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MAY 2026
1st & 2nd WEEK

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INSIDE THIS ISSUE

- **INCOME TAX** — Key Circulars, Notifications & Judicial Updates
- **GST UPDATES** — Recent Changes, Clarifications & Rate Notifications
- **CORPORATE** — MCA & Other Regulatory Updates
- **CASE LAW CORNER** — Important Judgments at a Glance
- **COMPLIANCE CALENDAR** — Due Dates & Important Reminders

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MAY 2026 | 1ST & 2ND WEEK

THE TAXWEEKLY MAGAZINE

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In this issue:

GSTAT extends procedural relaxation norms till 31st december 2026. (Note : Appeal filing date not extended)

Order F.No. GSTAT/Pr.Bench/Portal/125/25-26 dated 14 May 2026

The Goods and Services Tax Appellate Tribunal (GSTAT) has taken a taxpayer-friendly step by extending the procedural relaxations relating to appeal filing through the GSTAT Portal till 31 December 2026. This extension is intended to mitigate the practical difficulties being experienced by taxpayers, advocates, chartered accountants, and departmental officers during the initial phase of implementation of the Tribunal's online filing system.

Background

The GST Appellate Tribunal has recently commenced operations and introduced a digital platform for filing appeals. Recognizing the transitional challenges faced by stakeholders, GSTAT had earlier issued Order No. 16/2026 dated 20 January 2026 and subsequent instructions dated 10 March 2026 providing certain procedural relaxations.

Considering that many taxpayers continue to face technical and procedural difficulties while filing appeals electronically, the President of GSTAT has exercised powers under Rule 123 of the GST Appellate Tribunal (Procedure) Rules, 2025 and directed that these relaxations shall continue till 31 December 2026.

Important Directions for Scrutiny Officers

The order specifically instructs Registrars, Joint Registrars, Deputy Registrars and Assistant Registrars responsible for scrutiny of appeals to adopt a practical and facilitative approach.

Where Form APL-05 contains soft copies of the following documents, scrutiny officers should not raise defects merely on procedural grounds:

- Show Cause Notice (SCN)
- Order-in-Original (OIO)
- Order-in-Appeal (OIA)
- Statement of Facts
- Grounds of Appeal
- Proof of Pre-deposit
- Court Fee payment details wherever applicable

Importantly, no Court Fee or Pre-deposit is required in appeals filed by the Revenue Department.

Digital Verification Requirement

The order further clarifies that one verification and digital signature of the appellant is required while filing the appeal through the GSTAT Portal.

This reinforces the Tribunal's emphasis on digital authentication while keeping procedural requirements simple and practical.

Practical Impact for Taxpayers and Professionals

The extension of these relaxations is a major relief for taxpayers and tax practitioners. In the initial phase of any new digital system, procedural hurdles often lead to rejection or delay in registration of appeals. The present instructions seek to minimize such technical objections and ensure that genuine appeals are not dismissed on avoidable procedural grounds.

For Chartered Accountants, Cost Accountants, Advocates and GST Consultants handling appellate matters, the order provides greater certainty regarding acceptable documentation and reduces the risk of defect memos being issued for minor procedural issues.

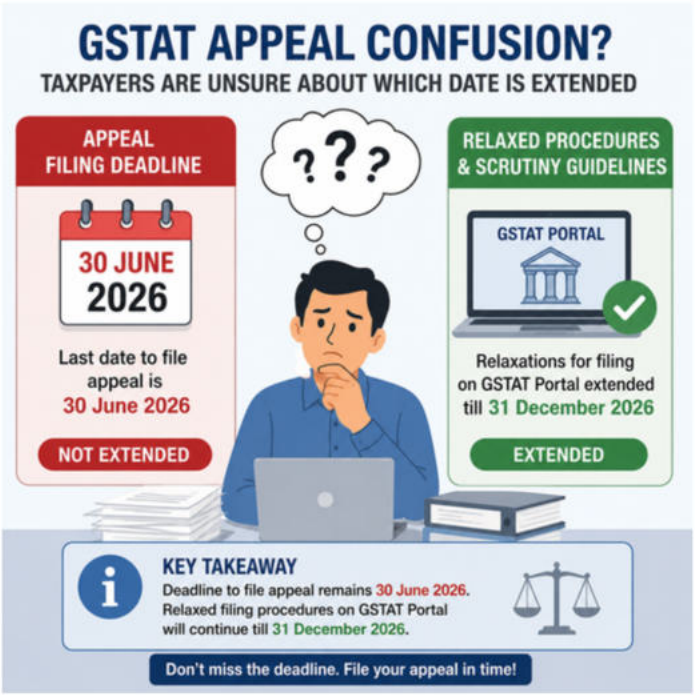
Conclusion

The GSTAT's decision to extend the relaxed filing framework till 31 December 2026 reflects a pragmatic and taxpayer-centric approach. By permitting soft copies, accepting scanned certified orders, and restricting unnecessary defect objections, the Tribunal has demonstrated its commitment to ensuring smooth access to appellate remedies during the transition to a fully digital dispute resolution system.

Taxpayers and professionals should nevertheless ensure that all substantive documents, authorizations, digital signatures, and statutory requirements are properly complied with while filing appeals so that matters can proceed without avoidable delays.

NOTE :

The procedural relaxations have been extended till 31 December 2026, but taxpayers should continue to treat 30 June 2026 as the last date for filing eligible GSTAT appeals unless a separate notification extends that deadline.



GSTAT Constitutes Benches and Classifies Appeals into Three Categories

Office Order No. 3/GSTAT/PB/2026 dated 14 May 2026

In a major step towards operationalizing the Goods and Services Tax Appellate Tribunal (GSTAT), the President of GSTAT has issued Office Order No. 3/GSTAT/PB/2026 dated 14 May 2026 constituting benches across India and prescribing a structured mechanism for allocation of GST appeals.

Under Section 109 of the CGST Act and Rule 110A of the CGST Rules, matters involving tax liability below ₹50 lakh and not involving any question of law may be heard by a Single Bench. However, to ensure consistency and avoid jurisdictional disputes, the President has directed that all pending and future appeals shall initially be listed before a Division Bench. Only after the Division Bench records a finding that no question of law is involved can the matter be considered for transfer to a Single Bench.

The order classifies GST disputes into three broad categories:

- Category I covers core tax disputes such as classification, valuation, time of supply, admissibility of Input Tax Credit, taxability of transactions, registration issues, and demands raised under Sections 73 and 74.
- Category II includes registration-related matters, cancellation and revocation proceedings, composition scheme disputes, assessment orders, recovery proceedings, and refund matters.
- Category III consists of consequential and procedural disputes such as seizure, confiscation, provisional attachment, rectification, penalties, compounding, and other residual matters.

The order further allocates judicial and technical members to benches throughout India, including Mumbai, Nagpur, Pune, Delhi, Ahmedabad, Bengaluru, Chennai, Hyderabad, Kolkata, Jaipur and other locations, thereby making the GST appellate mechanism fully functional.

For taxpayers and professionals, this order provides much-needed clarity regarding bench jurisdiction, category-wise allocation of appeals, and the functioning of GSTAT across the country. It marks an important milestone in strengthening the GST dispute resolution framework and ensuring timely disposal of appeals.

Passing a GST Assessment Order on the day of reply without prior hearing notice violates Principles of Natural Justice

M/s Poddar Ispat Pvt. Ltd. v. Office of the Deputy Commissioner & Another
Writ Petition (M/B) No. 286 of 2026 - Order dated : 22nd April 2026
Uttarakhand HC - Nainital Division Bench

The petitioner filed a writ petition challenging an assessment order and subsequent recovery actions passed under the Uttarakhand GST Act. HC set aside the order because the respondent passed it on the very same day the petitioner submitted their reply, without providing a meaningful opportunity for a personal hearing despite a specific request.

Facts of the case:

- SCN Issued: The petitioner was issued a show-cause notice dated 14th May 2025 alleging utilization of inadmissible Input Tax Credit (ITC) of Rs. 8,49,98,096/- for FY 2023-24.
- Petitioner's Reply & Request for Hearing: The petitioner submitted a reply to the SCN on 26th Dec 2025, which included a request for a personal hearing.
- Order Passed Immediately: On the same date the reply was filed, 26th Dec 2025, the respondent (Office of the Deputy Commissioner) passed an order u/s 74(9) imposing tax and penalty, and thereafter initiated recovery proceedings also.

Issues of the Case:

- Whether the Respondent followed the mandatory requirement of providing an opportunity for a personal hearing to the Petitioner u/s 75(4) of the Act, given the Petitioner had made a specific request.
- Whether the immediate passage of the assessment order on the same day the reply was submitted, without separate notice for a hearing, violated the principles of natural justice.
- (Additional arguments raised by the Petitioner) Whether the SCN was defective by lacking elements required u/s 74 and whether the Petitioner's reply was properly considered.

Grounds of the Case:

- Lack of Hearing: The petitioner contended that the order was passed without intimating a date for a personal hearing and without actually affording one, despite their specific request.
- No Proper Notice of Hearing: They argued that the SCN only requested a reply and did not put them on notice that a hearing would occur on the same day.

- Statutory Violation: The procedure followed violated the principles of natural justice and Section 75(4) of the Act.

- Hearing Requirement: The Court noted that Section 75(4) explicitly requires an opportunity for a hearing to be granted if requested.

- Meaningful Opportunity: The Court emphasized that respondents must intimate the hearing date in advance. The mere recital in an order that a party was "heard" on the day of reply is insufficient and an "eyewash," as a party filing a reply is likely not prepared for arguments that same day.

Judgement:

- Procedural Violation Found: The High Court concluded that the procedure followed by the respondent; passing an order on the same day as the reply without specific notice of a hearing; was in violation of the principles of natural justice contained in Section 75(4) of the Act.

- Order Set Aside: Consequently, the Court set aside the impugned order dated 26th Dec 2025.

- Remanded for Re-hearing: The case was sent back to the respondents, leaving it open for them to fix a fresh date for a hearing with proper intimation to the petitioner and then pass a fresh order strictly in accordance with law.

- Pleas Left Open: All other pleas and contentions were left open for the petitioner to raise before the proper officer.

- Writ Disposed: The writ petition and any pending applications were disposed of.

High Court Directs Revenue to Allow GST Appeal by Linking Investigation Deposits to Pre-Deposit Using Form DRC-03A

M/s Novitech Health Care Pvt ltd v. Commissioner CGST & C. Ex & Others

Writ Tax No. 1845 of 2026 - Order dated : April 16, 2026

High Court of Judicature at Allahabad

The petitioner approached the HC seeking a mandamus to allow them to file a GST appeal u/s 107 by treating an amount paid via Form GST DRC-03 during investigation as the mandatory 10% pre-deposit. The HC disposed of the writ by directing the petitioner to utilize the newly introduced technical mechanism (Form GST DRC-03A) on the GST portal to link their DRC-03 payment to the Demand ID, allowing the appeal to be filed and heard on merits without limitation barriers.

Facts of the case:

- Investigation & Voluntary Payment: The petitioner deposited an amount exceeding ₹1 crore 10 lakhs voluntarily during the investigation stage using Form GST DRC-03.

- Passing of Order-in-Original: Subsequently, an Order-in-Original dated 24.12.2025 was passed against the petitioner, creating a disputed tax demand exceeding ₹7 crores.

- Portal Technical Glitch: The petitioner wanted to file an statutory first appeal u/s 107 of the CGST Act against the assessment order. However, the GST portal failed to recognize the prior DRC-03 payment toward the mandatory 10% pre-deposit and blocked the appeal filing process by prompting for fresh payment.

- Interim Submissions: The GSTN authorities submitted written technical instructions during court proceedings, detailing a newly released technical advisory designed to resolve this exact system limitation.

Issues of the case:

- Whether a voluntary payment made via Form GST DRC-03 during an investigation can be recognized by the GST portal as a valid discharge of the mandatory 10% pre-deposit required for filing a statutory appeal under Section 107.

- Whether the technical system constraints of the GST portal, which uncouple DRC-03 payments from specific Demand IDs in the Electronic Liability Register, can legally block an assessee's right to appeal.

Grounds of the case:

- Petitioner's Ground: The petitioner argued that since they had already paid an amount far exceeding the required 10% pre-deposit under protest during investigation, forcing a duplicate payment on the portal to maintain an

appeal is unjust and acts as a barrier to equity.

- Technical Context: The GSTN authorities demonstrated that when an assessment order is issued, a unique Demand ID is made in the Electronic Liability Register. Payments made directly via "Payment towards Demand" map automatically, but historical DRC-03 payments stay unlinked.

- The Technical Solution as Ground: To bridge this systemic gap, the GST portal launched Form GST DRC-03A. Filing this form explicitly links the past DRC-03 payment to the relevant Demand ID, adjusting the Electronic Liability Register so the system auto-calculates the pre-deposit as fully satisfied.

Judgement:

- Integration of Technical Resolution: The HC took note of the newly enabled technical intervention (Form GST DRC-03A) presented by the GSTN.

- Permission to File Appeal: The Court permitted the petitioner to use the technical mechanism to adjust their pre-deposit liabilities and proceed to file the statutory appeal within two weeks.

- Protection Against Limitation: The Court directed that subject to filing within the timeline, the first appellate authority must entertain and deal with the matter as a regular appeal, without raising any technical objections regarding the limitation period.

- Escalation Metric: If any further technical roadblocks emerge, the petitioner can report them to the GSTN, which is mandated to resolve them promptly.

- Systemic Directive: To prevent recurring litigation, the Court ordered copy transmission to the Principal Chief Commissioners of Lucknow and Meerut, and the State Commissioner, directing them to issue uniform administrative circulars/guidelines instructing all assessees across Uttar Pradesh on how to use DRC-03A for mapping pre-deposits.

Appellate Authority Cannot Dismiss GST Appeal as Time-Barred Without Accounting for Pending Rectification Proceedings

M/s New Kailash Suppliers v. State of Gujarat & Others

R/Special Civil Application No. 9540 of 2025 Order dated : January 29, 2026

In the High Court of Gujarat at Ahmedabad

The petitioner challenged an appellate order that rejected their GST statutory appeal on the ground of limitation delay. The HC set aside the rejection, ruling that when a taxpayer files a rectification application against an original assessment order, the calculation of the limitation period for filing an appeal must run from the date the rectification application is rejected rather than the date of the original order.

Facts of the case:

- Original Order: An adverse assessment order was passed against the petitioner by the tax authority on 12.08.2024.
- Rectification Filed: Instead of appealing immediately, the petitioner filed a rectification application u/s 161 of the GST Act on 05.11.2024 to correct errors in the original order.
- Delayed Disposal by Authority: While statutory guidelines require rectification applications to be decided within 3 months, the authority delayed and rejected it on 19.03.2025.
- Appeal Lodged: Within 5 days of the rectification rejection (on 25.03.2025), the petitioner filed an appeal in Form GST APL-01 challenging the original order, explicitly explaining the chronology in the delay-rectification columns.
- Summary Rejection: The Appellate Authority dismissed the appeal on 25.04.2025, computing the timeline purely from the original order date (12.08.2024), finding it beyond the statutory limit of 120 days, and ruling it had no power to condone such a delay.

Issues of the Case:

- Whether the period spent waiting for the disposal of a statutory rectification application filed u/s 161 should be excluded or considered when calculating the limitation period for filing an appeal u/s 107 of the Act.
- Whether the Appellate Authority erred in mechanically rejecting the appeal as time-barred without examining the vital details and dates provided by the petitioner in Form GST APL-01.

Grounds of the Case:

- Petitioner's Ground: The petitioner contended that the appeal was filed within 5 days of the rejection of the rectification application. Therefore, the limitation run should begin from 20.03.2025, making the appeal well within time.

- Revenue's Ground: The respondent argued that because the petitioner challenged the original assessment order dated 12.08.2024 without separately challenging the subsequent rectification rejection order, the appeal was delayed by over 225 days and could not be entertained.

- Court's Findings: The High Court confirmed that while an appellate authority cannot condone a delay beyond the statutory 3 months plus 1 month (120 days) buffer, the facts here were fundamentally different. The filing and disposal of a rectification application directly alters the calculation timeline. Consequently, the limitation period legally commenced on 20.03.2025—the day after the rectification application was rejected.

Judgement:

- Petition Allowed: The HC accepted the petitioner's arguments and ruled that the appeal was filed well within the valid limitation framework.

- Order Set Aside: The impugned appellate order dated 25.04.2025, which dismissed the appeal on the grounds of delay, was quashed and set aside.

- Remanded for Merits: The matter was remanded back to the Appellate Authority (Respondent No. 3) with instructions to hear and decide the appeal completely on its merits.

- Principles of Natural Justice: The Court directed the authority to provide the petitioner a fair opportunity for a personal hearing and pass a reasoned order in accordance with the law.

Provisional Attachment Lapses Automatically After One Year and Cannot Apply to Cash Credit Accounts

M/s Darwin Platform Infrastructure Ltd v. Joint Commissioner of State Tax & Anr

Writ Petition No. 3643 of 2025 - Order dated : April 30, 2026

Bombay HC

The petitioner challenged the continued freezing of its cash credit and operational bank accounts under a provisional attachment order that had exceeded its statutory validity period. The High Court declared that the provisional attachment had legally lapsed by operation of law after one year and reaffirmed the settled legal principle that Cash Credit accounts cannot be provisionally attached in any event.

Facts of the case:

- Provisional Attachment: The tax department issued an order for the provisional attachment of the petitioner's operational bank accounts on 12.03.2025, freezing five operational accounts (including Cash Credit and Current accounts) across the State Bank of India, Bank of Maharashtra, and ICICI Bank.
- Statutory Validity Period: U/s 83(2) of the GST Act, any provisional attachment order automatically ceases to have effect after the expiry of a period of one year from the date it was passed.
- Continued Freeze Past Expiry: Despite the statutory one-year life of the attachment expiring on 11.03.2026, the department failed to lift the restrictions, keeping the accounts frozen through April 2026 and disrupting the petitioner's ongoing business operations.
- Writ Filed: Seeking immediate relief, the petitioner filed a writ petition under Article 226 of the Constitution to lift the attachment and unfreeze all operational channels.

Issues of the Case:

- Whether a provisional attachment order under Section 83 remains legally valid or enforceable after the expiry of the statutory one-year period from the date it was made.
- Whether the revenue department has the legal mandate to provisionally attach a taxpayer's Cash Credit facility account under the provisions of the GST Act.

Grounds of the Case:

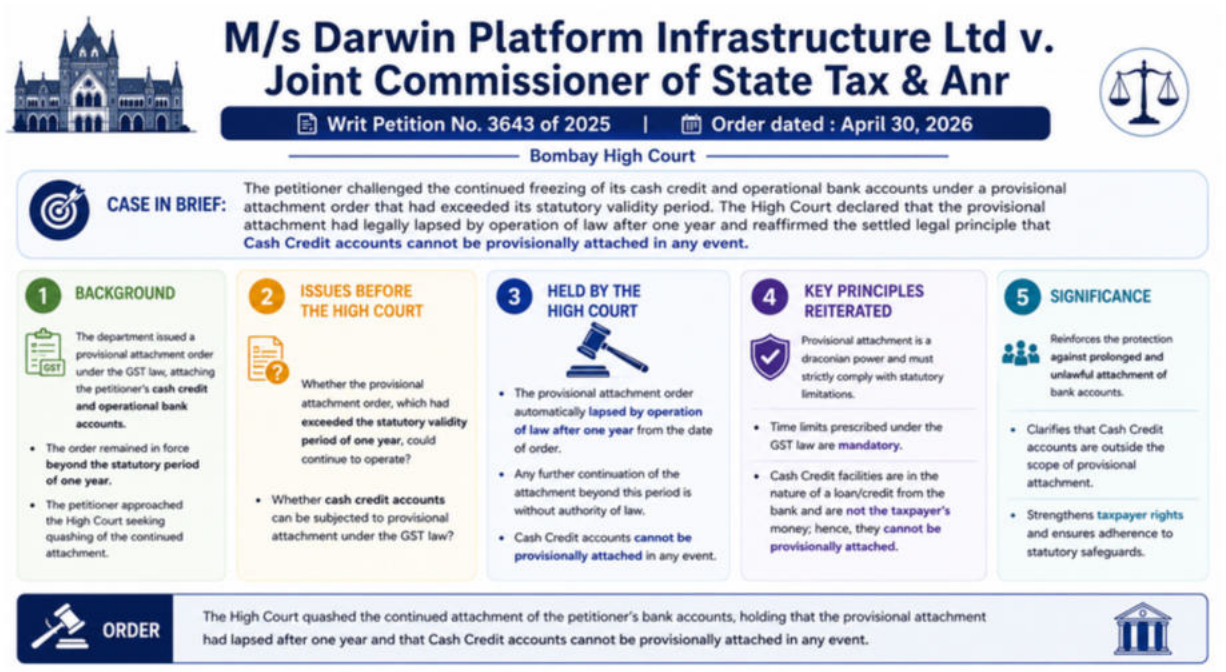
- Petitioner's Ground (Statutory Expiry): The petitioner argued that the attachment order dated 12.03.2025, automatically lapsed on 11.03.2026, by virtue of Section 83(2). Consequently, any continued restraint on the operation of the accounts was

completely unauthorized and lacked the backing of law.

- Petitioner's Ground (Nature of Cash Credit Accounts): The petitioner further argued that cash credit facilities represent a borrowing arrangement with financial institutions rather than a debt owed or credit balance held by the taxpayer, making them immune to provisional tax attachments.
- Court's Findings: The Court strictly upheld the statutory time-bar. Because one full year had elapsed since the order was issued and no fresh statutory orders were generated to justify a continuation, the attachment had legally expired.
- Settled Position on Cash Credit: The Court directly reinforced established jurisprudence, stating that it is a well-settled principle of law that Cash Credit facility accounts cannot be provisionally attached by tax authorities.

Judgement:

- The HC allowed the substantive contentions and formally disposed of the writ petition in favor of the taxpayer.
- Attachment Lapsed: The Court declared that the provisional attachment order dated 12.03.2025, along with the subsequent freezing of all 5 operational bank accounts (including Current and Cash Credit Accounts), had entirely lapsed.
- Freedom to Operate Accounts: The Court ordered that the petitioner is completely free to resume unrestricted operations on all five listed accounts, specifically detailing their bank names and account numbers.
- Directives to Banks: The Court directed the respective branches of the State Bank of India, Bank of Maharashtra, and ICICI Bank to immediately act on an authenticated copy of the judgment order and restore full operational status to the accounts.



ITAT Overrules Revenue: Two Floors Retained in a Redeveloped Building Deemed a Single Unit for Section 54 Exemption

Seeta Nayyar v. Asstt. Commissioner of Income Tax

ITA No. 6714/Mum/2025 - Order dated : February 20, 2026

In the Income Tax Appellate Tribunal, Mumbai

The assessee challenged the order of the tax authorities restricting her claim of indexed cost of acquisition to 22.5% and completely denying a Section 54 deduction following a residential redevelopment agreement. The ITAT allowed the appeal, ruling that the indexation benefit applies to the entire property value and multiple floors received in a single redeveloped building qualify as "one residential house" for the deduction.

Facts of the case:

- Property & Redevelopment Agreement: The assessee and her husband jointly owned a 500 sq. yard plot with an old residential house in New Delhi. On 16.10.2012, they entered into a redevelopment agreement with a builder (M/s Chetanya Buildcon).

- Terms of the Allocation: The builder demolished the old structure and constructed a ground-plus-three-floor building at its own expense. In exchange for construction costs, the builder received the 1st floor and a 22.5% undivided interest in the plot land. The owners received an additional cash amount of ₹2.5 crores, along with the remaining three floors (husband received the ground floor; the assessee received the 2nd and 3rd floors) and 77.5% undivided land interest.

- Assessing Officer's Additions: The AO determined that since the owners transferred 22.5% of the land to the builder, their indexation benefit should be restricted strictly to that 22.5% portion. Furthermore, AO disallowed the Sec 54 deduction entirely on the grounds that the couple received multiple distinct residential floors instead of just one house.

- First Appeal: The subsequent Long Term Capital Gain addition of ₹3,55,61,609/- was sustained by the National Faceless Appeal Centre (NFAC), prompting the appeal before the Tribunal.

Issues of the Case:

- Whether the restriction of the indexed cost of acquisition to 22.5% was legally sound, given that the entire original plot and structure were surrendered to facilitate the redevelopment.

- Whether multiple floors (2nd and 3rd floors) allocated to an assessee within a single newly redeveloped building can collectively qualify as "one residential house" for claiming a deduction under Section 54 of the Income Tax Act.

Grounds of the case:

- The assessee argued that the entire property was handed over to execute the project, and restricting indexation to the developer's eventual share was an incorrect application of Section 48.
- The assessee contended that the allocated floors were structurally components of a singular building unit rather than independent, separate houses scattered across different localities.
- The ITAT noted that u/s 2(47), the capital asset transferred was the unified, original immovable property. Because the entire asset was exchanged to acquire the new built-up area and cash, the indexation benefit must be applied across the entire property cost and cannot be arbitrarily limited.
- Relying on multiple judicial precedents, the Tribunal pointed out that the builder was not given a mandate to sell individual flats to outside parties. The two floors given to the assessee remained an integral part of one residential infrastructure and did not count as multiple residential houses.

Judgement:

- Appeal Allowed: The Income Tax Appellate Tribunal ruled completely in favor of the assessee and set aside the additions.
- Indexation Restored: The Tribunal deleted the disallowance concerning the indexed cost of acquisition, directing that full calculation benefits under Section 48 apply.
- Deduction Validated: The ITAT held that the assessee is fully eligible to claim the deduction under Section 54 of the Act.
- Verification Remand: The Assessing Officer was directed to factually verify the exact math of the computation and grant the statutory deduction accordingly.

Section 153C Assessment Quashed If Satisfaction Note Fails to Prove Live and Cogent Nexus with Seized Material, Rules ITAT Mumbai

DCIT v. Mrs. Sunetra Ajit Pawar (Legal Heir of Late Shri Ajit Anantrao Pawar)

ITA No. 2173/MUM/2025 - Order dated : April 20, 2026

In the Income Tax Appellate Tribunal, Mumbai

The Revenue appealed against a CIT(A) order that quashed search-related assessment proceedings initiated against the assessee u/s 153C of the Income Tax Act. The ITAT dismissed the Revenue's appeal, ruling that the satisfaction recorded by the Assessing Officer failed to establish a live, cogent, and legally sustainable nexus between the seized material and the taxpayer's income. As the basic jurisdictional foundation was absent, the consequential assessment order was held to be legally unsustainable.

Facts of the case:

- Search Operations: A search and seizure operation was conducted by the Income Tax Department, following which the AO initiated assessment proceedings under Section 153C against the assessee for the AY 2020-21. During the course of the said search, handwritten notebooks and diaries were seized

- AO's Action & Satisfaction: The AO recorded a satisfaction note pointing to certain seized documents and papers to assert that they had a bearing on the determination of the assessee's total income.

- First Appellate Outcome: The assessee challenged the validity of the Section 153C proceedings before the CIT(A). The Ld. CIT(A) passed an order dated 30.01.2025, quashing the entire assessment proceedings on the grounds that the jurisdictional prerequisites under Section 153C were not fulfilled.

- Appeal by Revenue: Aggrieved by the deletion, the DCIT filed an appeal before the Mumbai ITAT. During the pendency, the proceedings were pursued against Mrs. Sunetra Ajit Pawar in her capacity as the legal heir of the late taxpayer.

Issues of the Case:

- Whether the satisfaction recorded by the AO met the statutory mandates of Section 153C by demonstrating that the seized materials belonged to or pertained to the assessee and had a direct bearing on the determination of income.

- Whether the Ld. CIT(A) was legally justified in quashing the entire search assessment proceedings u/s 153C due to the absence of a sustainable jurisdictional nexus.

Grounds of the case:

- Revenue's Ground: The Revenue contended that the documents found and seized during the search operations provided credible material with a direct link to the assessee, thereby giving the AO valid jurisdiction to frame the assessment under Section 153C.

- Assessee's Ground: The legal heir supported the CIT(A)'s ruling, arguing that the documents relied upon by the department were general papers that did not reveal any undisclosed, legally admissible evidence or live nexus impacting the tax liability of the assessee.That the entire case of the Revenue rested purely on the speculative assumption.

- That the statutory presumptions u/s 132(4A) and 292C operate only against the person from whose possession the documents are found and cannot be automatically extended to the assessee, from whose possession no incriminating material was recovered

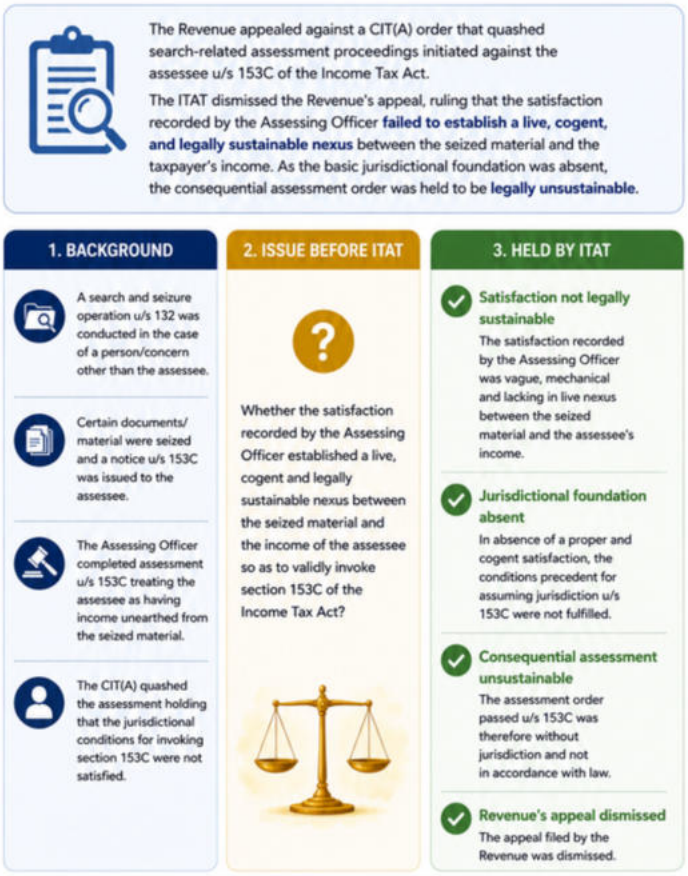
- Tribunal's Findings: The ITAT observed that for invoking Section 153C, the recorded satisfaction note must explicitly establish a live, cogent, and legally sustainable connection between the seized books or documents and the assessee's income. Upon reviewing the facts, the Bench found that the papers referred to by the AO carried no such weight or relevance as contemplated under the law.

Judgement:

- Revenue's Appeal Dismissed: The ITAT found no infirmity in the lower appellate order and dismissed the appeal filed by the Revenue.

- Quashing Upheld: The ITAT formally upheld the findings of the Ld. CIT(A), confirming that the satisfaction note lacked a valid foundation.

- Assessment Nullified: The Tribunal ruled that once the primary jurisdictional threshold and foundation fail to stand up to legal scrutiny, any consequential assessment order constructed upon it cannot survive in the eyes of law.



Procedural Delay in Filing Form 10-IE Cannot Defeat Substantive Rights Under Section 115BAC

Arun Gopilal Samnani v. CPC, Bangalore

ITA No. 1540/AHD/2025 - Date of Judgment: April 21, 2026

In the Income Tax Appellate Tribunal "SMC" Bench, Ahmedabad

The assessee filed an appeal against the rejection of his rectification application under Section 154, where the CPC denied him the benefits of the New Tax Regime u/s 115BAC because Form No. 10-IE was filed after the initial due date but before the filing of his ITR. ITAT allowed the appeal, directing the tax authorities to process the return under the New Tax Regime, ruling that filing Form 10-IE alongside or prior to the ITR satisfies the statutory requirements.

Facts of the case:

- Return & Form Filing: The assessee filed his income tax return for the AY 2021-22 and opted for the New Tax Regime u/s 115BAC. Prior to filing the return, the assessee had electronically submitted the mandatory Form No. 10-IE.

- CPC Intimation: The Central Processing Centre (CPC), Bangalore, processed the return u/s 143(1) but calculated the tax liabilities using the standard Old Tax Regime rates. The CPC disallowed the Section 115BAC options on the grounds that Form No. 10-IE was not furnished within the strictly prescribed statutory due date u/s 139(1).

- Rectification Disallowed: The assessee moved a rectification application u/s 154 to correct this computational discrepancy. However, the application was rejected, and the decision was subsequently sustained by the Additional/Joint Commissioner of Income Tax (Appeals)-7, Mumbai. Aggrieved, the taxpayer filed a second appeal before the ITAT.

Issues of the Case:

- Whether the CPC was legally justified in denying the lower tax rate benefit of the New Tax Regime u/s 115BAC solely because Form No. 10-IE was filed beyond the due date specified u/s 139(1) of the Income Tax Act.
- Whether procedural or timing delays in filing Form No. 10-IE can completely nullify a taxpayer's substantive statutory right to switch to the New Tax Regime, provided the form was submitted before the actual processing of the return.

Grounds of the Case:

Assessee's Ground: The assessee contended that Form No. 10-IE had already been duly submitted online before the e-filing of the income tax return. Therefore, the choice of regime was clearly communicated to the department, and a procedural delay

shouldn't defeat the substantive intent of the law.

- Revenue's Ground: The Revenue argued that formatting guidelines and timelines u/s 115BAC require strict compliance, and any declaration filed past the standard Section 139(1) window invalidates the option to seek alternative tax rates.

- Tribunal's Findings: The Tribunal observed that the core purpose of Form 10-IE is to formally put the department on notice regarding the selection of the tax regime. Relying on its own prior decision (ITA No. 2082/Ahd/2024) and coordinate bench rulings (Akshay Devendra Birari), the Bench held that when the form is submitted prior to or during the return validation process, the option remains legally valid.

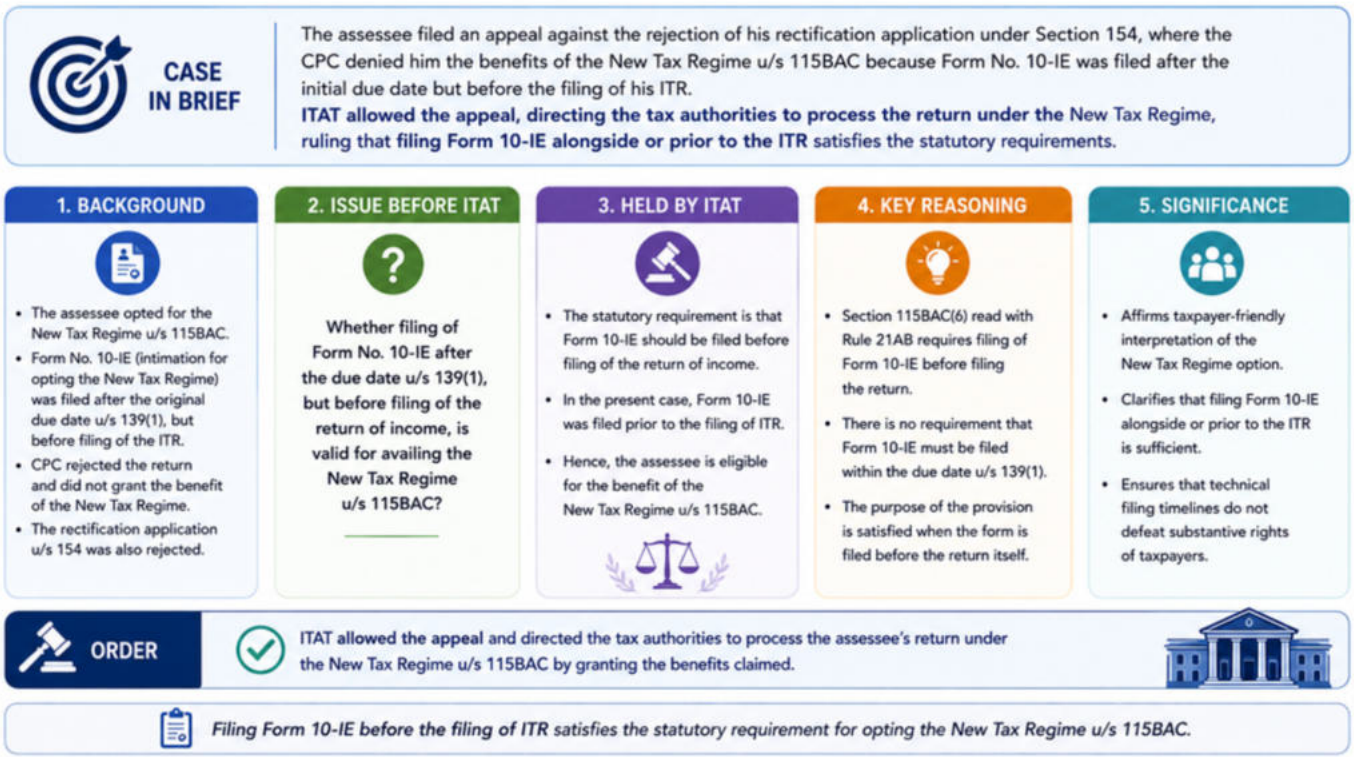
Judgement:

- Appeal Partially Allowed: The Income Tax Appellate Tribunal ruled in favor of the taxpayer on the primary issue, setting aside the lower appellate order.

- Regime Allowance Ordered: The ITAT directed the CPC/Jurisdictional Assessing Officer (JAO) to amend the intimation issued u/s 143(1).

- Tax Recalculation: The tax authorities were ordered to fully recognize Form No. 10-IE and recalculate the tax liabilities strictly in accordance with the New Tax Regime u/s 115BAC.

- Alternative Grounds: Consequent to the allowance of the main ground, the alternative pleas raised by the assessee were dismissed as infructuous.



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