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Key Developments in Tax Laws



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Simplifying Tax Law, Enabling Better Decisions

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Summary: Goods and Services Tax Case Laws

1. **Punjab & Haryana High Court: Mere Portal Upload of GST Notices and Orders Is Not Valid Service Where Serious Civil Consequences Ensue**
   Case: Amar Coop LC Society Ltd. v. State of Haryana
   Citation: CWP No. 15601 of 2026 (O & M)
   Judgment Date: 23 July 2026

- The Punjab & Haryana High Court held that mere uploading of a Show Cause Notice, Order-in-Original or rectification order on the GST Common Portal does not constitute valid service where serious civil consequences follow. Consequently, such portal-only upload does not trigger the limitation period for filing an appeal.

- The petitioner challenged the ex parte assessment and rectification orders, contending that being an illiterate person, he was unaware of the GST portal procedure and had relied upon a representative who failed to respond. The Department had served the notices and orders only through the GST Common Portal, following which the appeal was dismissed as time-barred.

- The Court followed its earlier decision in Luxmi Traders and rejected the Revenue's contention that the retrospective amendment introduced by Section 115 of the Finance Act, 2022 validated portal-only service. It observed that the CGST Rules do not specifically provide for service of Show Cause Notices or orders merely by uploading them on the Common Portal, and therefore the amendment did not alter the legal position.

- Accordingly, the High Court disposed of the writ petition in terms of the decision in Luxmi Traders, directed that the appeal be decided on merits wherever the statutory pre-deposit had already been made, revoked any attachment of the petitioner's bank account, and ordered that recoveries shall abide by the final adjudication of the matter.

2. **Kerala High Court: ITC Cannot Be Denied on Limitation Where GST Returns Were Filed by 30.11.2021**
   Case: Premier M Plex v. Assistant Commissioner
   Citation: WP(C) No. 24788 of 2026
   Judgment Date: 21 July 2026

- The Kerala High Court held that where a registered person had furnished the relevant GST returns on or before the statutory cut-off date of 30.11.2021, Input Tax Credit could not be denied solely on the ground of limitation under Section 16(4) of the CGST Act. The benefit available under Section 16(5) preserved the assessee's entitlement to ITC, subject to fulfillment of other eligibility conditions.

- The petitioner challenged the assessment order insofar as it denied ITC for the periods December 2018 to March 2019, November 2019 to March 2020 and April

2020 to March 2021 on the ground that the returns were filed beyond the time prescribed under Section 16(4). The petitioner relied upon Section 16(5), pointing out that all the relevant returns had been filed on or before 30.11.2021.

- The Court found that the returns for December 2018 to March 2019 had been filed between December 2019 and January 2020, while the returns for the remaining periods were filed on 29.11.2021. Since all returns were furnished within the statutory cut-off prescribed under Section 16(5), denial of ITC solely by invoking the limitation under Section 16(4) was held to be unsustainable.

- Accordingly, the High Court quashed the assessment order to the extent it denied ITC under Section 16(4), directed the Assessing Officer to grant the benefit of ITC in accordance with Section 16(5), subject to other eligibility conditions, and ordered lifting of the petitioner's frozen bank account in terms of the judgment.

3. **Allahabad High Court**: **GST Demand Cannot Exceed the Amount or Grounds Specified in the Show Cause Notice**
   Case: **Round Pay Voice Tech v. State of U.P.**
   Citation: **Writ Tax No. 930 of 2026**
   Judgment Date: **10 July 2026**

- The Allahabad High Court held that under Section 75(7) of the CGST Act, the adjudicating authority cannot confirm a demand exceeding the amount specified in the Show Cause Notice or raise a demand on grounds not contained in the notice. An adjudication order contrary to this statutory mandate is unsustainable.

- In the present case, the Department issued a Show Cause Notice proposing recovery of tax, interest and penalty aggregating to ₹57.60 crore. However, the adjudication order raised a total demand of ₹59.20 crore, including a penalty of ₹29.60 crore, thereby exceeding the quantum proposed in the Show Cause Notice.

- The Court observed that Section 75(7) expressly prohibits the adjudicating authority from demanding an amount in excess of the amount specified in the Show Cause Notice or confirming a demand on grounds beyond those stated therein. Since the impugned order violated this statutory restriction, it was held to be ex facie illegal.

- Accordingly, the High Court quashed the adjudication order and remanded the matter to the adjudicating authority with directions to permit the petitioner to file a reply to the Show Cause Notice, grant an opportunity of hearing, and pass a fresh order in accordance with law.

4. **Telangana High Court: Interest on Delayed GST Refund Cannot Be Denied Merely for Non-Furnishing of CA/CMA Certificate Where Principal Refund Has Already Been Sanctioned**
   Case: Synchrony International Service (P.) Ltd. v. Assistant Commissioner (ST), STU-1
   Writ Petition Nos.: 12047, 12052, 12127, 12128, 12130, 12132, 12133 & 12134 of 2026
   Judgment Date: 30 July 2026

- The Telangana High Court held that where the principal GST refund has already been sanctioned and disbursed, a subsequent claim confined only to statutory interest under Section 56 for delayed refund cannot be withheld merely because the taxpayer has not furnished a fresh CA/CMA certificate under Rule 89(2)(m).

- The petitioner had already received the principal refunds for the relevant periods from July 2018 to March 2021, including refunds sanctioned pursuant to orders-in-original and appellate orders. Since the refunds were delayed, the petitioner filed applications claiming interest under Section 56, but the Proper Officer issued deficiency memos requiring additional undertakings and certification under Rule 89(2)(m), resulting in the interest claims remaining unprocessed.

- The Court examined Rule 89(2)(m), which ordinarily requires CA/CMA certification regarding non-passing of the incidence of tax, interest or other amount where the refund exceeds ₹2 lakh. However, the Court held that in the present case the claim was only for interest on refunds already sanctioned and paid. Therefore, insistence on fresh certification under Rule 89(2)(m) was not warranted, and the Proper Officer was required to determine the interest on the basis of the existing refund orders and supporting summary sheet.

- Accordingly, the High Court directed the petitioner to appear before the Proper Officer with the relevant refund details and directed the Proper Officer to scrutinize and sanction the interest claim without insisting upon certification under Rule 89(2)(m). The decision was to be taken in accordance with law within two weeks thereafter, and all the writ petitions were disposed of accordingly.

5. **Supreme Court: Omission of Rule 96(10) Benefits Pending IGST Refund Proceedings; No Saving Clause Means Restriction Cannot Survive**
   Case: Goodluck India Ltd. v. Union of India
   SLP (C) Nos.: 24550 of 2025 & 26411 of 2026
   Judgment Date: 06 August 2026

- The Supreme Court held that the omission of Rule 96(10) of the CGST Rules, 2017, with effect from 08.10.2024 by Notification No. 20/2024, applies to all proceedings pending on the date of such omission. Consequently, pending claims for refund of IGST paid on exported goods and services are to be considered without applying the restrictions contained in the omitted Rule 96(10).

- The dispute arose because the GST Council had recommended that Rule 96(10) be omitted prospectively, whereas Notification No. 20/2024 omitted the provision without incorporating any saving clause. The assessee contended that, once the rule was omitted without a saving provision, the restriction could not continue to govern pending refund proceedings.

- The Court relied upon the Constitution Bench decision in Kolhapur Canesugar Works Ltd. v. Union of India and held that omission of a rule ordinarily obliterates it from the statute book. Proceedings under an omitted rule can continue only where a saving clause or an equivalent statutory mechanism specifically provides for their continuation. Since no such saving clause or sunset clause was introduced in respect of Rule 96(10), the restriction could not remain operative for pending proceedings.

- The Supreme Court further held that the GST Council's recommendation for prospective operation was advisory and did not bind the rule-making authority. Since Rule 96(10) had been omitted to eliminate unnecessary complications and no saving clause was enacted, the Court found no reason to interfere with the High Court's judgment. Accordingly, the appeals were dismissed and the ruling was affirmed in favour of the Revenue.

6. **Delhi High Court**: **GST Notices and Orders Cannot Be Treated as Served Merely by Uploading Them on the GST Portal**
   Case: **Gorki Contractors and Engineers and Connected Matters v. Union of India & Ors.**
   W.P.(C) 4118/2026 and connected writ petitions
   Judgment Date: **11 August 2026**

- The Delhi High Court disposed of a batch of 48 writ petitions concerning the validity/correctness of certain GST notifications and the issue of service of GST Notices and Orders merely by uploading them on the Common Portal. The Court noted that the validity of the challenged notifications was already pending consideration before the Supreme Court and directed that the parties would remain bound by the ultimate decision of the Supreme Court.

- The Court relied upon the decision of the Punjab and Haryana High Court in Luxmi Traders v. Union Territory of Chandigarh & Ors., which held that service of an SCN cannot be considered sufficient merely because it has been uploaded on the GST Common Portal, unless its receipt is acknowledged or a reply is filed. The Court also noted that mere portal uploading does not trigger the limitation period for filing an appeal against an order-in-original.

- Following the principles laid down in Luxmi Traders, the Court recognised that where an SCN was uploaded only on the portal and an ex parte order was subsequently

passed, the proceedings can be restored to the stage of issuance of the SCN, giving the assessee an opportunity to file a reply and thereafter requiring the Department to proceed after granting an appropriate hearing. Similarly, where an appeal was dismissed as time-barred solely because the order was served through portal uploading, the appeal can be restored for adjudication on merits.

- Accordingly, with the consent of the parties, the batch of writ petitions and pending applications was disposed of, granting liberty to the petitioners to avail the remedies available to them in terms of paragraph 60 of the Luxmi Traders judgment. Thus, taxpayers affected by portal-only service were permitted to seek restoration of the appropriate proceedings in accordance with the directions laid down therein.

7. **Supreme Court**: **GST Order Under Section 69 Must Be Communicated Before Arrest**; **High Court Cannot Grant Protection After Rejecting Pre-Arrest Bail**
Case: **Union of India v. Sunil Biyani**
Citation: **2026 INSC 849**
Criminal Appeal: Arising out of SLP (Crl.) No. 12535 of 2026
Judgment Date: **12 August 2026**

- The Supreme Court held that mere issuance of summons under Section 70 of the CGST Act does not make a person an accused and, in the absence of an order under Section 69 authorising arrest, there can be no apprehension of arrest sufficient to maintain an application for pre-arrest bail. The Court therefore upheld the rejection of the respondent's pre-arrest bail application.

- The Court further held that once a High Court or Sessions Court rejects an application for pre-arrest bail as not maintainable, it cannot nevertheless grant interim protection from arrest for a specified period. Such protection would amount to granting interim relief after refusing the main relief, which is impermissible in law. Accordingly, the Supreme Court set aside the one-week protection from arrest granted by the Bombay High Court.

- Importantly, the Supreme Court held that an order passed by the Commissioner under Section 69 of the CGST Act authorising arrest must be communicated to the person concerned. Such an order is a sine qua non for seeking anticipatory bail, and communication is necessary to enable the person to challenge the order and the "reasons to believe" recorded by the Commissioner. The Court observed that withholding such reasons could seriously affect the person's right to personal liberty.

- Accordingly, the Supreme Court directed the Commissioner to communicate the Section 69 arrest authorisation order to the respondent, including through electronic means and other permissible modes. The Court specifically reiterated that, without such communication, the question of arrest would not arise. The investigation,

however, was directed to continue uninfluenced by the observations made in the judgment.

8. **Punjab & Haryana High Court: GST Prosecution of Director Alone Not Maintainable Without Arraigning the Company for Offences Alleged Against the Company**
Case: Manoj Bansal v. Deputy Director, Directorate of Goods and Services Tax Intelligence
Case No.: CRM-M-No. 45265 of 2025 (O & M)
Judgment Date: 01 August 2026

- The Punjab & Haryana High Court held that prosecution of a Director under Section 132 of the CGST Act, read with Section 137, is not maintainable where the alleged GST offence was committed by the company but the company itself was not arraigned as an accused. Since the company is the primary offender, its prosecution is a condition precedent for fastening vicarious criminal liability upon its Director.

- In the present case, DGGI alleged that M/s Nikita Industries Pvt. Ltd. (NIPL) had fraudulently availed ITC of approximately ₹15.44 crore on the strength of invoices issued by 31 alleged dummy firms without actual supply of goods. Although the complaint attributed the wrongful availment of ITC to NIPL, the company was not made an accused and prosecution was instituted only against its Director, Manoj Bansal.

- The Court observed that Section 137 of the CGST Act is pari materia with Section 141 of the Negotiable Instruments Act, which deals with vicarious liability of company officers. Following the Supreme Court's decisions, particularly Aneeta Hada, the Court held that commission of an offence by the company and its arraignment as an accused are express conditions precedent before vicarious liability can be imposed upon a Director. Penal provisions must also be strictly construed.

- Accordingly, the High Court quashed the complaint under Section 132 of the CGST Act and all consequential proceedings against the Director. However, the Court clarified that the Revenue would remain at liberty to proceed against the company and/or other persons in accordance with law.

9. **Allahabad High Court: SCN under Section 74 Must Specifically Spell Out Fraud, Wilful Misstatement or Suppression With Intent to Evade Tax**
Case: S.S. Infrazone (P.) Ltd. v. State of U.P.
Writ Tax No.: 1068 of 2026
Tax Period: 2020-21
Judgment Date: 07 August 2026

- The Allahabad High Court held that a Show Cause Notice issued under Section 74 of the CGST/SGST Act cannot be sustained where it fails to specifically disclose the

statutory ingredients of fraud, wilful misstatement or suppression of material facts with intent to evade tax. These ingredients are jurisdictional preconditions for invoking the extended provisions of Section 74.

- The petitioner challenged the Show Cause Notice dated 30.04.2026 issued under Section 74 for the tax period 2020-21, contending that the notice suffered from patent lack of jurisdiction because it did not disclose any allegation or particulars relating to fraud, wilful misstatement or suppression of material facts with intent to evade tax.

- The Court, upon examining the SCN, found that the statutory ingredients required for invoking Section 74 were completely absent. Following its earlier decision in HCL Infotech Ltd. v. Commissioner, Commercial Tax, the Court agreed with the petitioner's contention that a Section 74 notice must disclose the necessary jurisdictional foundation and cannot merely invoke the provision without specifying the conduct constituting fraud, wilful misstatement or suppression.

- Accordingly, the High Court quashed and set aside the impugned Show Cause Notice. However, liberty was granted to the Department to issue a fresh Show Cause Notice in accordance with law. The writ petition was consequently disposed of in favour of the assessee.

10. **Patna High Court**: **GST Demand under Section 73 Cannot Be Adjudicated Before Expiry of Annual Return Due Date**
Case: **Azad Enterprises v. State of Bihar**
Case No.: **CWJC No. 14211 of 2025**
Judgment Date: **06 August 2026**

- The Patna High Court held that the Proper Officer had no authority to determine GST liability under Section 73(9) for FY 2022-23 before expiry of the due date for filing the annual return. Since the annual return was due on 31.12.2023, the adjudication order passed on 25.11.2023 was premature and without authority.

- The petitioner had regularly filed its monthly and quarterly GST returns. However, before the due date for filing the annual return for FY 2022-23, the Proper Officer passed an order dated 25.11.2023 under Section 73(9) determining the tax liability. The petitioner subsequently filed its annual return on 20.01.2024, and the Department thereafter initiated proceedings for attachment of the petitioner's bank account.

- The Court observed that the statutory due date for filing the annual return was 31.12.2023 and the adjudication order preceded that date. Therefore, the Proper Officer could not have assessed the tax liability for FY 2022-23 under Section 73(9) before expiry of the prescribed period. The fact that the annual return was ultimately filed late did not validate the premature adjudication.

Accordingly, the High Court set aside the order dated 25.11.2023 imposing the tax liability and remanded the matter to the Proper Officer for initiating fresh proceedings after issuing proper notice and providing an opportunity of hearing. The fresh proceedings were directed to be completed within three months, and the petitioner was directed to appear before the Proper Officer within two weeks.

11. **Gujarat High Court: GST on Corporate Guarantees Upheld, but "Whichever is Higher" in Rule 28(2) Held Unconstitutional**
Case: Torrent Power Ltd. v. Union of India
Case No.: R/Special Civil Application Nos. 12175, 12179 & 15084 of 2024 & Others
Judgment Date: 14 August 2026

- The Gujarat High Court held that corporate guarantees furnished by a holding company to banks for its subsidiaries, even without consideration, constitute taxable supplies between related persons under Section 7 read with Schedule I of the CGST Act. The Court held that the subsidiary is the recipient of the service and that furnishing the guarantee in order to safeguard the subsidiary's financial interests falls within the wide definition of "business" under Section 2(17).

- On valuation, the Court upheld the constitutional validity of Rule 28(2) insofar as it prescribes 1% as the deemed value of a corporate guarantee where actual consideration is not ascertainable. However, the words "whichever is higher" were held arbitrary and violative of Articles 14 and 19(1)(g), as they could result in taxation at 1% even where the actual consideration was lower. The provision was therefore read down, permitting valuation based on actual consideration or the deemed 1% value, as applicable.

- The Court further held that the 1% deemed valuation under Rule 28(2), introduced with effect from 26.10.2023, could not be retrospectively applied to corporate guarantees issued before that date, including guarantees executed during the pre-GST period. Such retrospective levy was held harsh and unfair. However, where a guarantee continued beyond 26.10.2023, GST could be levied for the period after insertion of Rule 28(2). For guarantees involving foreign subsidiaries, Circular No. 225/19/2024-GST was held applicable.

- The Court also held that the time of supply arises annually under Section 13(2)(c) when the recipient recognises the service in its books, although the corporate guarantee itself is not a continuous supply. Further, CBIC Circulars cannot override the statutory provisions and were set aside to the extent inconsistent with the judgment. Importantly, where the Department invoked Section 74 in respect of a pre-GST corporate guarantee, the Court held that mere non-declaration, in the absence of a positive act or intent to evade tax, did not constitute wilful suppression; accordingly, the relevant SCN and order were quashed.

12. **Maharashtra AAR**: **Commission Received from Foreign Universities for Student Admissions Qualifies as Export of Services**; **Student Fees Separately Taxable**
Case: **Eduguide Overseas Studies (P.) Ltd., In re**
Authority: **Authority for Advance Ruling, Maharashtra**
Date: **30 December 2025**
Ruling No.: **GST-ARA-29/2020-21/642**
Members: **D.P. Gojamgunde (Central Tax) & Himani Dhamija (State Tax)**

- The applicant provided marketing and admission-related services to foreign universities under agreements whereby it received commission in convertible foreign exchange for each successful admission. The AAR held that the applicant was not an "intermediary", since it had no contractual relationship with the students and was providing advertising/marketing services to the foreign universities on a principal-to-principal basis. Accordingly, the services fulfilled the conditions of Section 2(6) of the IGST Act and qualified as export of services, making the applicant eligible for refund of accumulated ITC, subject to verification.

- The AAR further held that the consultancy and support services separately provided to students in India for a fee—such as assistance with applications, education loans, visas and e-ticketing—constituted a taxable "supply" under Section 7 of the CGST Act. The applicant's argument that these were merely ancillary services to the export service was rejected, as the services were supplied to a different recipient (the students) for separate consideration and could not be treated as a composite supply with services provided to foreign universities.

- However, where the applicant provided similar consultancy/support services to students free of charge under promotional schemes, the AAR held that such transactions did not constitute a "supply" because no consideration was received and the transactions did not fall within Schedule I of the CGST Act. Consequently, no GST was payable on such free services.

- **Held**: Services provided to foreign universities against commission, where the contractual relationship and consideration are directly between the applicant and the foreign university, qualify as export of services and are eligible for ITC refund. Services supplied to students for a fee are taxable under GST, whereas services supplied to students without charging any fee under promotional schemes are not taxable.

13. **SC Held**: **Section 74 SCN Must Specifically Set Out Fraud or Suppression; Late SCN Cannot Be Saved by Vague Allegations**
Case: **M/s G.R. Infra Projects Limited v. State of Madhya Pradesh & Ors.**
Court: **Supreme Court of India**
Civil Appeal: **No. 11277 of 2026**
Judgment Date: **19 August 2026**

- The Supreme Court considered a Show Cause Notice dated 13.06.2025 issued under Section 74 of the CGST/MPGST Acts for FY 2018-19. The Court held that an SCN invoking Section 74 must itself contain specific allegations and material indicating fraud, wilful misstatement or suppression of facts. A mere mechanical recital of these expressions, without explaining how such conduct was inferred, is insufficient.

- The Court further held that the SCN for FY 2018-19 was barred by limitation under Section 73. After considering the extensions granted for filing the annual return and the exclusion of the COVID period pursuant to the Supreme Court's limitation orders, the extended limitation under Section 73 expired on 28.02.2025, whereas the impugned SCN was issued only on 13.06.2025.

- The Department attempted to justify the invocation of Section 74 by relying upon allegations elaborated in its counter-affidavit. The Supreme Court rejected this approach, holding that the validity of a notice must be assessed from the contents of the notice itself and its deficiencies cannot subsequently be cured or supplemented through a counter-affidavit filed before the Court.

- Accordingly, the Supreme Court set aside the Madhya Pradesh High Court's order as well as the impugned SCN and directed the State authorities to desist from taking any further proceedings pursuant to the said notice. The civil appeal was consequently allowed.

14. **Delhi High Court**: **Mere Uploading of GST SCN on Portal Without Proof of Receipt Does Not Constitute Valid Service**
Case: **SGS Export (P.) Ltd. v. Commissioner of Central Tax/GST Delhi**
Writ Petition: **W.P. (C) No. 12260 of 2025**
Judgment Date: **12 August 2026**

- The Delhi High Court held that mere uploading of a Show Cause Notice on the GST Common Portal, without proof of actual receipt or acknowledgement, does not constitute valid service. Following the decision in Luxmi Traders, the Court held that portal upload alone cannot be treated as sufficient service where the assessee has neither acknowledged receipt nor filed a reply.

- The petitioner's GST registration was retrospectively cancelled after an SCN alleging fraud, wilful misstatement and suppression of facts was uploaded on the portal. The petitioner contended that it never received the SCN and became aware of the cancellation only when it subsequently attempted to respond to other GST proceedings. By then, the normal period for seeking revocation had expired.

- The Court observed that where an SCN is served only through portal uploading and the assessee does not respond, an ex parte cancellation order cannot be treated as having been preceded by effective service merely because the document was available on the portal. The principle laid down in Luxmi Traders requires restoration of proceedings where appropriate and permits the assessee an opportunity to respond.

- Accordingly, the High Court granted the petitioner 15 days to file a fresh application for revocation of cancellation of its GST registration and directed the Department to decide the application on merits, uninfluenced by limitation. The petition was consequently disposed of in favour of the assessee.

Summary: Income Tax Case Laws

1. **Telangana High Court: Notice under Section 148 Issued After Limitation Cannot Be Saved by COVID-19 Extensions or Section 292BB**
   Case: Mohammed Abdul Hafeez v. Assessment Unit, Income-tax Department
   Citation: W.P. No. 22608 of 2026
   Judgment Date: 15 July 2026

- The Telangana High Court held that a notice under Section 148 issued beyond the prescribed period of limitation is invalid and cannot be saved either by the COVID-19 extension notifications or by Section 292BB of the Income-tax Act. Consequently, all consequential reassessment proceedings are liable to be quashed.

- The petitioner challenged the reassessment proceedings for Assessment Year 2013-14 on the ground that the six-year limitation expired on 31.03.2020. Although the notice under Section 148 was signed on 31.03.2021, it was actually issued only on 01.04.2021, after expiry of the statutory limitation period.

- The Court observed that the notification dated 31.03.2021 extending limitation during the COVID-19 period applied only where the original limitation expired on 31.03.2021 and not where it had already expired on 31.03.2020. It further held that Section 292BB merely cures defects in service of notice and cannot extend the statutory period of limitation for issuance of a notice under Section 148.

- Accordingly, the High Court quashed the notice issued under Section 148 as being barred by limitation, set aside the consequential assessment orders, and allowed the writ petition in favour of the assessee.

2. **ITAT Mumbai: Penalty under Section 270A Cannot Be Levied Merely for Reclassification of Income Without Any Under-Reporting**
   Case: Legrand Netherlands B.V. v. ACIT (IT)
   Citation: ITA No. 1882 (Mum.) of 2026
   Judgment Date: 16 July 2026

- The ITAT Mumbai held that penalty under Section 270A of the Income-tax Act cannot be levied merely because the Assessing Officer reclassifies income from one head to another. Where the returned income and assessed income remain identical and there is no suppression, concealment or under-reporting of income, levy of penalty is unsustainable.

- The assessee, a tax resident of the Netherlands claiming benefits under the India–Netherlands DTAA, had disclosed long-term capital gains arising from reduction of share capital. During assessment, the Assessing Officer recharacterised a part of the capital gains as dividend under Section 2(22)(d), but the total assessed income remained exactly the same as the returned income. The penalty under

Section 270A was nevertheless imposed on the ground that the income had been offered under an incorrect head.

- The Tribunal observed that the reclassification actually reduced the assessee's effective tax liability, a fact not disputed by the Revenue. Following its earlier decision in D.C. Polyester Ltd., it held that a mere change in the head of income resulting from the computational methodology prescribed under the Act does not amount to under-reporting or misreporting of income so as to attract penalty under Section 270A.

- Accordingly, the Tribunal set aside the order of the CIT(A), directed the Assessing Officer to delete the penalty under Section 270A, and allowed the assessee's appeal.

3. **ITAT Chennai**: **Ad Hoc Disallowance of Purchases Cannot Be Made When GSTR-2A Supports Purchases and Books Are Not Rejected**
   Case: **Deputy Commissioner of Income-tax v. Gunasekaran**
   Citation: **ITA No. 467 (Chny.) of 2026**
   Judgment Date: **21 July 2026**

- The ITAT Chennai held that an ad hoc addition of 50% of purchases under Section 69C cannot be sustained merely because the assessee failed to respond during assessment proceedings. Where Form GSTR-2A corroborates the purchases, the books of account are not rejected, and the Revenue fails to establish that the suppliers are non-existent or the purchases are bogus, such addition is unsustainable.

- The assessee, a Government contractor, furnished additional evidence before the CIT(A), including party-wise purchase details, purchase ledger, GST particulars and Form GSTR-2A. Although these documents were forwarded to the Assessing Officer during remand proceedings, the Assessing Officer neither verified the suppliers nor issued notices under Section 133(6), and merely asserted that GSTR-2A alone was insufficient to prove the purchases.

- The Tribunal observed that Form GSTR-2A is a system-generated statement auto-populated from suppliers' GSTR-1 returns and constitutes significant corroborative evidence of purchases. Since the Assessing Officer neither rejected the books of account nor pointed out any specific defect or conducted any independent enquiry, the ad hoc disallowance of purchases, labour charges and other business expenses based only on suspicion was held to be legally unsustainable.

- Accordingly, the Tribunal upheld the order of the CIT(A) deleting the addition under Section 69C as well as the ad hoc disallowances of labour, salary and business expenses, and dismissed the Revenue's appeal.

4. **ITAT Lucknow**: **Cash Deposits of Bank Mitra Cannot Be Taxed under Section 69A as Unexplained Money**; **Penalty under Section 272A(1)(d) Can Be Levied Only Once for Multiple Non-Compliances**
   Case: **Manoj Kumar Singh Yadav v. Income-tax Officer**
   Appeal Nos.: **ITA Nos. 549 & 550 (LKW) of 2026**
   Assessment Year: **2020-21**
   Judgment Date: **24 July 2026**

- The ITAT Lucknow held that cash deposits amounting to ₹1.32 crore in the bank account of an assessee acting as a Bank Mitra could not be treated as unexplained money under Section 69A where documentary evidence established that the deposits represented funds collected from banking customers in the course of intermediary banking services.

- The assessee was a registered Bank Mitra of Bank of India and, under a business correspondent agreement, was authorised to provide various banking services including cash deposits, withdrawals, fund transfers and remittances. The Tribunal found that the bank statements and the agreement supported the assessee's explanation that the cash transactions represented customer funds handled in the course of the Bank Mitra business. Following its earlier decision in ITO v. Shyam Sagar Yadav, the Tribunal deleted the addition under Section 69A.

- The Tribunal also deleted an ad hoc addition of ₹14,065 towards alleged rental income from plant and machinery. The Revenue failed to produce any material showing that such rental income had not already been accounted for and included in the assessee's taxable income. In the absence of contrary evidence, the addition was held to be without factual or evidentiary basis.

- On penalty under Section 272A(1)(d), the Tribunal held that where multiple notices under Section 142(1) relate to the same statutory requirement, penalty cannot be imposed separately for every notice remaining unanswered. Since the assessee had failed to comply with two such notices, only one penalty of ₹10,000 was sustained and the balance ₹10,000 was deleted. Accordingly, the quantum appeal was allowed and the penalty appeal was partly allowed

5. **ITAT Mumbai**: **LTCG on Penny Stock Sale Cannot Be Treated as Unexplained Cash Credit Merely on the Basis of Investigation Wing Report**
   Case: **Income-tax Officer v. Abhishek Harshkumar Jain**
   Appeal Nos.: **IT Appeal Nos. 4164 & 4165 (Mum.) of 2024**
   Assessment Years: **2014-15 & 2015-16**
   Judgment Date: **5 August 2026**

- The ITAT Mumbai held that long-term capital gain claimed as exempt under Section 10(38) on sale of shares of Lifeline Drugs and Pharma Ltd. could not be treated as unexplained cash credit under Section 68 merely on the basis of Investigation Wing material alleging penny-stock transactions. Where the assessee furnished broker notes, Demat statements and bank statements evidencing the purchase, sale and receipt of consideration, and there was no

specific evidence of the assessee's involvement in price manipulation or providing accommodation entries, the addition was held unsustainable.

- The assessee had purchased shares through banking channels, held them in his Demat account, and subsequently sold them through the BSE after payment of applicable Securities Transaction Tax (STT). The Tribunal noted that the documentary evidence supporting the transactions was not disproved or controverted by the Assessing Officer, and there was no material specifically implicating the assessee as an entry provider, exit provider or participant in manipulation of the share price.

- The Tribunal observed that mere reliance on third-party investigation material or alleged modus operandi of penny-stock operators cannot substitute for specific evidence against the assessee when the assessee has discharged the primary onus by producing complete documentary evidence. Following the decisions in CIT v. Himani M. Vakil, Pr. CIT v. Parasben Kasturchand Kocher, PCIT v. Indravadan Jain, HUF and other similar cases, the Tribunal held that the Revenue failed to establish that the assessee's share transactions were sham or fictitious.

- The Tribunal further held that the consequential addition under Section 69C towards alleged commission for obtaining accommodation entries had no independent basis once the addition under Section 68 was deleted. There was also no evidence that the assessee had actually incurred such unexplained expenditure. Accordingly, the CIT(A)'s order deleting the additions under Sections 68 and 69C was affirmed, and both Revenue appeals for AYs 2014-15 and 2015-16 were dismissed.

6. **Madras High Court**: **Prosecution under Section 276CC Cannot Survive Where No Tax Is Due and Excess TDS Is Available**
Case: **K.P. Constructions Engineers and Contractors v. Income-tax Officer**
Case No.: **Crl. O.P. (MD) No. 22117 of 2022**
Judgment Date: **17 July 2026**

- The Madras High Court held that prosecution under Section 276CC of the Income-tax Act for failure to file a return cannot be continued where, after reassessment proceedings are finally decided, no tax remains payable by the assessee and the available TDS exceeds the actual tax liability. In such circumstances, the proviso to Section 276CC bars prosecution.

- The assessee-firm had failed to file its return for AY 2013-14 within the prescribed time, pursuant to which prosecution was initiated under Section 276CC. During the pendency of the criminal proceedings, reassessment initially created a demand of ₹1.61 crore, which was subsequently reduced by the CIT(A) and ultimately deleted by the ITAT. The Tribunal found the disputed additions to be unsustainable, resulting in the original tax liability being restored.

- The Court noted that the assessee's actual tax payable was ₹25.97 lakh, whereas TDS of ₹28.87 lakh was already available with the Department, resulting in an

excess of approximately ₹2.91 lakh. Since no tax was ultimately payable, the statutory proviso to Section 276CC applied and the assessee could not be proceeded against for the alleged failure to furnish the return within time.

- Accordingly, the High Court held that continuation of the criminal proceedings would amount to an abuse of the process of law and quashed the pending prosecution before the Additional Chief Judicial Magistrate, Madurai. The connected criminal miscellaneous petitions were also closed.

7. **Supreme Court: Penalty under Section 271(1)(c) Cannot Survive Where Notice Fails to Specify Clearly the Penalty Limb**
   Case: Principal Commissioner of Income-tax v. Mahesh G. Garodia
   SLP (Civil) Diary No.: 31777 of 2026
   Judgment Date: 31 July 2026

- The Supreme Court dismissed the Revenue's Special Leave Petition and upheld the High Court's view that penalty under Section 271(1)(c) cannot be sustained where the show-cause notice under Section 274 fails to clearly specify whether the penalty proceedings are initiated for concealment of income or furnishing inaccurate particulars of income.

- In the present case, the printed show-cause notice did not clearly identify the specific charge against the assessee and the irrelevant limb was not struck off. The ambiguity in the notice deprived the assessee of clear information regarding the precise allegation for which penalty was proposed.

- The High Court had upheld the deletion of penalty on the ground that an ambiguous penalty notice was invalid, following the binding legal precedent on the requirement of specifying the applicable limb of Section 271(1)(c). The Supreme Court found no reason to interfere with the High Court's judgment.

- Accordingly, the Supreme Court dismissed the SLP in favour of the assessee and upheld the deletion of penalty. The Court, however, kept any question of law, if arising, open for consideration in an appropriate case.

8. **Madras High Court: Delay in Filing Income-tax Return Can Be Condoned by High Court Despite CBDT Circular Limitation**
   Case: Arulmigu Gnanamalai Murugan Educational Trust v. Commissioner of Income-tax (Exemption)
   Writ Petition: W.P. No. 13870 of 2026
   Judgment Date: 23 July 2026

- The Madras High Court held that Section 119(2)(b) of the Income-tax Act does not itself impose any restriction fettering the discretion of the Income-tax authority to condone delay. The Court further held that even though CBDT

Circular No. 16/2024 prescribes a three-year period for filing applications for condonation, the High Court can, in appropriate circumstances, exercise its writ jurisdiction to condone the delay.

- The petitioner, an educational/charitable trust, could not file its return within time because its statutory audit report was prepared only on 30.12.2020. The return was ultimately filed on 15.02.2022. After receiving a demand notice dated 24.06.2025, the assessee applied under Section 119(2)(b) for condonation of delay, but the Commissioner rejected the application on 08.09.2025 by relying upon the limitation prescribed under CBDT Circular No. 16/2024.

- The Court observed that although the petitioner had approached the Commissioner belatedly, the delay was attributable to the late submission of the statutory audit report. Considering that the petitioner was a charitable trust and the statutory provision itself did not fetter the power to condone delay, the Court found it appropriate to exercise its jurisdiction and grant relief despite the period mentioned in the CBDT Circular.

- Accordingly, the High Court set aside the order dated 08.09.2025 rejecting the condonation application and condoned the delay, subject to payment of ₹15,000 as costs to the Adyar Cancer Institute, Chennai within two weeks. The concerned authorities were directed to give effect to the order and proceed further with the assessment on that basis.

9. **ITAT Agra**: **Full TDS Credit Can Be Given to One Co-owner Where Entire TDS Was Deducted on His PAN and Other Co-owners Do Not Claim TDS Credit**
Case: **Tejpratap Singh Yadav v. Income-tax Officer**
Appeal No.: **IT Appeal No. 300 (Agr.) of 2026**
Assessment Year: **2020-21**
Judgment Date: **30 July 2026**

- The ITAT Agra held that where rental property is jointly owned by three co-owners, but the entire TDS on rent is inadvertently deducted and reported against the PAN of one co-owner, the entire TDS credit can be allowed to that co-owner when the other co-owners have disclosed their respective shares of rental income but have not claimed any TDS credit.

- In the present case, the assessee jointly owned a house property with his mother and sister, which was leased to State Bank of India. The rent of ₹40.63 lakh was received in their joint bank account and each co-owner offered one-third share as income in their respective returns. However, the entire TDS of ₹4,06,250 was inadvertently deducted by the bank against the assessee's PAN alone. The Assessing Officer therefore restricted the assessee's TDS credit to one-third, i.e. ₹1,35,417.

- The Tribunal observed that although Rule 37BA ordinarily provides for allocation of TDS credit where the underlying income is assessable in the hands of another person, the two co-owners had neither claimed their proportionate TDS credit nor sought credit in their returns. They had also filed affidavits supporting the assessee's claim for the entire TDS. The Tribunal held that the Revenue could not retain the remaining TDS of ₹2,70,833 without granting credit to anyone.

- Accordingly, the Tribunal held that procedural provisions should advance substantial justice and cannot be applied mechanically to cause the TDS to be permanently retained by the Department. The orders of the lower authorities were set aside and the Assessing Officer was directed to grant the assessee full TDS credit of ₹4,06,250 instead of ₹1,35,417.

10. **Madras High Court**: **Penalty under Section 270A for Misreporting Cannot Be Sustained Where SCN Fails to Specify the Basis of Misreporting**
Case: **Ennore Tank Terminals** (**P**.) **Ltd**. **v**. **Addl**./**Jt**./**Dy**./**Asstt**. **CIT**/**ITO**, **NFAC Centre**, **Delhi**
Writ Petition: **W**.**P**. **No**. **10711 of 2022**
Judgment Date: **20 July 2026**

- The Madras High Court held that penalty under Section 270A of the Income-tax Act for "misreporting" cannot be sustained where the show-cause notice does not specify the particular basis or category of alleged misreporting and the penalty order itself fails to provide reasons supporting the finding of misreporting. Since misreporting attracts a higher penalty of 200% and has serious consequences, the assessee must be given a meaningful opportunity to respond to the specific allegation.

- The assessee had claimed deduction under Section 80-IA. The Assessing Officer issued three notices under Section 270A. The first notice merely stated that income had been under-reported "in consequence of misreporting" without giving particulars, while the subsequent notices referred to Section 270A without even mentioning misreporting. However, the final penalty order recorded a finding of misreporting and imposed penalty of ₹13.48 crore.

- The Court observed that "misreporting" is a species of under-reporting and attracts penalty equal to 200% of the tax payable on the under-reported income, besides affecting the assessee's ability to seek immunity under Section 270AA. Therefore, the SCN must disclose the basis on which misreporting is alleged, particularly having regard to the categories specified in Section 270A(9). The Court also relied upon its earlier decision in Verizon Data Services India (P.) Ltd. and noted that misrepresentation or some form of bad faith is necessary to justify a charge of misreporting.

- The Court further found that the computation of tax sought to be evaded, stated at ₹6.74 crore, also required reconsideration because the normal income increased from approximately ₹16.31 crore under the Section 143(1) intimation to ₹19.48 crore under the Section 143(3) assessment. Accordingly, the penalty

order was set aside, while the Department was given liberty to initiate fresh proceedings in accordance with law.

11. **ITAT Mumbai**: **Surrendered Income Duly Recorded in Books Cannot Be Treated as Unexplained Cash Credit under Section 68 Merely on the Basis of Survey Statement**
Case: **Deputy Commissioner of Income-tax v. Falcon Bus Lines (P.) Ltd.**
Appeal No.: IT Appeal No. 9398 (Mum.) of 2025
Assessment Year: 2017-18
Judgment Date: 30 June 2026

- The ITAT Mumbai held that where income surrendered during a survey is subsequently incorporated in the regular books of account and disclosed in the return of income, the Assessing Officer cannot treat the same amount as unexplained cash credit under Section 68 merely on the basis of the statement recorded during the survey, particularly in the absence of any independent or corroborative evidence.

- The assessee-company, engaged in bus services and ticket booking, was subjected to a survey under Section 133A on 31.08.2016. During the survey, its Director surrendered ₹1,45,53,867 as additional income. The assessee subsequently incorporated the surrendered amount in its regular books of account and disclosed it in its return. However, during reassessment, the Assessing Officer treated the surrendered amount as unexplained cash credit under Section 68.

- The Tribunal observed that the addition was based solely on the Director's statement recorded during the survey. There was no independent evidence to establish that the surrendered amount represented an unexplained cash credit. The Tribunal also noted that the survey was conducted before closure of the relevant financial year's books and that the surrendered income was subsequently duly recorded in the books and offered to tax.

- Relying upon the Supreme Court's decision in CIT v. S. Khader Khan Son, the Tribunal held that a statement recorded during a survey under Section 133A has no conclusive evidentiary value and cannot, by itself, support an addition without corroborative material. Accordingly, the Tribunal upheld the CIT(A)'s deletion of the ₹1.45 crore addition under Section 68 and dismissed the Revenue's appeal.

12. **ITAT Mumbai**: **Unsecured Loan Cannot Be Treated as Accommodation Entry Merely on the Basis of Investigation Wing Information and Third-Party Statement**
Case: **Harichandana Developers (P.) Ltd. v. Income-tax Officer**
Appeal No.: IT Appeal No. 3022 (Mum.) of 2026
Assessment Year: 2013-14
Judgment Date: 23 July 2026

- The ITAT Mumbai held that unsecured loans received through normal banking channels cannot be treated as accommodation entries under Section 68 merely

on the basis of Investigation Wing information and a third-party statement, particularly where the lender's statement does not specifically implicate the assessee and there is no independent material establishing that the loan represented the assessee's own unaccounted money.

- The assessee had received unsecured loans aggregating to ₹25 lakh from two companies. The Assessing Officer, relying upon Investigation Wing information, treated the loans as unexplained cash credits under Section 68 and further made an addition of ₹1,43,012 under Section 69C towards alleged commission for obtaining accommodation entries. The CIT(A) confirmed the additions primarily on the basis of the alleged lack of creditworthiness of the lenders and statements concerning accommodation entries.

- The Tribunal observed that the statement of the Director of one lender primarily concerned transactions of another company and accommodation entries in the diamond trade. It neither specifically referred to the assessee nor admitted that the loan given to the assessee was bogus. Further, the loans were received through banking channels, interest was paid at 12%, TDS was deducted on the interest, and the loans were subsequently repaid with interest. The Revenue also failed to establish that the repaid funds came back to the assessee or that the transactions were circular entries.

- The Tribunal further observed that the Assessing Officer himself had been uncertain about the quantum of one of the loans and had computed it on an assumed interest rate, despite the actual interest being 12% and duly reflected in Form 26AS. This demonstrated non-application of mind in the reasons for reopening. Accordingly, the Tribunal held that the Revenue failed to discharge its burden of proving accommodation entries and deleted the ₹25 lakh addition under Section 68 as well as the consequential ₹1,43,012 addition under Section 69C. The assessee's appeal was allowed.

13. **ITAT Varanasi**: **Cash Deposits Representing Recorded Cash Sales Cannot Be Added Again under Section 68**
Case: **Shivam Silkfab (P.) Ltd. v. Additional/Joint/Deputy Assistant/Commissioner of Income-tax/Income-tax Officer (NFAC)**
Appeal No.: IT Appeal No. 239 (VNS) of 2024
Assessment Year: 2014-15
Judgment Date: 20 July 2026

- The ITAT Varanasi held that cash deposits in the bank account cannot be treated as unexplained cash credits under Section 68 where the assessee establishes that such deposits represented cash sales already recorded in its books of account and included in its disclosed turnover. Once the amount has already been taken into account in computing the assessee's income, the same amount cannot be added again as income.

- The assessee, a company engaged in trading of raw silk and fabrics, had cash deposits of ₹17.15 crore in its bank account. The Assessing Officer, relying upon information available on the Income-tax Department's Insight Portal, treated the

entire cash deposits as unexplained cash credits under Section 68 and made an addition of ₹17,15,56,550. The CIT(A) sustained the addition. The assessee contended that the deposits represented cash sales duly recorded in its books and that the corresponding profits had already been offered to tax.

- The Tribunal noted that the assessee had produced its cash book, bank statements, ledgers, purchase and sales records, invoices and other supporting documents. The comparative figures also showed that substantial cash sales were a normal feature of the assessee's business. Importantly, the accounting entry for the cash sales was "Debit Cash Account – Credit Sales Account"; no liability or unexplained credit in the name of any person was created. Therefore, the cash sales had already formed part of the turnover and had been considered while computing taxable income.

- Accordingly, the Tribunal held that Section 68 could not be invoked to add the same cash sales once again as unexplained income. The Assessing Officer and CIT(A) had erred in treating the cash sales already credited to the Profit & Loss Account as a fresh source of income. The addition of ₹17,15,56,550 was therefore deleted and the assessee's appeal was allowed.

14. **ITAT Hyderabad**: **Penalty under Section 270A Not Leviable Where Assessee Discloses Entire Income in Return Filed under Section 148 and Explanation for Non-Filing is Bona Fide**
Case: **Kavita Mamidi v. ACIT**
Appeal No.: **IT Appeal No. 72 (Hyd.) of 2026**
Assessment Year: **2018-19**
Judgment Date: **22 July 2026**

- The ITAT Hyderabad held that penalty under Section 270A for under-reporting or misreporting of income is not leviable where the assessee, who failed to file the original return due to a bona fide belief that her employer would file it, subsequently disclosed her entire income in the return filed in response to Section 148 notice and furnished all material facts. The Tribunal held that the case falls within the exclusion provided under Section 270A(6).

- The assessee, a salaried individual, had not filed her return under Section 139 for AY 2018-19. Upon receiving notice under Section 148, she promptly filed a return declaring income of ₹37,58,300. The assessment was completed at ₹38,03,034 after making only an addition of ₹44,734 towards savings-bank interest. Most of her income, including salary and other interest income, was already subject to TDS.

- The Assessing Officer nevertheless levied penalty of ₹19,64,022 under Section 270A(9), treating the case as under-reporting in consequence of misreporting, on the ground that the assessee had filed the return only after detection and issuance of notice under Section 148. The assessee explained that in earlier years her employer had been filing returns on behalf of employees and, during the relevant period, she was employed outside India, leading to a bona fide belief that the return had been filed.

- The Tribunal held that although the case would ordinarily fall within Section 270A(2)(b) read with Section 270A(3), the assessee's bona fide explanation, complete disclosure of income in the return filed under Section 148 and the fact that almost the entire income was subjected to TDS brought the case within Section 270A(6). Accordingly, the CIT(A)'s order was set aside, the Assessing Officer was directed to delete the penalty, and the assessee's appeal was allowed.

15. **Gujarat High Court**: **Bogus Purchases – Entire Purchase Amount Cannot Automatically Be Added Where Books Are Not Rejected and Sales Are Accepted**
Case: **Principal Commissioner of Income-Tax (Central) v. Rudra Global Infra Products Ltd.**
Court: **Gujarat High Court**
Date: **27 July 2026**
Assessment Year: **2018-19**
Appeals: **Tax Appeal Nos. 469 & 474 of 2026**

- The assessee was engaged in manufacturing TMT bars and had recorded purchases of metal scrap/billets aggregating to approximately ₹39.01 crore from four suppliers. The Investigation Wing, Jamshedpur and Designated Verification Unit (DVU) reported that the suppliers were allegedly engaged in paper transactions without actual movement of goods. On this basis, the Assessing Officer treated the entire purchases as bogus and added ₹39.01 crore to the income. The CIT(A) confirmed the addition.

- The ITAT, however, restricted the addition to 10% of the alleged bogus purchases. Although the Tribunal found that the assessee could not satisfactorily establish actual movement of goods from the named suppliers, it noted that the corresponding sales had been duly recorded in the books and offered to tax. Therefore, the entire purchase value could not represent the assessee's income; only the profit element embedded in the disputed purchases could be brought to tax.

- The Revenue challenged the restriction to 10%, principally relying upon Section 69C and the decision in N.K. Industries Ltd. The Gujarat High Court rejected this contention. The Court specifically noted that the Assessing Officer had not invoked Section 69C in the assessment order. Further, the books of account had not been rejected, while the sales and profits recorded therein were not doubted. Consequently, the Revenue could not subsequently contend that the entire purchase amount was liable to be added under Section 69C.

- The High Court affirmed the principle that, in cases of alleged bogus purchases, the entire transaction value is not necessarily taxable as income. Where sales have been accepted and the books have not been rejected, taxation should ordinarily be confined to the income/profit component embedded in the disputed purchases, so as to prevent revenue leakage rather than taxing the entire purchase transaction. The Court relied upon and followed Pr. CIT v. Pankaj

K. Choudhary and other decisions where additions in bogus-purchase cases were restricted to a reasonable percentage.

- The Court also considered the Revenue's reliance on N.K. Industries Ltd. but distinguished the present position on the basis of the assessment actually made. Since no addition under Section 69C was made by the AO and the books, sales and profits remained undisturbed, the Tribunal was justified in exercising its discretion and restricting the addition to 10% of the disputed purchases.

- On the assessee's challenge to reopening under Sections 147/148A, the High Court held that the reassessment proceedings were valid. The Court specifically held that while issuing notice under Section 148A(b), the Assessing Officer was not required to furnish all the material in his possession relied upon for reopening. Since the procedure prescribed under Section 148 had been followed, there was no infirmity in the reopening proceedings.

- **This judgment is particularly useful where the Department seeks 100% addition of alleged bogus purchases but the assessment order itself does not invoke Section 69C, the books are not rejected under Section 145(3), and the corresponding sales/turnover are accepted.**

16. **Allahabad High Court: Reassessment Can Proceed on PAN-Linked Transactions, but Revenue Must Lead Primary Evidence Before Burden Shifts to Assessee**
Case: Vyome Mehta v. Income-tax Department
Court: Allahabad High Court
Writ Tax No.: W.P. No. 3376 of 2026
Assessment Year: 2022-23
Judgment Date: 06 August 2026

- The Allahabad High Court held that at the preliminary stage under Section 148A, the Revenue is only required to determine whether it is a fit case for issuing notice under Section 148 on the basis of relevant material. Detailed "reasons to believe" are no longer required; however, the authority must apply its mind to the material and objections raised by the assessee.

- The assessee, a salaried individual who had declared income of about ₹4.16 lakh, denied having any business activity after receiving information linking his PAN with large transactions, including purchases of about ₹11.16 crore and GST sales of about ₹24.03 crore and ₹29.46 crore. He claimed that his identity had been misused in connection with "Hari Om Traders" and had also approached the GST authorities regarding the alleged identity theft.

- The Court held that the assessee's defence of identity theft could not, at the Section 148A stage, by itself result in dropping the reassessment proceedings because evidence and enquiry were still required. However, the Revenue is not absolved of its responsibility to establish that the disputed transactions were actually carried out by the assessee. Where the assessee pleads a negative fact,

the Revenue must first produce primary positive evidence before the burden can shift to the assessee.

- Accordingly, the writ petition was disposed of with the reassessment proceedings being permitted to continue. The Court clarified that the assessee would have full opportunity to produce evidence in support of the identity-theft defence during reassessment, while the Revenue would have to first establish through primary evidence that the disputed transactions were in fact performed by the assessee.