barred by limitation and liable to be set aside

Section 201, read with section 195, of the Income-tax Act, 1961 - Deduction of tax at source - Consequence of failure to deduct or pay (Limitation period) - Assessment years 2010-11 to 2015-16 - Assessee-company, engaged in mining and exploration of metals and oil and natural gas, had entered into Consultancy and Representative Office Agreements with VRPLC, a non-resident - For services rendered, remuneration was paid without deducting tax at source - Thus, treating assessee as an 'assessee in default' in terms of section 201(1), show cause notices were issued in respect of assessment years 2010-11 to 2015-16 on various dates - Assessee challenged same on ground that orders under sections 201 and 201(1A) were time-barred - It was noted that when it came to determining what could be reasonable period for passing order under section 201 in respect of non-residents, various High Courts had taken inspiration from period prescribed for residents and held that four years would be reasonable - However, those decisions largely related to assessment years prior to 2010-11 - Whether, therefore, taking six years which is now statutorily mandated period can be adopted as reckoning yardstick - Held, yes - Whether, consequently, impugned orders passed beyond six years from end of relevant financial year being barred by limitation was to be set aside, while order for assessment year 2011-12 being within six years was to be sustained - Held, yes [Paras 16 and 18] [Partly in favour of assessee]



RECENT JUDGEMENTS ON DIRECT TAXES

by



CA. Arumugaraj P

1. Reference to special audit without satisfying condition u/s. 142(2A) is arbitrary

Rama Devi Vs DCIT (ITAT Hyderabad) ITAT Hyderabad held that reference to special audit u/sec.142(2A) of the Act dated 31.12.2018 without satisfying the conditions provided therein, is arbitrary, illegal and void abinitio. Accordingly, final assessment order is quashed.

2. AO's Application of Rule 8D Valid for Exempt Dividend Income: ITAT Upholds ₹15 Lakh Disallowance. The Tribunal upheld the disallowance of Rs. 15,00,327 under Section 14A read with Rule 8D of the Income Tax Act, 1961 and affirmed the Assessing Officer's application of Rule 8D for expenses related to exempt dividend income

The Ahmedabad Bench of the Income Tax Appellate Tribunal (ITAT) has upheld the disallowance of Rs. 15,00,327 made by the Assessing Officer (AO) under Section 14A read with Rule 8D of the Income Tax Rule, 1962, for the Assessment Year (AY) 2017-18. Vadilal International Private Limited (assessee), a company engaged in providing trademarks and copyrights for the brand "Vadilal,"

3. Bank Account Opened Fraudulently in Assessee's Company, AO adds Rs. 15 cr as Protective Addition: ITAT Deletes Addition. The tribunal found the assessee's explanation credible, citing the FIR filed, legal action taken, and the limited scale of the liquor retail business, which made it improbable for the assessee to handle ₹15 crore in 14 days.

The Amritsar Bench of Income Tax Appellate Tribunal (ITAT) deletes ₹15 crore protective addition after finding that a bank account was fraudulently opened in the name of the assessee, who has no knowledge about the account. Mandeep Singh, appellant-assessee, was engaged in retail trading of foreign liquor under a State Excise license. Based on information that ₹15 crore.

4. ITAT condones 234-day delay in filing Income Tax Appeal due to Missed Email Communication because of Accountant's resignation. A taxpayer successfully appealed an ex-parte reassessment order that was issued because important communications went to an old mail address.

The Ahmedabad bench of the Income Tax Appellate Tribunal (ITAT) has condoned the 234 days delay in filing the income tax appeal due to the accountant's resignation. It was found that the former accountant's email was used for communications for which the assessee missed crucial information, leading to an ex parte appellate order. The appellant assessee, Aditya Pothouse challenged.

5. Denial of Foreign Tax Credit merely due to delay in filing Form 67 not justifiable. ITAT Hyderabad held that denial of credit for Foreign Tax Credit merely due to delay in filing of Form 67 not justified as Form 67, although belatedly, was filed before the AO passed order u/s 143(3) of the Act. Accordingly, appeal allowed.

The post Denial of Foreign Tax Credit merely due to delay in filing Form 67 not justifiable.

6. CIT(A) cannot Reject Additional evidence u/r 46 A of Income Tax Rules against unexplained Investment Merely because of non-furnishing before AO: ITAT.

The Chennai bench of the Income Tax Appellate Tribunal (ITAT) allowed the assessee to furnish the additional evidence under rule 46 A of the Income Tax Rules, 1962 before the Assessing Officer (AO), as the Commissioner of Income Tax (Appeal) (CIT(A)) had added the value of an immovable property Rs.30,00,000 as unexplained investment due to the assessee's failure

7. Notice for reassessment u/s. 148 issued beyond surviving time limit is time-barred: Gujarat HC.

Nanda Kishore Ravula Vs ADIT (International Tax) (ITAT Hyderabad) ITAT Hyderabad held that denial of credit for Foreign Tax Credit merely due to delay in filing of Form 67 not justified as Form 67, although belatedly, was filed before the AO passed order u/s 143(3) of the Act. Accordingly, appeal allowed. Facts- The assessee, an individual, filed his original return of income for the A.Y.2020-21 on 15.12.2020. Subsequently, the assessee filed revised return of income on 30.03.2021 and claimed Foreign Tax Credit ("FTC") of Rs.21,57,343/- Gujarat High Court held that reopening of assessment by issuance of notice under section 148 issued beyond the surviving time limit as prescribed under Income Tax Act read with TOLA is barred by limitation. Accordingly, notice is quashed and writ petition allowed.

The post Notice for reassessment u/s. 148 issued beyond surviving time limit is time-barred: Gujarat HC

8. Penny Stock Transactions Found Genuine: ITAT Deletes ₹1 Cr Addition Relying on SEBI Report and Sister Case Precedent

In a significant ruling, the Income Tax Appellate Tribunal (ITAT) Mumbai has set aside additions made under sections 68 and 69C of the Income Tax Act against taxpayer Asha Himmat Bhadra. The case revolved around the sale of shares in M/s. Splash Media (now Luharuka Media & Infra Ltd.), which the Income Tax Department had deemed a "penny stock," leading to substantial additions to the assessee's income for the Assessment Year 2011-12. *Asha Himmat Bhadra Vs DCIT (ITAT Mumbai)*.

9. AO cannot Make Addition on Bogus Purchases without Rejecting Books or Reported Sales :

ITAT says such Addition Legally Unsustainable. *Rajendra Shangari Vs DCIT (ITAT Kolkata)* Income Tax Appellate Tribunal (ITAT) Kolkata bench has ruled in favor of assessee Rajendra Shangari, stating that an Assessing Officer (AO) cannot make additions to income based on alleged bogus purchases without first rejecting the assessee's books of account or disputing reported sales. The Tribunal's decision effectively deletes an addition of Rs. 38,46,188/- made by the AO for the assessment year 2018-19.

10. Unsubstantiated Expenses: ITAT Ahmedabad Reduces Disallowance to 10%

Raj Quarry Vs DCIT (ITAT Ahmedabad) Income Tax Appellate Tribunal (ITAT) Ahmedabad has significantly reduced the ad-hoc disallowance of business expenses for Raj Quarry for Assessment Year 2014-15, restricting it to 10% of the claimed amount. The Tribunal found that the Assessing Officer (AO) and the Commissioner of Income Tax (Appeals) [CIT(A)] had failed to provide sufficient justification for the higher disallowances, especially when the assessee was already reporting a loss.

11. ITAT Delhi Upholds Lease Rental Income as House Property: Applied Consistency Rule

ACIT Vs IHDP Globals Pvt Ltd (ITAT Delhi) Income Tax Appellate Tribunal (ITAT) Delhi has dismissed an appeal filed by the Assistant Commissioner of Income Tax (ACIT) against IHDP Globals Pvt Ltd for the Assessment Year 2017-18. The Tribunal's decision upholds the ruling of the Commissioner of Income Tax (Appeals) that rental income generated by the company from leasing out a property should be taxed under the head "Income from House Property" rather than "Profits and Gains from Business and Profession."

12. Interest to Partners Allowable Despite No Active Business: ITAT Cochin

Muthoot Bankers Vs ITO (ITAT Cochin) Income Tax Appellate Tribunal (ITAT), Cochin Bench, has ruled in favor of Muthoot Bankers, a finance and money lending firm, allowing a deduction of Rs. 5,00,000 for interest paid to its partners for the Assessment Year 2006-07. The Tribunal's decision, pronounced on June 13, 2025, sets aside the previous orders of the Assessing Officer (AO) and the Commissioner of Income-tax (Appeals) [CIT(A)], who had disallowed the interest payment.

13. Income Tax Section 147/144B Order Appealable, Writ Not Maintainable: Calcutta HC

yashree Finvest Private Limited Vs ITO (Calcutta High Court) The Calcutta High Court has dismissed a writ petition filed by Ayashree Finvest Private Limited, challenging an order dated February 18, 2025, passed under Section 147 read with Section 144B of the Income Tax Act, 1961, for the assessment year 2016-17. The petitioner argued that their submitted documents were not considered by the Faceless Assessing Unit. Additionally, a show-cause notice, issued due to an alleged failure by the petitioner's accountant, could not be responded to.

14. Bombay HC Quashes Reassessment Notices as Income Already Taxed Substantively in Prior Year.

Sai Shirdi Constructions Vs ITO (Bombay High Court) Bombay High Court, in a ruling concerning Sai Shirdi Constructions versus the Income Tax Officer (ITO), has quashed reassessment notices issued under Section 148 of the Income-Tax Act, 1961, for assessment years (AY) 2008-09 and 2009-10. The court found that the Income Tax Department lacked a valid 'reason to believe' that income had escaped assessment, as the disputed amount had already been subjected to tax in a subsequent assessment year.

15. 12A Registration Sent Back to CIT(E) Due to Technical Lapse: ITAT Bangalore

Karnataka State Diploma in Nursing Examination Board Vs CIT (Exemptions) (ITAT Bangalore) The Income Tax Appellate Tribunal (ITAT), Bangalore Bench, has remanded a case involving "Karnataka State," a society engaged in nursing education, back to the Commissioner of Income Tax (Exemptions) [CIT(E)]. The society had appealed the CIT(E)'s order dated December 27, 2024, which cancelled its registration granted under Section 12AB of the Income Tax Act, 1961.

16. Division Bench Allows Income Tax Appeal Despite Delay; Limitation Not a Bar
Mukul Mahanta Vs Union of India & Ors. (Calcutta High Court) Hon'ble Division Bench granted Liberty to file appeal, the same shall not be rejected on the grounds of Limitation and for the Judgement relied by the Ld. Single bench not applicable in the present case, and held that for this reason, the appellant should not be non-suited and the Division bench granted Liberty to file statutory appeal. The Petitioner approached Writ Court after 2 years of 148A(d) order and after 1.5 years of 147 order.

17. No Section 271(1)(c) Penalty for Section 54F exemption claim with conflicting views

DCIT Vs Sahil Vachani (ITAT Delhi) New Delhi: The Income Tax Appellate Tribunal (ITAT) Delhi has recently considered an appeal filed by the Income Tax Department against an order from the Commissioner of Income Tax (Appeals), National Faceless Appeal Centre, Delhi. The core issue revolves around the deletion of a penalty amounting to Rs. 1,45,59,592/- levied under Section 271(1)(c) of the Income Tax Act, 1961. This penalty was initially imposed on Sahil Vachani (the assessee) for allegedly furnishing inaccurate particulars of income related

18. Adoption of Percentage Completion Method not justified as Project Completion Method accepted in earlier years

Vyapti Enterprise Vs ITO (ITAT Ahmedabad) ITAT Ahmedabad held that addition by adopting Percentage Completion Method cannot be sustained as department already accepted Project Completion Method in earlier years. Accordingly, appeal allowed and addition set aside. Facts- The assessee is a partnership firm engaged in the business of real estate developments. AO held that percentage completion method is to be adopted in the assessee's case

19. No addition towards unexplained cash credit u/s. 68 post rejection of books of accounts

Sahyog Construction Vs ACIT (ITAT Ahmedabad) ITAT Ahmedabad held that once the books of accounts stood rejected under section 145(3) of the Income Tax Act and profits estimated, there cannot be addition on account of unexplained cash credit u/s. 68. Accordingly, appeal allowed. Facts- The solitary issue raised in the above grounds relates to addition made to the income of the assessee u/s.68 of the Act amounting to Rs.6,58,43,000/- being unexplained cash credit.

20. No tax leviable in India for salary income for services rendered in China

Sivakarthick Raman Vs ACIT (ITAT Chennai) ITAT Chennai held that salary income for services rendered in China is not taxable in India. Accordingly, benefit of exemption under Article 15(1) of the DTAA between India-China. Thus, order set aside and appeal allowed. Facts- The assessee, an employee of BMW India Private Limited (BMW India) was on an assignment/secondment to BMW Brilliance Automotive Limited (BMW China) during the FY 2021-22 and was rendering services/exercising employment with BMW China in China during this period.

